2020

SECOND QUARTERLY REPORT

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

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	$	$	$	$
Revenue	**267,770**	278,872	291,489	293,598
Cost of sales	**211,279**	219,961	231,167	229,535
Gross profit	**56,491**	58,911	60,322	64,063
Gross margin	**21.1 %**	21.1 %	20.7 %	21.8 %
Selling, general and administrative expenses	**33,599**	30,849	32,533	35,025
Research expenses	**2,545**	3,333	3,010	3,326
	36,144	34,182	35,543	38,351
Operating profit before manufacturing facility closures, restructuring and other related charges (recoveries)	**20,347**	24,729	24,779	25,712
Manufacturing facility closures, restructuring and other related charges (recoveries)	**3,211**	651	(657)	1,614
Operating profit	**17,136**	24,078	25,436	24,098
Finance (income) costs				
Interest	**7,513**	7,798	7,668	7,764
Other finance (income) expense, net	**(9,590)**	(1,132)	3,630	(459)
	(2,077)	6,666	11,298	7,305
Earnings before income tax expense	**19,213**	17,412	14,138	16,793
Income tax expense (benefit)				
Current	**3,996**	2,355	3,459	6,584
Deferred	**296**	881	(1,010)	(2,332)
	4,292	3,236	2,449	4,252
Net earnings	**14,921**	14,176	11,689	12,541
Net earnings (loss) attributable to:				
Company shareholders	**14,819**	14,238	11,631	12,528
Non-controlling interests	**102**	(62)	58	13
	14,921	14,176	11,689	12,541
Earnings per share attributable to Company shareholders				
Basic	**0.25**	0.24	0.20	0.21
Diluted	**0.25**	0.24	0.20	0.21
Weighted average number of common shares outstanding				
Basic	**59,009,685**	59,009,685	58,900,337	58,877,185
Diluted	**59,467,336**	59,075,593	59,027,917	59,058,758

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 finance expense (income), net	798	(655)	2,854	(1,497)
	9,363	7,038	9,567	2,455
Earnings before income tax expense	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

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 12, 2020, 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, 2020 and 2019 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, 2019 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.

This MD&A contains certain non-GAAP financial measures and key performance indicators 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 are key performance indicators that 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 in the section entitled "Non-GAAP Financial Measures and Key Performance Indicators" and should consider non-GAAP financial measures and key performance indicators 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.

Overview

The Company develops, manufactures and sells a variety of paper-and-film based pressure sensitive and water-activated tapes, polyethylene and specialized polyolefin films, protective packaging, engineered coated products and packaging machinery for industrial and retail use. The Company provides packaging and protective solutions for industrial markets in North America, Europe and other geographies.

The Company's products primarily consist of carton sealing tapes, including pressure-sensitive and water-activated tapes; packaging equipment; industrial and performance specialty tapes, including masking, duct, electrical, foil, process indicator, sheathing, sports and reinforced filament tapes; protective packaging solutions, including inflatable systems, mailer products, bubble cushioning, paper void fill, thermal solutions and protective foam roll stock; stencil products; shrink film; stretch wrap; lumber wrap, structure fabrics, geomembrane fabrics; and non-manufactured flexible intermediate bulk containers. Most of the Company's products are made from similar processes. A vast majority of the Company's products, while brought to market through various distribution channels, generally have similar economic characteristics.

The Company has assembled a broad range of products by leveraging its manufacturing technologies, research and development capabilities, global sourcing expertise and strategic acquisitions. Over the years, the Company has made a number of strategic acquisitions intended to offer a broader range of products to better serve its markets. The Company's extensive

product line permits the Company to offer tailored solutions to a wide range of end markets including food processing, general manufacturing, fulfillment, transportation, building and construction, consumer, oil and gas, agriculture, aerospace, appliance, sports and entertainment, marine, composites military and medical applications. The Company's largest end markets as of December 31, 2019 were: general manufacturing, fulfillment/e-commerce, food and beverage, building and construction, retail and transportation(1).

The Company's unique bundle of products positions it to serve the market with a broad and comprehensive range of packaging, protective and industrial product solutions. The Company believes that its broad and unique product bundle is a key competitive advantage. The portfolio of products is valuable to the Company’s customers as it contributes to the flexibility of its distributor partners by allowing them to offer a solutions-oriented approach to address specific end user needs, create operating efficiencies and lower operating costs. Management believes this flexibility is unique to the Company and differentiates the Company from its competitors.

COVID-19

Beginning in December 2019, a new strain of the coronavirus (COVID-19) spread rapidly through the world, including the United States, Canada, India and Europe (where, collectively, significant portions of the Company’s operations are located and its sales occur). The impact of the virus varies from region to region and from day to day.

The Company has implemented measures to prioritize the health and safety of its employees while protecting its assets, customers, suppliers and shareholders. The following is an overview of the status of the Company's efforts as of the time of this filing as well as a discussion of certain risks to its business associated with COVID-19:

- The Company's facilities are open and operating having qualified as essential under the applicable government orders and guidelines. Alternative capacity exists across all major product lines that would enable the continuation of operations if certain facilities were required to close, however, in most cases this alternative capacity would produce less than current run rates. Management has and will continue to adjust production plans to align with demand and slow down as deemed necessary in order to manage working capital and associated cost levels. Management has successfully mitigated minor supply chain challenges experienced to date and continues to work closely with suppliers as supply chain risk mitigation plans are refined.

- The Company's four facilities in India adhered to the government issued shutdown announced March 24th until each facility was deemed essential and allowed to re-open in phases beginning in the month of April. These facilities are now operating and there are no significant restrictions limiting production.

- Management has put measures in place to enable employees to work safely according to United States Centers for Disease Control and Prevention and other applicable social distancing guidelines, wearing protective face coverings provided by the Company where required, and strongly encouraging employees to wear them in jurisdictions where they are not already required, and completing health interviews prior to entry on a regular basis. Cleaning and sanitization of the equipment and facilities has been increased significantly in the context of COVID-19 and the Company is supporting remote work arrangements for approximately 20% of its workforce in North America. The remote work arrangements have not had any significant effect on the Company's ability to conduct its day-to-day operations.

- Employee health coverage has been enhanced to include the cost of COVID-19 testing and treatment at no additional cost to employees and the higher risk workforce or those experiencing illness of any kind are strongly encouraged to stay at home or shelter in place. As a result, the current absentee rate at facilities in North America is approximately 10%, which has not resulted in experiencing any material level of production disruption.

- Cash and expense management initiatives to date include a company-wide salaried position hiring freeze, applicable to positions vacated as a result of both normal attrition and terminations, the postponement of annual pay increases for salaried staff, the delay of non-essential capital projects and suspension of business travel and other discretionary spending. In the second quarter of 2020, certain positions were eliminated as part of an employee restructuring initiative. This restructuring initiative resulted in cash charges for termination benefits of $2.7 million and is expected to yield estimated annual savings of $4.7 million in wages, salaries, and other short-term benefits with the effect of additional adjusted EBITDA of approximately $1.8 million in 2020. Minimal additional charges are expected to be incurred in the third quarter of 2020 as this initiative is completed. Further cost saving measures may be taken should the impact of the virus be worse than currently anticipated.

- Cash and loan availability was $340.5 million at the conclusion of the second quarter. Typically, due to the normal seasonality of the business, cash flows from operating activities and free cash flows (a non-GAAP financial measure defined and reconciled later in this document) are at their lowest in the first quarter, in a negative position, before progressively increasing each quarter throughout the year. In the second quarter of 2020, the Company generated cash flows from operating activities of $40.5 million and free cash flows of $35.3 million primarily through effective management of working capital, including inventory management and cost savings initiatives, and planned reductions in capital expenditures as a precautionary measure. Loan covenants were well within their limits with the consolidated secured net leverage ratio at 1.76, compared to the covenant maximum of 3.70, and the consolidated interest coverage ratio at 5.75, compared to the covenant minimum of 2.75 as of June 30, 2020. Loan availability was $326.1 million as of June 30, 2020 which does not include the incremental accordion feature of $200.0 million available on the Company's credit facility (subject to the credit agreement's terms and lender approval). Additionally, the 2018 Credit Facility (defined later in this document) has over three years remaining until maturity and the Senior Unsecured Notes (defined later in this document) have over six years remaining until maturity. See "Liquidity and Borrowings" below for more information.

There continues to be significant macroeconomic uncertainty, and the Company expects the COVID-19 pandemic is likely to have a materially negative impact on the global economy for the remainder of 2020 (and perhaps beyond). For the Company, the pandemic could materially impact the Company's ability to manufacture, source (including the delivery of raw materials to its facilities) or distribute its products both domestically and internationally and reduce demand for its products, any of which could have a significant negative impact on the Company's financial results in 2020 and beyond. Given the dynamic nature of the pandemic (including its duration and the severity of its impact on the global economy and the applicable governmental responses), the extent to which the COVID-19 pandemic impacts the Company's results will depend on unknown future developments and any further impact on the global economy and the markets in which the Company operates and sells its products, all of which remain highly uncertain and cannot be accurately predicted at this time.

Financial Highlights

The Company reported a 9.4% decrease in revenue for the second quarter of 2020 compared to the second quarter of 2019 and a 4.7% decrease in revenue for the first six months of 2020 compared to the same period in 2019. The decrease in revenue in both periods was primarily due to a decrease in volume/mix and lower selling prices. The decrease in volume/mix was primarily due to the net impact of COVID-19 on demand.

Gross margin decreased to 21.1% in the second quarter of 2020 compared to 21.9% in the second quarter of 2019 primarily due to the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020 to manage inventory levels at facilities that experienced COVID-19 related declines in demand. This unfavourable impact was partially offset by a net decrease in all other plant-related operating costs driven by cost savings initiatives. Gross margin decreased to 21.1% in the first six months of 2020 compared to 21.4% for the same period in 2019 primarily due to the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020 and an unfavourable product mix. These unfavourable impacts were 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") increased to $14.8 million ($0.25 basic and diluted earnings per share) for the second quarter of 2020 from $6.6 million ($0.11 basic and diluted earnings per share) for the second quarter of 2019, and increased to $29.1 million ($0.49 basic and diluted earnings per share) for the first six months of 2020 from $17.1 million ($0.29 basic and diluted earnings per share) for the same period in 2019. The increase in both periods was primarily due to (i) a gain resulting from a fair value adjustment to the Company's contingent consideration related to the Nortech Acquisition [(2)], (ii) a decrease in selling, general and administrative expenses ("SG&A") mainly driven by decreases in travel expenses and variable compensation both related to the impacts of COVID-19, and (iii) a decrease in income tax expense mainly driven by the non-recurrence of the Proposed Tax Assessment [(3)] recorded in the second quarter of 2019. These favourable impacts were partially offset by a decrease in gross profit.

Adjusted net earnings [(4)] decreased to $13.2 million ($0.22 basic and diluted adjusted earnings per share [(4)]) for the second quarter of 2020 from $14.6 million ($0.25 basic and diluted adjusted earnings per share) for the second quarter of 2019. The decrease was primarily due to a decrease in gross profit, partially offset by decreases in (i) SG&A, (ii) income tax expense mainly driven by a favourable mix of earnings between jurisdictions, and (iii) interest expense resulting from a lower average cost of debt.

