INTERTAPE POLYMER GROUP INC
Form 20-F
March 29, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2016

OR

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

OR

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

Date of event requiring this shell company report __________

For the transition period from __________ to __________

Commission file number: 1-10928

INTERTAPE POLYMER GROUP INC.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5

(Address of principal executive offices)

Jeffrey Crystal, (941) 739-7522, jcrystal@itape.com, 100 Paramount Drive, Suite 300, Sarasota, Florida 34232

(Name, Telephone, E-mail, and Address of Company Contact Person)

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

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

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

Not applicable

(Title of Class)

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

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2016, there were 59,060,335 common shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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Cautionary Note Regarding Forward-Looking Statements

Certain statements and information included in this annual report on Form 20-F 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 annual report on Form 20-F, including statements regarding economic conditions, the Company s outlook, plans, prospects, products, financial position, future sales and financial results,

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availability of credit, level of indebtedness, payment of dividends, fluctuations in raw material costs, competition, capital and other significant expenditures, potential acquisitions, manufacturing facility closures and other restructurings, manufacturing plant rationalization initiatives, liquidity, litigation, and business strategies, may constitute forward-looking statements. These forward-looking statements are based on current beliefs, assumptions, expectations, estimates, forecasts and projections made by the management of Intertape Polymer Group Inc. (Intertape, Intertape Polymer Group, IPG, or the Company). Words such as may, will, should, expect, intend, estimate, anticipate, plan, believe, future, likely, or seek or the negatives of these terms or variat 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 and the Company s customers industries; changes in general economic, political, social, fiscal or other conditions in any of the countries where the Company operates; the Company s customers industries and the general economy; the anticipated benefits from the Company s manufacturing facility closures, manufacturing plant rationalization initiatives, greenfield developments, and other restructuring efforts; the quality and market reception of the Company s products; the Company s anticipated business strategies; risks and costs inherent in litigation; risks and costs inherent in the Company s intellectual property; the Company s ability to maintain and improve quality and customer service; the Company s ability to retain, and adequately develop and incentivize, its management team and key employees; anticipated trends in the Company s business; anticipated cash flows from the Company s operations; availability of funds under the Company s Revolving Credit Facility; the Company s ability to continue to control costs; movements in the prices of key inputs such as raw material, energy and labor, government policies, including those specifically regarding the manufacturing industry, such as industrial licensing, environmental regulations, labor and safety regulations, import restrictions and duties, intellectual property laws, excise duties, sales taxes, and value added taxes; accidents and natural disasters; changes to accounting rules and standards; and other factors beyond our control. 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) as well as statements located elsewhere in this annual report on Form 20-F 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 annual report on Form 20-F. The Company will not update these statements unless applicable securities laws require it to do so.

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PART I

Item 1: Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2: Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information

A. SELECTED FINANCIAL DATA

The selected financial data presented below for the five years ended December 31, 2016 is presented in US dollars and is derived from the Company s consolidated financial statements in US dollars and prepared in accordance with International Financial Reporting Standards (IFRS). The information set forth below was extracted from the consolidated financial statements and related notes included in this annual report and annual reports previously filed and should be read in conjunction with such consolidated financial statements. As required by the Canadian Accounting Standards Board, the Company adopted IFRS on January 1, 2011.

	As of and for the Year Ended December 31				
	2016	**2015**	**2014**	**2013**	**2012**
	(in thousands of US dollars, except shares and per share amounts)				
Statements of Consolidated Earnings:					
	$	$	$	$	$
Revenue	**808,801**	781,907	812,732	781,500	784,430
Earnings before Income Taxes	**70,706**	67,655	58,719	31,553	20,594
Net Earnings	**51,137**	56,672	35,816	67,357	20,381
Net Earnings attributable to Company shareholders	**51,120**	56,672	35,816	67,357	20,381
Earnings per share attributable to Company shareholders					
Basic	**0.87**	0.95	0.59	1.12	0.35
Diluted	**0.85**	0.93	0.57	1.09	0.34
Balance Sheets:					
Total Assets	**580,597**	487,262	466,676	465,199	426,152
Capital Stock	**351,203**	347,325	357,840	359,201	351,702
Total Equity	**242,943**	216,728	227,500	230,428	153,834
Total Equity attributable to Company shareholders	**236,536**	216,728	227,500	230.428	153,834

Number of Common Shares Outstanding	**59,060,335**	58.667,535	60,435,826	60,776,649	59,625,039
Dividends Declared per Share	**0.54**	0.50	0.40	0.24	0.08

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Exchange Rate Information

As of March 27, 2017, the exchange rate for one Canadian dollar expressed in terms of U.S. dollars, as quoted by Morning Star Foreign Exchange Fast Lite on or about noon Eastern Standard Time, equaled 0.7475.

The following exchange rates tables are based upon the last traded price on or about noon Eastern Standard Time from Morning Star Foreign Exchange Fast Lite.

The following table sets forth the high and low exchange rates for one Canadian dollar expressed in terms of U.S. dollars for each month during the previous six months.

	Low	High
September 2016	0.7549	0.7787
October 2016	0.7465	0.7640
November 2016	0.7360	0.7500