Adjusted net earnings decreased to $26.1 million ($0.44 basic and diluted adjusted earnings per share) for the first six months of 2020 from $26.8 million ($0.46 basic and diluted adjusted earnings per share) for the same period in 2019. The decrease was primarily due to a decrease in gross profit, partially offset by decreases in (i) income tax expense mainly driven by the favourable treatment of interest deductions related to the restructuring of intercompany debt, (ii) SG&A and (iii) interest expense.

Adjusted EBITDA [4] decreased to $40.4 million for the second quarter of 2020 from $44.2 million for the second quarter of 2019, and decreased to $77.9 million for the first six months of 2020 from $82.5 million for the same period in 2019. The decrease in both periods was primarily due to a decrease in gross profit, partially offset by a decrease in SG&A.

(1) Represents management estimates as the Company does not have access to exact point of sale data.

(2) "Nortech Acquisition" refers to the acquisition by the Company of substantially all of the operating assets of Nortech Packaging LLC and Custom Assembly Solutions, Inc. (together "Nortech") on February 11, 2020. See "Nortech Acquisition and Integration Update" below.

(3) "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.

(4) 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 and Key Performance Indicators" below.

Other Highlights

Dividend Declaration

On August 12, 2020, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2020 to shareholders of record at the close of business on September 15, 2020.

2019 Annual Sustainability Report

In July 2020, the Company published its annual 2019 sustainability report, titled "We Package, We Protect & We Sustain", which provides an overview of the Company's sustainability progress in 2019 and highlights sustainability opportunities in the years ahead. Since the issuance of this report, the Company achieved Cradle to Cradle Certified™ Silver level for Exlfilmplus® Shrink Film. The Cradle to Cradle Certified™ Product Standard is a globally recognized measure of safer, more sustainable products. The Company's other achievements in 2019 and to date in 2020 highlighted in the report include:

- Awarded the 2019 and 2020 ENERGY STAR® Partner of the Year - Sustained Excellence designation[1]
- Adopted the Cradle to Cradle Certified™ Product Standard, a globally recognized measure of safer, more sustainable products, for certain products to drive and measure the Company's product innovation process
- Achieved a 3.7% reduction in energy intensity in 2019 compared to 2018
- Achieved an approximately 6% reduction in carbon intensity in 2019 compared to 2018
- Achieved a 6.5% reduction in water usage in 2019 compared to 2018, primarily driven by decreases at the Truro, Nova Scotia manufacturing facility
- Signed the United Nations Global Compact (the "Compact") agreeing to adopt the ten principles governing Human Rights, Labor, Environment and Anti-Corruption; as a result, the Company expects all of its suppliers to support the Compact's principles
- Certified the recyclability of non-reinforced water-activated tape through the Western Michigan Old Corrugated Cardboard Equivalency protocol
- Qualified reinforced water-activated tape as recyclable through internal testing based on normal recyclability yields and protocols
- Committed to the Association of Plastic Recyclers to be a Demand Champion in 2021 by reporting the Company's impact on the demand for post-consumer resin
- Proud initial donor of the University of Florida's "Waste-to-Syngas" initiative

(1) ENERGY STAR® is the government-backed symbol for energy efficiency, providing simple, credible and unbiased information that consumers and businesses rely on to make well-informed decisions. Industrial, commercial, utility, state, and local organizations partner with the U.S. Environmental Protection Agency ("EPA") to deliver cost-saving energy efficiency solutions that improve air quality and protect the climate. The ENERGY STAR Partner of the Year Award distinguishes corporate energy management programs. It is the highest level of EPA recognition. Partners must perform at a superior level of energy management and meet the following criteria: demonstrate best practices across

the organization; prove organization-wide energy savings; and participate actively and communicate the benefits of ENERGY STAR. The ENERGY STAR Sustained Excellence Award recognizes organizations that have consistently earned Partner of the Year for several years in a row. Annual achievements must continue to surpass those in previous years. Sustained Excellence is presented to a partner at EPA's discretion.

Nortech Acquisition & Integration Update

On February 11, 2020, the Company completed the Nortech Acquisition. Nortech manufactures, assembles and services automated packaging machines under the Nortech Packaging and Tishma Technologies brands, and services customers worldwide across major industries including food and beverage, pharmaceutical, e-commerce, confections, personal care and cosmetics.. The custom in-feed and robotic solutions for packaging applications that the Company acquired from Nortech are designed for cartoning, case-packing, case-erecting, pouch-packaging and palletizing. The acquisition expands the Company's product bundle into technologies that the Company believes are increasingly critical to automation in packaging. Automation system design and service are key capabilities in growing markets like e-commerce. The acquisition provides the Company with opportunities to supply its consumable products, such as tapes, films and protective packaging to new and existing machine customers. The acquisition also added engineering automation and integrated robotic design talent to the Company's existing engineering and design teams. These new capabilities allow the Company to service customers experiencing growth pressures that require a customized automation solution.

The Nortech Acquisition was completed for an estimated aggregate purchase price of approximately $47.5 million, net of cash balances acquired. This amount is subject to certain post-closing adjustments and includes potential earn-out consideration of up to $12.0 million contingent upon certain future performance measures of the acquired assets to be determined following the two-year anniversary of the acquisition date. Excluding working capital adjustments, cash balances acquired and the contingent consideration noted above, the purchase price was $36.5 million. In the twelve months prior to the acquisition date, Nortech's sales were approximately $20 million with adjusted EBITDA (as determined consistent with the Company's definition) of $5.5 million. The upfront purchase price represents an adjusted EBITDA multiple of 6.6x. The purchase price, when including the tax basis step-up value, represents an adjusted EBITDA multiple of 5.7x without any consideration given to potential revenue synergies. The potential earn-out consideration does not impact the adjusted EBITDA multiples. The Company funded the acquisition with funds available under the Company's 2018 Credit Facility (defined later in this document).

The Nortech Acquisition's impact on the Company's consolidated earnings was as follows (in millions of USD):

	Three months ended June 30, 2020	February 12 through June 30, 2020
	$	$
Revenue	2.2	4.2
Net loss	0.5	0.5

The COVID-19 pandemic has created what management believes to be short-term changes in market conditions surrounding Nortech's legacy business including: delays in customer approvals on new machines and installations, and changes in customer capital expenditure behavior resulting in significantly fewer orders from successful lead generation. In addition, new product opportunities currently in the early design stages are expected to experience some delay. As a result of these impacts, management:

- no longer believes that any amount of payment toward the contingent consideration obligation is probable which resulted in an $11.0 million gain from the reduction in the fair value of the contingent liability in the second quarter of 2020; and
- performed impairment testing for the Nortech asset group which did not indicate impairment or result in any impairment charge being recognized as of June 30, 2020, largely due to what management expects to be, the short-term nature of the COVID-19 pandemic's impact on the macroeconomic environment relative to the expected future cash flows and growth expected to be generated by Nortech over the long-term once market conditions have improved.

Outlook

The Company withdrew its revenue, adjusted EBITDA and free cash flow guidance for fiscal year 2020 in May 2020 in light of the macroeconomic uncertainty caused by COVID-19.

The Company's expectations for fiscal year 2020 capital expenditures remains the same as previously disclosed, at between $30 and $40 million, which management proactively reduced as a precautionary measure given market uncertainty caused by COVID-19.

The Company lowered the expected effective tax rate for 2020 to 20% to 25% from 25% to 30% as a result of a favourable mix of earnings between jurisdictions. This range excludes the potential impact of further changes in the mix of earnings between jurisdictions. Cash taxes paid in 2020 are still expected to approximate income tax expense which reflects the decreased availability of tax attributes in the form of tax credits and loss carryforwards.

Results of Operations

Revenue

Revenue for the second quarter of 2020 totalled $267.8 million, a $27.8 million or 9.4% decrease from $295.6 million for the second quarter of 2019, primarily due to:

- A decrease in volume/mix of approximately 8.3% or $24.4 million primarily driven by COVID-19 related demand declines in industrial tapes, certain carton sealing tapes, and film products, partially offset by increased demand in products with significant e-commerce end market exposure including water-activated tape and protective packaging;
- The impact of lower selling prices of approximately $4.5 million primarily in film products, carton sealing tapes, and woven products; and
- An unfavourable foreign exchange impact of $1.2 million.
- These decreases were partially offset by additional revenue of $2.2 million from the Nortech Acquisition.

Revenue for the first six months of 2020 totalled $546.6 million, a $26.8 million or 4.7% decrease from $573.4 million for the same period in 2019, primarily due to:

- A decrease in volume/mix of approximately 3.6% or $20.6 million primarily driven by COVID-19 related demand declines in industrial tapes and certain carton sealing tapes, partially offset by increased demand in products with significant e-commerce end market exposure including water-activated tape and protective packaging;
- The impact of lower selling prices of approximately $8.7 million primarily in films products, woven products, and carton sealing tapes; and
- An unfavourable foreign exchange impact of $1.8 million.
- These decreases were partially offset by additional revenue of $4.2 million from the Nortech Acquisition.

Gross Profit and Gross Margin

Gross profit totalled $56.5 million for the second quarter of 2020, an $8.2 million or 12.7% decrease from $64.7 million for the second quarter of 2019. Gross margin was 21.1% in the second quarter of 2020 and 21.9% in the second quarter of 2019.

- Gross profit decreased primarily due to unfavourable volume/mix and the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020 as demand for certain products declined. These unfavourable impacts were partially offset by a net decrease in all other plant-related operating costs driven by cost savings initiatives.

- Gross margin decreased primarily due to the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020. This unfavourable impact was partially offset by a net decrease in all other plant-related operating costs driven by cost savings initiatives.

Gross profit totalled $115.4 million for the first six months of 2020, a $7.1 million or 5.8% decrease from $122.5 million for the same period in 2019. Gross margin was 21.1% in the first six months of 2020 and 21.4% for the same period in 2019.

- Gross profit decreased primarily due to unfavourable volume/mix and the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020 as demand for certain products declined. These unfavourable impacts were partially offset by an increase in spread between selling prices and combined raw material and freight costs.

- Gross margin decreased primarily due to the unfavorable impact of unabsorbed overhead costs related to production slowdowns in the second quarter of 2020 and an unfavourable product mix. These unfavourable impacts were 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 2020 totalled $33.6 million, a $2.8 million or 7.8% decrease from $36.4 million for the second quarter of 2019, primarily due to a decrease in travel expenses and variable compensation both related to the impacts of COVID-19, partially offset by an increase in share-based compensation mainly due to an increase in the fair value of cash-settled awards of $0.7 million.

SG&A for the first six months of 2020 totalled $64.4 million, a $4.7 million or 6.8% decrease from $69.1 million for the same period in 2019, primarily due to (i) a decrease in travel expenses related to COVID-19 restrictions, (ii) a decrease in share-based compensation due to a decrease in the fair value of cash-settled awards of $1.8 million and (iii) a decrease in variable compensation in line with revenue and earnings performance metrics impacted by COVID-19. These expense reductions were partially offset by additional SG&A from the Nortech Acquisition.

Manufacturing Facility Closures, Restructuring and Other Related Charges

Manufacturing facility closures, restructuring and other charges incurred in the three and six months ended June 30, 2020 totalled $3.2 million and $3.9 million, respectively. The charges for the three and six months ended June 30, 2020 were comprised of cash costs of $3.1 million and $3.3 million, respectively, and non-cash impairments of $0.1 million and $0.6 million, respectively, for inventory related to the closure of the Montreal, Quebec manufacturing facility. Cash costs incurred in both periods were mainly for termination benefits related to employee restructuring initiatives in the second quarter in response to COVID-19 uncertainties, as well as ongoing idle facility costs related to the Montreal, Quebec and Columbia, South Carolina manufacturing facilities. The Company expects to realize estimated annual savings of $4.7 million in wages, salaries, and other short-term benefits as a result of the restructuring initiatives executed in the second quarter of 2020 with the effect of additional adjusted EBITDA of approximately $1.8 million in 2020. Minimal additional charges are expected to be incurred in the third quarter of 2020 as this initiative is completed.

Manufacturing facility closures, restructuring and other charges incurred in the three and six months ended June 30, 2019 totalled $3.9 million and $4.2 million, respectively. The charges for the three and six months ended June 30, 2019 were comprised of non-cash impairments of inventory and property, plant and equipment related to the closures of the Johnson City, Tennessee and Montreal, Quebec manufacturing facilities totalling $2.3 million and $2.0 million, respectively, and cash costs of $1.6 million and $2.2 million, respectively, mainly for termination benefits related to the Montreal, Quebec manufacturing facility.

Finance Costs (Income)

Finance income for the second quarter of 2020 totalled $2.1 million, an $11.4 million increase from finance costs of $9.4 million in the second quarter of 2019, primarily due to a gain resulting from a fair value adjustment to the Company's contingent consideration related to the Nortech Acquisition and a decrease in interest expense. The decrease in interest expense is largely due to the non-recurrence of interest expense resulting from the Proposed Tax Assessment recorded in the second quarter of 2019 and a lower average cost of debt.

Finance costs for the first six months of 2020 totalled $4.6 million, an $11.8 million decrease from $16.4 million in the first six months of 2019, primarily due to a gain resulting from a fair value adjustment to the Company's contingent consideration related to the Nortech Acquisition and a decrease in interest expense. The decrease in interest expense is largely due to a lower average cost of debt and the non-recurrence of interest expense resulting from the Proposed Tax Assessment recorded in the second quarter of 2019, partially offset by a reduction of interest capitalized to property, plant and equipment as a result of completing the larger-scale greenfield facilities in India during 2019.

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 USD):

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	$	**$**	$
Income tax expense	**4.3**	5.5	**7.5**	9.6
Earnings before income tax expense	**19.2**	12.0	**36.6**	26.6
Effective tax rate	**22.3 %**	46.2 %	**20.6 %**	36.1 %

The decrease in the effective tax rate in the three months ended June 30, 2020 as compared to the same period in 2019 was primarily due to the non-recurrence of the Proposed Tax Assessment recorded in the second quarter of 2019 and a favourable mix of earnings between jurisdictions.

The decrease in the effective tax rate in the six months ended June 30, 2020 as compared to the same period in 2019 was primarily due to the non-recurrence of the Proposed Tax Assessment recorded in the second quarter of 2019 and the favourable treatment of interest deductions related to the restructuring of intercompany debt.

IPG Net Earnings

IPG Net Earnings totalled $14.8 million for the second quarter of 2020, an $8.3 million or 126% increase from $6.6 million for the second quarter of 2019, and totalled $29.1 million for the first six months of 2020, a $12.0 million or 70.4% increase from $17.1 million for the same period in 2019. The increase in both periods was primarily due to (i) a gain resulting from a fair value adjustment to the Company's contingent consideration related to the Nortech Acquisition, (ii) a decrease in SG&A mainly driven by decreases in travel expenses and variable compensation, and (iii) a decrease in income tax expense mainly driven by the non-recurrence of the Proposed Tax Assessment recorded in the second quarter of 2019. These favourable impacts were partially offset by a decrease in gross profit.

Non-GAAP Financial Measures and Key Performance Indicators

The Company measures the success of the business using a number of key performance indicators, many of which are in accordance with GAAP as described throughout this MD&A. This MD&A also contains certain non-GAAP financial measures and key performance metrics 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) and Adjusted Net Earnings (Loss) Per Share" 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 are key performance indicators that 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 and key performance indicators 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 allows 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 allows 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.

The following table presents M&A Costs included in IPG Net Earnings and added back to adjusted net earnings and adjusted EBITDA (in millions of USD):

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	$	**$**	$
M&A Costs	**1.0**	0.9	**2.6**	4.0

M&A Costs for the three and six months ended June 30, 2020 were primarily composed of integration costs mainly associated with the Polyair Inter Pack Inc. ("Polyair"), Maiweave, LLC ("Maiweave") and Nortech acquisitions as well as other due diligence and advisory costs on deals that did not progress to the execution phase. The Company still expects the integration costs associated with all acquisitions completed to date to be between $3 and $4 million in 2020, excluding non-cash purchase price accounting adjustments and due diligence costs associated with evaluating merger and acquisitions opportunities.

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

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	$	**$**	$
IPG Net Earnings	**14.8**	6.6	**29.1**	17.1
Manufacturing facility closures, restructuring and other related charges	**3.2**	3.9	**3.9**	4.2
M&A Costs	**1.0**	0.9	**2.6**	4.0
Share-based compensation expense (benefit)	**3.7**	3.0	**(0.2)**	1.6
Impairment of long-lived assets and other assets	**0.1**	0.1	**0.1**	0.1
Loss (gain) on disposal of property, plant and equipment	**0.1**	(0.0)	**0.2**	0.1
Other item: special income tax events[1]	**—**	2.3	**—**	2.3
Other item: change in fair value of contingent consideration liability[2]	**(11.0)**	—	**(11.0)**	—
Income tax effect of these items	**1.3**	(2.2)	**1.5**	(2.5)
Adjusted net earnings	**13.2**	14.6	**26.1**	26.8
IPG Net Earnings per share				
Basic	**0.25**	0.11	**0.49**	0.29
Diluted	**0.25**	0.11	**0.49**	0.29
Adjusted earnings per share				
Basic	**0.22**	0.25	**0.44**	0.46
Diluted	**0.22**	0.25	**0.44**	0.46
Weighted average number of common shares outstanding				
Basic	**59,009,685**	58,760,473	**59,009,685**	58,706,718
Diluted	**59,467,336**	58,955,643	**59,270,918**	58,902,830

(1) Refers to the Proposed Tax Assessment recorded in the second quarter of 2019.
(2) Refers to the potential earn-out consideration obligation associated with the Nortech Acquisition.

Adjusted net earnings for the second quarter of 2020 totalled $13.2 million, a $1.4 million or 9.7% decrease from $14.6 million for the second quarter of 2019. The decrease was primarily due to a decrease in gross profit, partially offset by decreases in (i) SG&A, (ii) income tax expense mainly driven by a favourable mix of earnings between jurisdictions, and (iii) interest expense resulting from a lower average cost of debt.

Adjusted net earnings for the first six months of 2020 totalled $26.1 million, a $0.7 million or 2.6% decrease from $26.8 million for the same period in 2019. The decrease was primarily due to a decrease in gross profit, partially offset by decreases in (i) income tax expense mainly driven by the favourable treatment of interest deductions related to the restructuring of intercompany debt, (ii) SG&A and (iii) interest expense.

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 USD)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	$	**$**	$
Net earnings	**14.9**	6.5	**29.1**	17.0
Interest and other finance (income) costs	**(2.1)**	9.4	**4.6**	16.4
Income tax expense	**4.3**	5.5	**7.5**	9.6
Depreciation and amortization	**15.2**	14.9	**30.2**	29.5
EBITDA	**32.3**	36.2	**71.4**	72.5
Manufacturing facility closures, restructuring and other related charges	**3.2**	3.9	**3.9**	4.2
M&A Costs	**1.0**	0.9	**2.6**	4.0
Share-based compensation expense (benefit)	**3.7**	3.0	**(0.2)**	1.6
Impairment of long-lived assets and other assets	**0.1**	0.1	**0.1**	0.1
Loss (gain) on disposal of property, plant and equipment	**0.1**	(0.0)	**0.2**	0.1
Adjusted EBITDA	**40.4**	44.2	**77.9**	82.5

Adjusted EBITDA totalled $40.4 million for the second quarter of 2020, a $3.7 million or 8.5% decrease from $44.2 million for the second quarter of 2019, and totalled $77.9 million for the first six months of 2020, a $4.5 million or 5.5% decrease from $82.5 million for the same period in 2019. The decrease in both periods was primarily due to a decrease in gross profit, partially offset by a decrease in SG&A.

Off-Balance Sheet Arrangements

There have been no material changes with respect to off-balance sheet arrangements since December 31, 2019 outside of the Company's ordinary course of business. Reference is made to the section entitled "Off-Balance Sheet Arrangements" in the Company's 2019 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 76 for the second quarter of 2020 from 72 for the second quarter of 2019. Days Inventory increased to 71 for the six months ended June 30, 2020 from 70 for the same period in 2019. Inventories increased $11.1 million to $196.0 million as of June 30, 2020 from $184.9 million as of December 31, 2019, primarily due to additional inventory resulting from the Nortech Acquisition and inventory pre-purchased in order to manage anticipated increases in certain raw material prices, partially offset by adjustments to inventory levels to align with demand due to the impacts of COVID-19.

The calculations are shown in the following table:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Cost of sales [1]	**$ 211.3**	$ 230.9	**$ 431.2**	$ 450.9
Days in period	**91**	91	**182**	181
Cost of sales per day [1]	**$ 2.3**	$ 2.5	**$ 2.4**	$ 2.5
Average inventory [1]	**$ 175.6**	$ 182.6	**$ 169.4**	$ 175.2
Days inventory	**76**	72	**71**	70
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 USD

The Company uses Days Sales Outstanding ("DSO") to measure the performance of its trade receivables. DSO increased to 47 in the second quarter of 2020 from 44 in the second quarter of 2019. DSO increased to 46 for the six months ended June 30, 2020 from 45 for the same period in 2019. Trade receivables increased $4.8 million to $138.0 million as of June 30, 2020 from $133.2 million as of December 31, 2019, primarily due to the impact of the Nortech Acquisition and the timing of revenue invoiced in the second quarter of 2020 compared to the fourth quarter of 2019.

The calculations are shown in the following tables:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Revenue [1]	**$ 267.8**	$ 295.6	**$ 546.6**	$ 573.4
Days in period	**91**	91	**182**	181
Revenue per day [1]	**$ 2.9**	$ 3.2	**$ 3.0**	$ 3.2
Trade receivables [1]	**$ 138.0**	$ 143.7	**$ 138.0**	$ 143.7
DSO	**47**	44	**46**	45
DSO is calculated as follows:				
Revenue ÷ Days in period = Revenue per day				
Ending trade receivables ÷ Revenue per day = DSO				

(1) In millions of USD

Accounts payable and accrued liabilities decreased $23.4 million to $121.7 million as of June 30, 2020 from $145.1 million as of December 31, 2019, primarily due to the timing of payments for inventory as well as SG&A, partially offset by additional accounts payables and accrued liabilities resulting from the Nortech Acquisition.

Liquidity and Borrowings

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 maintain a sufficient amount of cash and 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, 2020, the Company had $14.4 million of cash and $326.1 million of loan availability (comprised of committed funding of $317.5 million and uncommitted funding of $8.6 million), yielding total cash and loan availability of $340.5 million compared to total cash and loan availability of $406.0 million as of December 31, 2019.

The Company's total outstanding borrowings and lease liabilities increased $66.6 million to $581.6 million ($576.2 million net of unamortized debt issue costs of $5.4 million) as of June 30, 2020 from $515.0 million ($508.8 million net of unamortized debt issue costs of $6.2 million) as of December 31, 2019. The incremental borrowings are primarily to fund the Nortech Acquisition in February 2020 and to support the Company's seasonal working capital needs.

Senior Unsecured Notes

The Company's $250.0 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, 2020, the Senior Unsecured Notes outstanding balance amounted to $250.0 million ($246.2 million net of $3.8 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. Any repayments of borrowings under the 2018 Term Loan are not available to be borrowed again in the future.

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 ("LIBOR") (or a lender-approved comparable or successor rate), the Federal Funds Rate, or Bank of America's prime rate, plus a spread varying between 25 and 250 basis points (175 and 150 basis points as of June 30, 2020 and December 31, 2019, respectively) depending on the debt instrument's benchmark interest rate and the consolidated secured net leverage ratio.

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 borrowings (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. The amendment also provides that 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 1.76 and 5.75, respectively, as of June 30, 2020. 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 six months ended June 30, 2020.

As of June 30, 2020, the 2018 Term Loan's outstanding principal balance amounted to $180.0 million and the 2018 Revolving Credit Facility's outstanding principal balance amounted to $80.2 million, for a total gross outstanding principal balance under the 2018 Credit Facility of $260.2 million (net outstanding principal balance of $258.6 million, net of unamortized debt issue costs of $1.6 million). Standby letters of credit totalled $2.4 million resulting in total utilization under the 2018 Credit Facility of $262.5 million. Accordingly, unused availability under the 2018 Credit Facility as of June 30, 2020 amounted to $317.5 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, 2020, the Company's credit facilities denominated in Indian Rupee ("INR") had a gross outstanding balance of INR 1,662.5 million ($22.0 million) and net outstanding balance of INR 1,660.5 million ($22.0 million), net of unamortized debt issue costs of INR 2.0 million (less than $0.1 million). Including INR 8.8 million ($0.1 million) in outstanding letters of credit, total utilization under these credit facilities amounted to INR 1,671.4 million ($22.1 million). Any repayment of term loan borrowings under the credit facilities denominated in INR are not available to be borrowed again in the future. Unused availability under these credit facilities as of June 30, 2020 amounted to INR 650.6 million ($8.6 million). All unused availability was uncommitted.

Cash Flows

The Company's net working capital on the balance sheet increased in the first quarter of 2020 due to the effect of a business acquisition. However, working capital amounts acquired are not included in cash flows from operating activities under IFRS. As such, the discussions below regarding 2020 working capital items appropriately exclude this effect.

Cash flows from operating activities increased in the second quarter of 2020 by $8.6 million to $40.5 million from $31.9 million in the second quarter of 2019 primarily due to an increase in cash flows from working capital items, partially offset by a decrease in operating profit.

Cash flows from operating activities increased in the first six months of 2020 by $11.0 million to $24.4 million from $13.4 million in the same period in 2019 primarily due to a decrease in cash flows used for working capital items, partially offset by a decrease in operating profit and an increase in federal income taxes paid.

The changes in working capital items in both periods are primarily due to timing differences in payments and cash receipts, the impacts of COVID-19 on demand, as well as the related working capital management strategies implemented in response to COVID-19 uncertainties, including inventory management and cost savings initiatives. Additional discussion on working capital changes is provided in the section entitled "Working Capital" above.

Cash flows used for investing activities decreased in the second quarter of 2020 by $5.3 million to $5.4 million from $10.7 million in the second quarter of 2019, primarily due to a decrease in capital expenditures as a result of the Company proactively reducing its capital expenditures as a precautionary measure given market uncertainty caused by COVID-19.

Cash flows used for investing activities increased in the first six months of 2020 by $20.2 million to $49.3 million from $29.1 million in the same period in 2019, primarily due to the Nortech Acquisition in the first quarter of 2020, partially offset by a decrease in capital expenditures as discussed above.

Cash flows used for financing activities increased in the second quarter of 2020 by $20.4 million to an outflow of $41.0 million from an outflow of $20.6 million in the second quarter of 2019 primarily due to an increase in net debt repayments.

Cash flows from financing activities increased in the first six months of 2020 by $24.8 million to an inflow of $33.4 million from an inflow of $8.6 million in the same period in 2019 primarily due to greater net borrowings in 2020 to fund the Nortech Acquisition, partially offset by incremental cash flows from working capital items.

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 negative in the first quarter and progressively increase each quarter throughout the year with the majority being generated in the fourth 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 2020 by $14.8 million to $35.3 million from $20.5 million in the second quarter of 2019 primarily due to an increase in cash flows from operating activities and a decrease in capital expenditures.

Free cash flows increased in the first six months of 2020 by $27.6 million to $11.7 million from negative $15.9 million in the same period in 2019 primarily due to a decrease in capital expenditures and an increase in cash flows from operating activities.

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 USD)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	$	**$**	$
Cash flows from operating activities	**40.5**	31.9	**24.4**	13.4
Less purchases of property, plant and equipment	**(5.2)**	(11.4)	**(12.7)**	(29.2)
Free cash flows	**35.3**	20.5	**11.7**	(15.9)

Capital Resources

Capital expenditures totalled $5.2 million and $12.7 million in the three and six months ended June 30, 2020 and were funded primarily by cash flows from operations. The Company had commitments to suppliers to purchase machinery and equipment totalling approximately $8.5 million as of June 30, 2020 that are expected to be paid out in the next twelve months and will be funded by borrowings and cash flows from operations. The Company proactively reduced its planned capital expenditures in 2020 as a precautionary measure given market uncertainty caused by COVID-19. As such, these capital expenditures and commitments are primarily for maintenance needs and other funds committed for initiatives supporting the efficiency and effectiveness of operations.

Contractual Obligations

There have been no material changes with respect to contractual obligations since December 31, 2019 outside of the Company's ordinary course of business. Reference is made to the section entitled "Contractual Obligations" in the Company's 2019 MD&A.

Capital Stock and Dividends

As of June 30, 2020, there were 59,009,685 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,	
	2020	2019	**2020**	2019
Equity-settled				
Stock options granted	**—**	—	**1,533,183**	392,986
Stock options exercised	**—**	(209,375)	**—**	(226,875)
Stock options cancelled/forfeited	**(40,000)**	(10,000)	**(77,500)**	(10,000)
Cash-settled				
DSUs granted	**90,569**	60,764	**96,843**	60,764
PSUs granted	**—**	—	**694,777**	291,905
PSUs forfeited	**(2,516)**	—	**(5,032)**	—
PSUs cancelled by performance factor [1]	**—**	—	**(346,887)**	(371,158)
RSUs granted	**—**	—	**281,326**	120,197
RSUs forfeited	**(839)**	—	**(1,678)**	—

(1) 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 21, 2016	March 21, 2019	371,158	0 %	—
March 20, 2017	March 20, 2020	346,887	0 %	—

Grant details for PSUs granted subsequent to December 31, 2019:

The number of PSUs granted subsequent to December 31, 2019 which will be eligible to vest can range from 0% to 175% of the Target Shares as determined by multiplying the number of PSUs awarded by the adjustment factors as follows:

- 25% based on the Company's total shareholder return ("TSR") ranking relative to the S&P North America SmallCap Materials (Industry Group) Index (the "Index Group") over the measurement period as set out in the table below;
- 25% based on the Company's TSR ranking relative to a specified peer group of companies ("Peer Group") over the measurement period as set out in the table below; and
- 50% based on the Company's average return on invested capital over the measurement period as compared to internally developed thresholds (the “ROIC Performance”) as set out in the table below.

Grant details for PSUs granted subsequent to December 31, 2017 and prior to December 31, 2019:

The number of PSUs granted subsequent to December 31, 2017 and prior to December 31, 2019 which will be eligible to vest can range from 0% to 175% of the Target Shares as determined by multiplying the number of PSUs awarded by the adjustment factors as follows:

- 50% based on the Company's TSR ranking relative to the Peer Group over the measurement period as set out in the table below; and
- 50% based on the Company's the ROIC Performance as set out in the table below.

The relative TSR performance adjustment factor is determined as follows:

TSR Ranking Relative to the Index Group/Peer Group	Percent of Target Shares Vested
90th percentile or higher	200 %
75th percentile	150 %
50th percentile	100 %
25th percentile	50 %
Less than the 25th percentile	0 %

The ROIC Performance adjustment factor is determined as follows:

ROIC Performance	Percent of Target Shares Vested
1st Tier	0 %
2nd Tier	50 %
3rd Tier	100 %
4th Tier	150 %

The TSR performance and ROIC Performance adjustment factors between the numbers set out in the two tables above are interpolated on a straight-line basis.

The performance period is the period from January 1st in the year of grant through December 31st of the third calendar year following the date of grant. The PSUs are expensed over the vesting period beginning from the date of grant through February 15th of the fourth calendar year following the date of grant.

As of June 30, 2020, $6.4 million was recorded in share-based compensation liabilities, current, and $1.9 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 USD):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Equity-settled	**0.2**	0.3	**0.4**	0.4
Cash-settled	**3.5**	2.7	**(0.6)**	1.2
Total	**3.7**	3.0	**(0.2)**	1.6

On June 30, 2020 the Company paid cash dividends of $0.1475 per common share to shareholders of record at the close of business June 15, 2020 for an aggregate amount of $8.7 million.

On August 12, 2020, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2020 to shareholders of record at the close of business on September 15, 2020.

The dividends paid and payable in 2020 by the Company are “eligible dividends” as defined in subsection 89(1) of the *Income Tax Act* (Canada).

The Company renewed its normal course issuer bid ("NCIB"), under which the Company has the ability 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, 2020 and ending on July 22, 2021. As of August 12, 2020, no shares have been repurchased under the NCIB.

Financial Risk, Objectives and Policies

Interest Rate Risk

The Company is exposed to a risk of changes 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 Company was party to the following interest rate swap agreements designated as hedging instruments as of June 30, 2020 (in millions of USD):

Effective Date	Maturity	Notional Amount	Settlement	Fixed interest rate paid
		$		%
June 8, 2017	June 20, 2022	40.0	Monthly	1.7900
August 20, 2018	August 18, 2023	60.0	Monthly	2.0450

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 CDN current exchange rate, which causes the amount of the net investment in IPG (US) Holdings Inc. to vary. The Company's Senior Unsecured Notes are being used to hedge the Company's exposure to the USD foreign exchange risk on this investment.

The changes in value related to the net investment in IPG (US) Holdings, Inc., designated as the hedged item, and the Senior Unsecured Notes designated as a hedging instrument, in the hedge of a net investment, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
(Loss)/gain from change in value of IPG (US) Holdings, Inc. used for calculating hedge ineffectiveness	**(8.6)**	(3.9)	**11.4**	(8.6)
Gain/(loss) from change in value of the Senior Unsecured Notes used for calculating hedge ineffectiveness	**8.6**	4.5	**(11.4)**	9.8
Gain/(loss) from Senior Unsecured Notes recognized in other comprehensive income	**8.6**	3.9	**(11.4)**	8.6
Gain from hedge ineffectiveness recognized in earnings in finance (income) costs, in other finance (income) expense, net	**—**	0.6	**—**	1.2

The cumulative amounts 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 a loss of $10.5 million for the six months ended June 30, 2020 (a gain of $0.9 million as of December 31, 2019).

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, 2020.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of the 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, and (ii) the re-measurement of the defined benefit liability, which is required at year-end and if triggered by significant market fluctuations or for plan amendment or settlement during interim periods. The financial statements should be read in conjunction with the Company's 2019 annual audited consolidated financial statements.

The Company is closely monitoring the impacts of the COVID-19 pandemic as a trigger for changes in critical accounting judgments, estimates and assumptions. As of June 30, 2020, and as a result of impacts from COVID-19, the Company recorded (i) a fair value adjustment to its contingent consideration related to the Nortech Acquisition that was originally recorded in the first quarter of 2020, (ii) a re-measurement of its defined benefit liability as a result of a 40 and 60 basis point decrease in discount rates from December 31, 2019 for Canadian and US plans, respectively and (iii) certain termination benefits as a result of restructuring in response to COVID-19 uncertainties. There were no other material impairments, changes to allowance for credit losses, restructuring charges or other changes in critical accounting judgments, estimates and assumptions that it can directly attribute to COVID-19 or otherwise.

New Standards adopted as of January 1, 2020

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* became effective on January 1, 2020. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure, revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition. There was no material impact to the Company's financial statements as a result of adopting the revised *Conceptual Framework*.

On September 26, 2019, the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks around the world. The objective of the amendments is to modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. The amendments became effective on January 1, 2020. There was no material impact to the Company's financial statements as a result of adopting Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

In the current period, 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, 2020. 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 January 23, 2020, the IASB published *Classification of Liabilities as Current or Non-current (Amendments to IAS 1),* which includes narrow-scope amendments to IAS 1 *Presentation of Financial Statements*. The objective of the amendments is to clarify how to classify debt and other liabilities as current or non-current depending on the rights that exist at the end of the reporting period. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective on January 1, 2023 and will be applied retrospectively. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)*, which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized in earnings. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*, which specifies which costs a Company includes when assessing whether a contract will be loss-making. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Annual Improvements to IFRS Standards 2018 - 2020*, which amends IFRS 1, IFRS 9, IAS 41, and the Illustrative Examples accompanying IFRS 16. These are minor amendments that clarify, simplify or remove redundant wordings in the standards. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 28, 2020, the IASB published *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*, which amends IFRS 16, *Leases*, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020 and will be applied retrospectively. Management has completed its analysis of the guidance and does not currently expect it to materially impact 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 of America.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and that such information is accumulated and communicated to the Company's management including the CEO and CFO as appropriate to allow timely decision regarding required disclosure. The Company has also established internal control over financial reporting which 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.

Management, under the supervision of the Company's CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as well as the effectiveness of the Company's internal control over financial reporting. The CEO and CFO have concluded that the Company's disclosure controls and procedures and internal control over financial reporting as of June 30, 2020 were effective.

There have been no 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.

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 2019, 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 COVID-19 pandemic (including the Company’s priorities as we move through the pandemic, the uncertainty for the duration of the downturn resulting from the pandemic, the exposure of the Company’s business to the pandemic, and the duration of the pandemic), the Company’s positioning to weather the downturn, the Company’s characteristics that position it, in its belief, to come out the other side of the COVID-19 pandemic in a strong position in the market, the Company’s adjustment of its production plans to align with demand and slowdown as deemed necessary in order to manage working capital and associated cost levels, 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 integration of Nortech and the expected costs, capabilities, earnings and contingent consideration related to the Nortech Acquisition, expected charges and savings in connection with restructuring initiatives, the impacts of new accounting standards, 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, including as a result of the impact of COVID-19; 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 fluctuations in selling prices; the impact of fluctuations in raw material prices and freight costs; costs associated with the impact of climate change, including weather related events and environmental matters; the anticipated benefits from the Company’s acquisitions and partnerships; the expected financial performance and benefits of the Nortech Acquisition; 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; legal and regulatory requirements, including as related to COVID-19; 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; the Company’s flexibility to allocated capital as a result of the Senior Unsecured Notes offering; 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, 2019 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, 2020

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated Earnings	2
Consolidated Comprehensive Income	3
Consolidated Changes in Equity	4 to 5
Consolidated Cash Flows	6 to 7
Consolidated Balance Sheets	8
Notes to Unaudited Interim Condensed Consolidated Financial Statements	9 to 26

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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenue	**267,770**	295,609	**546,642**	573,432
Cost of sales	**211,279**	230,915	**431,240**	450,942
Gross profit	**56,491**	64,694	**115,402**	122,490
Selling, general and administrative expenses	**33,599**	36,433	**64,448**	69,116
Research expenses	**2,545**	3,023	**5,878**	6,192
	36,144	39,456	**70,326**	75,308
Operating profit before manufacturing facility closures, restructuring and other related charges	**20,347**	25,238	**45,076**	47,182
Manufacturing facility closures, restructuring and other related charges	**3,211**	3,875	**3,862**	4,179
Operating profit	**17,136**	21,363	**41,214**	43,003
Finance (income) costs (Note 3)				
Interest	**7,513**	8,565	**15,311**	16,258
Other finance (income) expense, net	**(9,590)**	798	**(10,722)**	143
	(2,077)	9,363	**4,589**	16,401
Earnings before income tax expense	**19,213**	12,000	**36,625**	26,602
Income tax expense (benefit) (Note 5)				
Current	**3,996**	5,977	**6,351**	7,152
Deferred	**296**	(439)	**1,177**	2,457
	4,292	5,538	**7,528**	9,609
Net earnings	**14,921**	6,462	**29,097**	16,993
Net earnings (loss) attributable to:				
Company shareholders	**14,819**	6,566	**29,057**	17,056
Non-controlling interests	**102**	(104)	**40**	(63)
	14,921	6,462	**29,097**	16,993
Earnings per share attributable to Company shareholders (Note 6)				
Basic	**0.25**	0.11	**0.49**	0.29
Diluted	**0.25**	0.11	**0.49**	0.29

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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net earnings	**14,921**	6,462	**29,097**	16,993
Other comprehensive income (loss)				
Change in fair value of interest rate swap agreements designated as cash flow hedges [1] (Note 9)	**(30)**	(2,058)	**(3,002)**	(3,161)
Reclassification adjustments for amounts recognized in earnings related to interest rate swap agreements (Note 9)	**—**	(86)	**—**	(171)
Change in cumulative translation adjustments	**(3,198)**	(1,004)	**637**	(4,649)
Net gain (loss) arising from hedge of a net investment in foreign operations [2] (Note 9)	**8,619**	3,927	**(11,320)**	8,608
Items that will be reclassified subsequently to net earnings	**5,391**	779	**(13,685)**	627
Remeasurement of defined benefit liability [3]	**(1,765)**	—	**(1,765)**	—
Items that will not be reclassified subsequently to net earnings	**(1,765)**	—	**(1,765)**	—
Total other comprehensive income (loss)	**3,626**	779	**(15,450)**	627
Comprehensive income for the period	**18,547**	7,241	**13,647**	17,620
Comprehensive income (loss) for the period attributable to:				
Company shareholders	**18,458**	7,283	**13,885**	17,610
Non-controlling interests	**89**	(42)	**(238)**	10
	18,547	7,241	**13,647**	17,620

(1) Presented net of deferred income tax benefit of $19 and $633 for the three and six months ended June 30, 2020, respectively, and deferred income tax benefit of $78 and $357 for the three and six months ended June 30, 2019, respectively. Refer to Note 9 for additional information on the Company's cash flow hedges.

(2) Presented net of deferred income tax benefit of nil and $45 for the three and six months ended June 30, 2020, respectively, and nil for the three and six months ended June 30, 2019. Refer to Note 9 for additional information on the Company's hedge of net investment in foreign operations.

(3) Presented net of deferred income tax benefit of $636 for the three and six months ended June 30, 2020, and nil for the three and six months ended June 30, 2019. In the second quarter of 2020, the defined benefit liability was adjusted as a result of a 40 and 60 basis point decrease in discount rates from December 31, 2019 for Canadian and US plans, respectively.

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 Changes in Equity
Six months ended June 30, 2020
(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, 2019	59,009,685	354,559	16,782	(21,632)	(1,070)	(22,702)	(87,899)	260,740	11,488	272,228
Transactions with owners										
Change in excess tax benefit on outstanding share-based awards			998					998		998
Share-based compensation (Note 8)			386					386		386
Dividends on common shares (Note 8)							(17,409)	(17,409)		(17,409)
	—	—	1,384				(17,409)	(16,025)		(16,025)
Net earnings							29,057	29,057	40	29,097
Other comprehensive (loss) income										
Change in fair value of interest rate swap agreements designated as cash flow hedges [(1)] (Note 9)					(3,002)	(3,002)		(3,002)		(3,002)
Change in cumulative translation adjustments				915		915		915	(278)	637
Net loss arising from hedge of a net investment in foreign operations [(2)] (Note 9)				(11,320)		(11,320)		(11,320)		(11,320)
Remeasurement of defined benefit liability [(3)]							(1,765)	(1,765)		(1,765)
				(10,405)	(3,002)	(13,407)	(1,765)	(15,172)	(278)	(15,450)
Comprehensive (loss) income for the period				(10,405)	(3,002)	(13,407)	27,292	13,885	(238)	13,647
Balance as of June 30, 2020	**59,009,685**	**354,559**	**18,166**	**(32,037)**	**(4,072)**	**(36,109)**	**(78,016)**	**258,600**	**11,250**	**269,850**

(1) Presented net of deferred income tax benefit of $633 for the six months ended June 30, 2020.

(2) Presented net of deferred income tax benefit of $45 for the six months ended June 30, 2020.

(3) Presented net of deferred income tax benefit of $636 for the six months ended June 30, 2020. In the second quarter of 2020, the defined benefit liability was adjusted as a result of a 40 and 60 basis point decrease in discount rates from December 31, 2019 for Canadian and US plans, respectively.

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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
OPERATING ACTIVITIES				
Net earnings	**14,921**	6,462	**29,097**	16,993
Adjustments to net earnings				
Depreciation and amortization	**15,156**	14,872	**30,157**	29,541
Income tax expense	**4,292**	5,538	**7,528**	9,609
Interest expense	**7,513**	8,565	**15,311**	16,258
Non-cash charges in connection with manufacturing facility closures, restructuring and other related charges (Note 4)	**98**	2,257	**586**	2,009
Share-based compensation expense (benefit)	**3,720**	3,022	**(232)**	1,586
Loss (gain) on foreign exchange	**760**	558	**(908)**	(642)
Pension and other post-retirement expense related to defined benefit plans	**438**	525	**979**	1,041
Contingent consideration liability fair value adjustments (Note 9)	**(11,005)**	—	**(11,005)**	—
Other adjustments for non-cash items	**68**	178	**1,631**	588
Income taxes paid, net	**(3,285)**	(3,486)	**(7,518)**	(3,973)
Contributions to defined benefit plans	**(377)**	(447)	**(736)**	(747)
Cash flows from operating activities before changes in working capital items	**32,299**	38,044	**64,890**	72,263
Changes in working capital items				
Trade receivables	**2,867**	(9,866)	**(2,294)**	(14,490)
Inventories	**2,529**	4,379	**(8,421)**	(10,479)
Other current assets	**(2,123)**	1,742	**(1,567)**	3,672
Accounts payable and accrued liabilities and share-based compensation liabilities, current	**2,168**	(2,382)	**(30,602)**	(37,090)
Provisions	**2,772**	(36)	**2,418**	(494)
	8,213	(6,163)	**(40,466)**	(58,881)
Cash flows from operating activities	**40,512**	31,881	**24,424**	13,382
INVESTING ACTIVITIES				
Acquisition of subsidiary, net of cash acquired	**—**	—	**(36,656)**	—
Purchases of property, plant and equipment	**(5,244)**	(11,394)	**(12,701)**	(29,244)
Other investing activities	**(115)**	743	**40**	147
Cash flows from investing activities	**(5,359)**	(10,651)	**(49,317)**	(29,097)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
FINANCING ACTIVITIES				
Proceeds from borrowings	**29,619**	39,970	**189,535**	114,769
Repayment of borrowings	**(49,948)**	(40,910)	**(123,711)**	(74,325)
Interest paid	**(11,981)**	(13,282)	**(14,972)**	(17,259)
Proceeds from exercise of stock options	**—**	1,904	**—**	2,063
Dividends paid	**(8,651)**	(8,352)	**(17,458)**	(16,541)
Other financing activities	**—**	88	**—**	(154)
Cash flows from financing activities	**(40,961)**	(20,582)	**33,394**	8,553
Net (decrease) increase in cash	**(5,808)**	648	**8,501**	(7,162)
Effect of foreign exchange differences on cash	**752**	1,067	**(1,165)**	1,107
Cash, beginning of period	**19,439**	10,881	**7,047**	18,651
Cash, end of period	**14,383**	12,596	**14,383**	12,596

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, 2020	December 31, 2019
	(Unaudited)	(Audited)
	$	$
ASSETS		
Current assets		
Cash	**14,383**	7,047
Trade receivables	**137,981**	133,176
Inventories	**195,993**	184,937
Other current assets	**24,668**	22,287
	373,025	347,447
Property, plant and equipment	**399,088**	415,311
Goodwill (Note 10)	**152,694**	107,677
Intangible assets	**108,774**	115,049
Deferred tax assets	**28,407**	29,738
Other assets	**11,108**	10,518
Total assets	**1,073,096**	1,025,740
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**121,680**	145,051
Share-based compensation liabilities, current (Note 8)	**6,427**	4,948
Provisions, current	**4,307**	1,766
Borrowings and lease liabilities, current	**24,269**	26,319
	156,683	178,084
Borrowings and lease liabilities, non-current	**551,908**	482,491
Pension, post-retirement and other long-term employee benefits	**19,461**	17,018
Share-based compensation liabilities, non-current (Note 8)	**1,932**	4,247
Non-controlling interest put options (Note 9)	**12,876**	13,634
Deferred tax liabilities	**45,134**	46,669
Provisions, non-current	**2,903**	3,069
Other liabilities	**12,349**	8,300
Total liabilities	**803,246**	753,512
EQUITY		
Capital stock (Note 8)	**354,559**	354,559
Contributed surplus	**18,166**	16,782
Deficit	**(78,016)**	(87,899)
Accumulated other comprehensive loss	**(36,109)**	(22,702)
Total equity attributable to Company shareholders	**258,600**	260,740
Non-controlling interests	**11,250**	11,488
Total equity	**269,850**	272,228
Total liabilities and equity	**1,073,096**	1,025,740

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 packaging machinery 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, 2020 and December 31, 2019, as well as its consolidated earnings, comprehensive income, and cash flows for the three and six months ended June 30, 2020 and 2019 and the changes in equity for the six months ended June 30, 2020 and 2019.

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 standards 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 significant market fluctuations or for 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 12, 2020.

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 and the re-measurement of the defined benefit liability.

Beginning in December 2019, a new strain of the coronavirus ("COVID-19") spread rapidly through the world, including the United States, Canada, India and Europe (where, collectively, significant portions of the Company's operations are located and its sales occur). The impact of the virus varies from region to region and from day to day. The Company is closely monitoring the impacts of the COVID-19 pandemic as a trigger for changes in critical accounting judgments, estimates and assumptions.

As of June 30, 2020, and as a result of impacts from COVID-19, the Company recorded (i) a fair value adjustment to its contingent consideration related to the acquisition of Nortech Packaging LLC and Custom Assembly Solutions, Inc. (together "Nortech") that was originally recorded in the first quarter of 2020 (refer to Note 9 for more information on the Company's contingent consideration liability), (ii) a re-measurement of its defined benefit liability as a result of a 40 and 60 basis point decrease in discount rates from December 31, 2019 for Canadian and US plans, respectively and (iii) certain termination benefits as a result of a restructuring plan in response to COVID-19 uncertainties (refer to Note 4 for more information on manufacturing facility closures, restructuring and other related charges). There were no other material impairments, changes to allowance for credit losses, restructuring charges or other changes in critical accounting judgments, estimates and assumptions that it can directly attribute to COVID-19 or otherwise.

There continues to be significant macroeconomic uncertainty, and the Company expects the COVID-19 pandemic is likely to have a materially negative impact on the global economy for the remainder of 2020 (and perhaps beyond). Given the dynamic nature of the pandemic (including its duration and the severity of its impact on the global economy and the applicable governmental responses), the extent to which the COVID-19 pandemic impacts the Company's results will depend on unknown future developments and any further impact on the global economy and the markets in which the Company operates and sells its products, all of which remain highly uncertain and cannot be accurately predicted at this time.

New Standards Adopted as of January 1, 2020

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* became effective on January 1, 2020. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure, revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition. There was no material impact to the Company's financial statements as a result of adopting the revised *Conceptual Framework*.

On September 26, 2019, the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the ongoing reform of interest rate benchmarks around the world. The objective of the amendments is to modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. The amendments became effective on January 1, 2020. There was no material impact to the Company's financial statements as a result of adopting Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

In the current period, 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, 2020. 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 January 23, 2020, the IASB published *Classification of Liabilities as Current or Non-current (Amendments to IAS 1),* which includes narrow-scope amendments to IAS 1 *Presentation of Financial Statements*. The objective of the amendments is to clarify how to classify debt and other liabilities as current or non-current depending on the rights that exist at the end of the reporting period. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective on January 1, 2023 and will be applied retrospectively. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)*, which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized in earnings. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*, which specifies which costs a Company includes when assessing whether a contract will be loss-making. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 14, 2020, the IASB published *Annual Improvements to IFRS Standards 2018 - 2020*, which amends IFRS 1, IFRS 9, IAS 41, and the Illustrative Examples accompanying IFRS 16. These are minor amendments that clarify, simplify or remove redundant wordings in the standards. The amendments are effective on January 1, 2022. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

On May 28, 2020, the IASB published *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*, which amends IFRS 16, *Leases*, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020 and will be applied retrospectively. Management has completed its analysis of the guidance and does not currently expect it to materially impact 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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Employee benefit expense				
Wages, salaries and other short-term benefits	**58,335**	56,740	**117,816**	111,124
Share-based compensation expense (benefit) (Note 8)	**3,720**	3,022	**(232)**	1,586
Pension, post-retirement and other long-term employee benefit plans:				
Defined benefit plans	**468**	541	**1,009**	1,075
Defined contributions plans	**1,901**	1,636	**2,217**	4,054
	64,424	61,939	**120,810**	117,839
Finance (income) costs - Interest				
Interest on borrowings and lease liabilities	**7,400**	8,794	**14,906**	16,946
Amortization of debt issue costs on borrowings	**293**	289	**593**	587
Interest capitalized to property, plant and equipment	**(180)**	(518)	**(188)**	(1,275)
	7,513	8,565	**15,311**	16,258
Finance (income) costs - Other finance (income) expense, net				
Foreign exchange loss (gain)	**760**	558	**(908)**	(642)
Change in fair value of contingent consideration liability (Note 9)	**(11,005)**	—	**(11,005)**	—
Other costs, net	**655**	240	**1,191**	785
	(9,590)	798	**(10,722)**	143
Additional information				
Depreciation of property, plant and equipment	**12,574**	12,330	**24,952**	24,465
Amortization of intangible assets	**2,582**	2,542	**5,205**	5,076
Impairment of assets, net	**749**	2,470	**1,561**	2,733

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

Manufacturing facility closures, restructuring and other related charges incurred in the three and six months ended June 30, 2020 totalled $3.2 million and $3.9 million, respectively. The charges for the three and six months ended June 30, 2020 were comprised of cash costs of $3.1 million and $3.3 million, respectively, and non-cash impairments of $0.1 million and $0.6 million, respectively, for inventory related to the closure of the Montreal, Quebec manufacturing facility. Cash costs incurred in both periods were mainly for termination benefits related to employee restructuring initiatives in the second quarter in response to COVID-19 uncertainties, as well as ongoing idle facility costs related to the Montreal, Quebec and Columbia, South Carolina manufacturing facilities.

Manufacturing facility closures, restructuring and other charges incurred in the three and six months ended June 30, 2019 totalled $3.9 million and $4.2 million, respectively. The charges for the three and six months ended June 30, 2019 were comprised of non-cash impairments of inventory and property, plant and equipment related to the closures of the Johnson City, Tennessee and Montreal, Quebec manufacturing facilities totalling $2.3 million and $2.0 million, respectively, and cash costs of $1.6 million and $2.2 million, respectively, mainly for termination benefits related to the Montreal, Quebec 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,	
	2020	2019	**2020**	2019
Income tax expense	**$ 4,292**	$ 5,538	**$ 7,528**	$ 9,609
Earnings before income tax expense	**$ 19,213**	$ 12,000	**$ 36,625**	$ 26,602
Effective tax rate	**22.3 %**	46.2 %	**20.6 %**	36.1 %

The decrease in the effective tax rate in the three months ended June 30, 2020 as compared to the same period in 2019 was primarily due to the non-recurrence of the proposed state income tax assessment recognized in the second quarter of 2019 resulting from the denial of the utilization of certain net operating losses generated in tax years 2000-2006, and a favourable mix of earnings between jurisdictions.

The decrease in the effective tax rate in the six months ended June 30, 2020 as compared to the same period in 2019 was primarily due to the non-recurrence of the proposed state income tax assessment recognized in the second quarter of 2019 resulting from the denial of the utilization of certain net operating losses generated in tax years 2000-2006, and the favourable treatment of interest deductions related to the restructuring of 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,	
	2020	2019	**2020**	2019
Basic	**59,009,685**	58,760,473	**59,009,685**	58,706,718
Effect of stock options	**457,651**	195,170	**261,233**	196,112
Diluted	**59,467,336**	58,955,643	**59,270,918**	58,902,830

The number of stock options that were anti-dilutive and not included in diluted earnings per share calculations were 773,401 and 613,401 for the three and six months ended June 30, 2020, respectively, and 242,918 for both periods in 2019.

7 - *COMMITMENTS*

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

	June 30, 2020	December 31, 2019
Commitments to purchase machinery and equipment	**$ 8,478**	$ 8,991

8 - *CAPITAL STOCK*

Common Shares

The Company's common shares outstanding as of June 30, 2020 and December 31, 2019 was 59,009,685.

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, 2020	March 31, 2020	$0.1475	March 23, 2020	59,009,685	$ 8,807
May 12, 2020	June 30, 2020	$0.1475	June 15, 2020	59,009,685	$ 8,651

(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 starting on July 23, 2019 and ending on July 22, 2020.

There were no shares repurchased during the three and six months ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, there were 4,000,000 and 3,782,900 common shares available for repurchase under the NCIB, respectively.

The NCIB, which expired on July 22, 2020, was renewed for a twelve-month period starting July 23, 2020. There were no shares repurchased under the renewed NCIB as of August 12, 2020.

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,	
	2020	2019	**2020**	2019
Stock options granted	**—**	—	**1,533,183**	392,986
Weighted average exercise price per stock option granted	—	—	**CDN$7.94**	CDN$17.54
Stock options exercised	**—**	(209,375)	**—**	(226,875)
Weighted average exercise price per stock option exercised	**—**	CDN$12.23	**—**	CDN$12.22
Stock options cancelled/forfeited	**(40,000)**	(10,000)	**(77,500)**	(10,000)
Weighted average exercise price per stock option cancelled/forfeited	**CDN$12.14**	CDN$12.04	**CDN$12.34**	CDN$12.04

	June 30, 2020
Stock options outstanding	2,466,584
Weighted average exercise price per stock option outstanding	CDN$11.31

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,	
	2020	2019
Expected life	**5.5 years**	4.9 years
Expected volatility [(1)]	**34.18%**	29.79%
Risk-free interest rate	**0.75%**	1.44%
Expected dividends	**10.79%**	4.27%
Stock price at grant date	**CDN$7.94**	CDN$17.54
Exercise price of awards	**CDN$7.94**	CDN$17.54
Foreign exchange rate USD to CDN	**1.4526**	1.3380

(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,	
	2020	2019	**2020**	2019
RSUs granted	**—**	—	**281,326**	120,197
Weighted average fair value per RSU granted	**$ —**	$ —	**$ 6.07**	$ 13.74
RSUs forfeited	**(839)**	—	**(1,678)**	—

	June 30, 2020
RSUs outstanding	504,252
Weighted average fair value per RSU outstanding	$ 8.50

Deferred Share Units

The following tables summarize information related to deferred share units ("DSUs"):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
DSUs granted	**90,569**	60,764	**96,843**	60,764
Weighted average fair value per DSU granted	**$ 9.38**	$ 14.01	**$ 9.18**	$ 14.01

	June 30, 2020
DSUs outstanding	368,270
Weighted average fair value per DSU outstanding	$ 8.50

Performance Share Units

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
PSUs granted	**—**	—	**694,777**	291,905
Weighted average fair value per PSU granted	**$ —**	$ —	**$ 5.59**	$ 14.28
PSUs forfeited	**(2,516)**	—	**(5,032)**	—
PSUs cancelled by performance factor [(1)]	**—**	—	**(346,887)**	(371,158)

(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 21, 2016	March 21, 2019	371,158	0 %	—
March 20, 2017	March 20, 2020	346,887	0 %	—

Grant details for PSUs granted subsequent to December 31, 2019:

The number of PSUs granted subsequent to December 31, 2019 which will be eligible to vest can range from 0% to 175% of the Target Shares as determined by multiplying the number of PSUs awarded by the adjustment factors as follows:

- 25% based on the Company's total shareholder return ("TSR") ranking relative to the S&P North America SmallCap Materials (Industry Group) Index (the "Index Group") over the measurement period as set out in the table below;
- 25% based on the Company's TSR ranking relative to a specified peer group of companies ("Peer Group") over the measurement period as set out in the table below; and
- 50% based on the Company's average return on invested capital over the measurement period as compared to internally developed thresholds (the "ROIC Performance") as set out in the table below.

Grant details for PSUs granted subsequent to December 31, 2017 and prior to December 31, 2019:

The number of PSUs granted subsequent to December 31, 2017 and prior to December 31, 2019 which will be eligible to vest can range from 0% to 175% of the Target Shares as determined by multiplying the number of PSUs awarded by the adjustment factors as follows:

- 50% based on the Company's TSR ranking relative to the Peer Group over the measurement period as set out in the table below; and
- 50% based on the Company's the ROIC Performance as set out in the table below.

The relative TSR performance adjustment factor is determined as follows:

TSR Ranking Relative to the Index Group/Peer Group	Percent of Target Shares Vested
90th percentile or higher	200 %
75th percentile	150 %
50th percentile	100 %
25th percentile	50 %
Less than the 25th percentile	0 %

The ROIC Performance adjustment factor is determined as follows:

ROIC Performance	Percent of Target Shares Vested
1st Tier	0 %
2nd Tier	50 %
3rd Tier	100 %
4th Tier	150 %

The TSR performance and ROIC Performance adjustment factors between the numbers set out in the two tables above are interpolated on a straight-line basis.

The performance period is the period from January 1st in the year of grant through December 31st of the third calendar year following the date of grant. The PSUs are expensed over the vesting period beginning from the date of grant through February 15th of the fourth calendar year following the date of grant.

The weighted average fair value of PSUs granted was based 50% on the five-day VWAP of the common shares of the Company at grant date and 50% on an estimated value derived using the Monte Carlo simulation model implemented in a risk-neutral framework considering the following weighted average assumptions:

	Six months ended June 30,	
	2020	2019
Expected life	**3 years**	3 years
Expected volatility[1]	**36 %**	25 %
US risk-free interest rate	**0.30 %**	2.36 %
Canadian risk-free interest rate	**0.59 %**	1.60 %
Expected dividends[2]	**0 %**	0 %
Performance period starting price[3]	**CDN$16.25**	CDN$16.36
Closing stock price on TSX as of the estimation date	**CDN$7.24**	CDN$18.06

(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 volume weighted average price 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, 2020
PSUs outstanding	1,243,944
Weighted average fair value per PSU outstanding	$ 8.86

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, 2020 would be as follows:

Grant Date	Performance
March 21, 2018	89.5 %
March 21, 2019	47.2 %
March 23, 2020	66.1 %

Summary of Share-based Compensation Expense (Benefit) 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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Stock options	**219**	277	**386**	387
PSUs	**1,587**	1,615	**(552)**	(374)
RSUs	**646**	309	**82**	539
DSUs	**1,268**	821	**(148)**	1,034
	3,720	3,022	**(232)**	1,586

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

	June 30, 2020	December 31, 2019
	$	$
Share-based compensation liabilities, current		
PSUs[(1)]	**2,444**	1,291
RSUs[(1)]	**868**	200
DSUs[(2)]	**3,115**	3,457
Total share-based compensation liabilities, current	**6,427**	4,948
Share-based compensation liabilities, non-current		
PSUs[(1)]	**1,332**	3,055
RSUs[(1)]	**600**	1,192
Total share-based compensation liabilities, non-current	**1,932**	4,247

(1) Includes dividend equivalents accrued.
(2) Includes dividend equivalent grants.

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 (excluding employee benefits and taxes payable)

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, 2020 and December 31, 2019, the Senior Unsecured Notes had a carrying value, including unamortized debt issuance costs, of $246.2 million and $245.7 million, respectively, and a fair value of $257.4 million and $264.7 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, 2020 and December 31, 2019, 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 at a rate that reflects the credit risk of various counterparties.

As of June 30, 2020, and December 31, 2019, 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 Polymers Private Limited on May 11, 2018, the Company, through its partially-owned subsidiary, Capstone Polyweave Private Limited ("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, 2020 and 2019, the non-controlling interest put options obligation was remeasured due to changes in exchange rates resulting in a $0.8 million reduction and a $0.1 million increase, respectively, in the liability and a corresponding gain and loss recorded in finance (income) costs in other finance (income) expense, net. As of June 30, 2020 and December 31, 2019, the amount recorded on the consolidated balance sheet for this obligation is $12.9 million and $13.6 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, 2019.

Contingent Consideration

In connection with the Nortech Acquisition (defined in Note 10), the Company may be required to pay additional consideration to the former owners of Nortech contingent upon the achievement of certain designated financial metrics following a measurement period as specified in the asset purchase agreement.

The Company categorizes this contingent consideration as Level 3 of the fair value hierarchy, meaning that the fair value is estimated using a valuation technique based on unobservable market data. The Company measures the fair value of its contingent consideration by estimating the present value of probable future net cash outflows from the settlement of the earn-out related provisions contained within the asset purchase agreement. These provisions require the Company to pay up to $12.0 million to the former owners of Nortech should the acquired assets generate an excess of various profit thresholds defined in the asset purchase agreement, measured over the two-year period following the date of acquisition.

As of the date of the Nortech Acquisition, management determined it probable that the entire amount of contingent consideration would be paid after the two-year anniversary of the acquisition date, and therefore recorded a $10.8 million financial liability in the opening balance sheet for Nortech, representing the discounted net present value of the $12.0 million potential obligation.

As of June 30, 2020, management no longer believes that any payment toward this obligation is probable due to the macroeconomic events connected to the COVID-19 pandemic that have transpired since the date of the acquisition. Therefore, as a result of an analysis performed as of June 30, 2020, the Company estimates the fair value of the obligation to be nil and the Company recorded an adjustment to the recorded liability, with an off-setting gain (net of accretion expense) recorded in finance (income) costs in other finance (income) expense, net. The fair value of the contingent consideration will continue to be reassessed at each reporting date with any changes to be recognized in earnings in finance (income) costs in other finance (income) expense, net.

The fair value estimations as of the date of the acquisition and as of June 30, 2020 were calculated using significant unobservable inputs including estimations of undiscounted future net cash flows (as measured according to the asset purchase agreement) to be generated by Nortech, which management had previously estimated as of the date of the acquisition to be in excess of $12.5 million over the two-year period following the date of acquisition, but now estimates as of June 30, 2020 to be less than $11.8 million, which represents the minimum threshold for the additional consideration payment according to the asset purchase agreement. A discount rate of 5.38% was also used in estimating the net present value of the estimated future cash outflows. The discount rate represents the Company's estimated incremental borrowing rate as of the date of acquisition and through the date of maturity of the obligation. The fair value of the liability is sensitive to changes in projected profits and thereby, future cash outflows, and the discount rate applied to those future cash outflows, which could have resulted in a higher or lower fair value measurement. Refer to Note 10 for further discussion of the Nortech Acquisition.

A reconciliation of the carrying amount of financial instruments classified within Level 3 follows for the period ended June 30, 2020:

	Non-controlling interest put options	Contingent consideration
	$	$
Balance as of December 31, 2019	13,634	—
Contingent consideration recorded as a result of the Nortech Acquisition	—	10,806
Increases resulting from net present value discounting	—	199
Fair value adjustments recorded in finance (income) costs	—	(11,005)
Net foreign exchange differences	(758)	—
Balance as of June 30, 2020	12,876	—

Interest Rate Swap Agreements

The Company is exposed to a risk of changes 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 Company was party to the following interest rate swap agreements designated as hedging instruments as of June 30, 2020:

Effective Date	Maturity	Notional Amount $	Settlement	Fixed interest rate paid %
June 8, 2017	June 20, 2022	40,000	Monthly	1.7900
August 20, 2018	August 18, 2023	60,000	Monthly	2.0450

The following table summarizes activity related to interest rate swap agreements designated as hedging instruments:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Loss from change in fair value of the interest rate swap agreements designated as hedging instruments recognized in OCI [1]	**(49)**	(2,136)	**(3,635)**	(3,518)
Deferred tax benefit on change in fair value of the interest rate swap agreements designated as hedging instruments recognized in OCI	**19**	78	**633**	357
Amounts reclassified from cash flow hedging reserve to earnings [2]	**—**	(86)	**—**	(171)

(1) The hedging loss 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 certain interest rate swap agreements.

The following table summarizes balances related to interest rate swap agreements designated as hedging instruments as of:

	June 30, 2020	December 31, 2019
	$	$
Carrying amount included in other liabilities	**4,975**	1,339
Cumulative loss in cash flow hedge reserve, included in OCI, for continuing hedges	**(4,072)**	(1,070)

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 CDN current exchange rate, which causes the amount of the net investment in IPG (US) Holdings Inc. to vary. The Company's Senior Unsecured Notes are being used 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:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Gain/(loss) from change in value of the Senior Unsecured Notes used for calculating hedge ineffectiveness	**8,619**	4,490	**(11,365)**	9,830
Gain/(loss) from Senior Unsecured Notes recognized in OCI	**8,619**	3,927	**(11,365)**	8,608
Gain from hedge ineffectiveness recognized in earnings in finance (income) costs, in other finance (income) expense, net	**—**	552	**—**	1,199
Foreign exchange gains recognized in cumulative translation adjustments in the statement of changes in equity	**—**	11	**—**	23
Deferred tax benefit on change in value of the Senior Unsecured Notes recognized in OCI	**—**	—	**45**	—

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

	June 30, 2020	December 31, 2019
	$	$
Notional amount	**250,000**	250,000
Carrying amount	**246,186**	245,681

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:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$		
(Loss)/gain from change in value of IPG (US) Holdings, Inc. used for calculating hedge ineffectiveness	**(8,619)**	(3,927)	**11,365**	(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, 2020	December 31, 2019
	$	$
Cumulative (loss) gain included in foreign currency translation reserve in OCI	**(10,506)**	859

10 - *BUSINESS ACQUISITION AND GOODWILL*

Nortech Packaging Acquisition

On February 11, 2020, the Company acquired substantially all of the operating assets of Nortech (defined in Note 2) for an estimated aggregate purchase price of approximately $47.5 million, net of cash balances acquired ("Nortech Acquisition"). This amount is subject to certain post-closing adjustments and includes potential earn-out consideration of up to $12.0 million, contingent upon certain future performance measures of the acquired assets to be determined following the two-year anniversary of the acquisition date. Refer to Note 9 for further discussion of this financial liability and inputs used in management's estimation of fair value.

Excluding working capital adjustments, cash balances acquired and the contingent consideration noted above, the purchase price was $36.5 million.The former owners of Nortech have in escrow $4.7 million related to customary representations, warranties and covenants in the asset purchase agreement, which contains customary indemnification provisions.

Nortech manufactures, assembles and services automated packaging machines under the Nortech Packaging and Tishma Technologies brands. The acquisition expands the Company's product bundle into technologies that the Company believes are increasingly critical to automation in packaging.

The transaction is being accounted for using the acquisition method of accounting, and the Company expects a significant part of the purchase price to be allocated to goodwill and intangible assets. Management is in the process of measuring and allocating purchase consideration to the opening balance sheet based on estimated fair values and is therefore not yet able to provide a full breakout of the purchase price allocation due to the timing of the acquisition and the expected post-closing working capital adjustments, which have not taken place as of the authorization date of the financial statements.

The net consideration transferred on the closing date for the acquisition described above was as follows:

	February 11, 2020
	$
Consideration paid in cash	37,141
Estimated fair value of contingent consideration [1]	10,806
Consideration transferred	47,947
Less: cash balances acquired	485
Consideration transferred, net of cash acquired	47,462

[1] The gross contractual contingent consideration amount of $12.0 million is included in the gross consideration total at its net present value when the contingency was entered into on the date of acquisition, which is discounted over two years using a calculated rate of 5.38%. As of June 30, 2020, management no longer believes that any amount of payment toward the contingent consideration obligation is probable due to macroeconomic events connected to the COVID-19 pandemic which have transpired since the date of acquisition. Refer to Note 9 for further discussion of this financial liability and inputs used in management's estimation of fair value.

The preliminary fair values of net identifiable assets acquired at the date of acquisition were as follows:

	February 11, 2020
	$
Current assets	
Cash	485
Trade receivables [1]	3,304
Inventories	5,956
Other current assets	438
Property, plant and equipment	1,178
	11,361
Current liabilities	
Accounts payable and accrued liabilities	10,373
Borrowings, current	143
Borrowings, non-current	5
	10,521
Fair value of net identifiable assets acquired	840

(1) The gross contractual amounts receivable were $3.6 million. As of June 30, 2020, the Company has collected approximately $2.8 million of the outstanding trade receivables, and expects to collect $0.5 million of uncollected amounts with $0.3 million expected to remain uncollected.

The preliminary fair value of goodwill at the date of acquisition was as follows:

	February 11, 2020
	$
Consideration transferred	47,947
Less: fair value of net identifiable assets acquired	840
Goodwill	47,107

Goodwill recognized is primarily related to growth expectations, expected revenue synergies, and expected future profitability. The Company expects all of the recorded goodwill to be deductible for income tax purposes.

The Nortech Acquisition's impact on the Company's consolidated earnings was as follows:

	Three months ended June 30, 2020	February 12 through June 30, 2020
	$	$
Revenue	2,240	4,247
Net loss	491	491

Had the Nortech Acquisition been effective as of January 1, 2020, the impact on the Company's consolidated earnings would have been as follows:

	Six Months Ended June 30, 2020
	$
Revenue	8,996
Net earnings	280

The Company's acquisition-related costs of $0.8 million are excluded from the consideration transferred. Less than $0.1 million and approximately $0.1 million of these costs is included in the Company's consolidated earnings, primarily in selling, general and administrative expenses, for the three and six months ended June 30, 2020, respectively.

The following table outlines the changes in goodwill during the period:

	Total
	$
Balance as of December 31, 2019	107,677
Acquired through Nortech Acquisition	47,107
Foreign exchange	(2,090)
Balance as of June 30, 2020	152,694

Due to changes in external market conditions adversely affecting Nortech's operations as a result of the COVID-19 pandemic, the Company has performed impairment testing for the Nortech asset group as of June 30, 2020. The impairment test for this asset group was performed based on its value in use and, as a result of this testing, no impairment charge was necessary.

Key assumptions used in the discounted cash flow projection, management's approach to determine the value assigned to each key assumption, and other information as required for the asset group is outlined in the tables below. Reasonably possible changes in the key assumptions below would not be expected to cause the carrying amount of the asset group to exceed its recoverable amount, in which case an impairment would otherwise be recognized. Revenue and other future assumptions used in the model were prepared in accordance with IAS 36 – *Impairment of Assets* and do not include the benefit from obtaining, or the incremental costs to obtain, growth initiatives or cost reduction programs that the Company may be planning but has not yet undertaken within its current asset base.

Details of the key assumptions used in the impairment test performed as of June 30, 2020 are outlined below:

Carrying amount allocated to the Nortech asset group:	
Goodwill	$47,107
Results of test performed as of June 30, 2020:	
Recoverable amount	$58,758
Forecast period annual revenue growth rates [1]	Nil in 2020 and 2021, 4.5-28.9% thereafter
Discount Rate [2]	12.5%
Cash flows beyond the forecast period have been extrapolated using a steady growth rate of [3]	2.5%
Income tax rate [4]	25.5%

(1) The annual revenue growth rates for the forecast period are consistent with projections presented by management to the Board of Directors, however, management now expects revenue growth to be delayed by a two-year period due to macroeconomic events related to the COVID-19 pandemic.

(2) The discount rate used is the estimated weighted average cost of capital for the asset group, using observable market rates and data based on a set of publicly traded industry peers.

(3) Cash flows beyond the forecast period have been extrapolated at or below the projected long-term average growth rates for the asset group which is consistent with United States gross domestic product.

(4) The income tax rate represents an estimated effective tax rate based on enacted or substantively enacted rates.

Sensitivity analysis performed as of June 30, 2020 based on reasonably possible key assumptions used the following:

Forecast period annual revenue growth rates	Nil in 2020 through 2022, 5.4-28.9% thereafter
Discount Rate	14.5%
Cash flows beyond the forecast period have been extrapolated using a steady growth rate of	1.5%
Income tax rate	28.0%

There was no indication of any impairment resulting from changing the individual assumptions above.

11 - *POST REPORTING EVENTS*

Non-Adjusting Events

- On August 12, 2020, the Company declared a quarterly cash dividend of $0.1475 per common share payable on September 30, 2020 to shareholders of record at the close of business on September 15, 2020. The estimated amount of this dividend payment is $8.7 million based on 59,009,685 of the Company's common shares issued and outstanding as of August 12, 2020.

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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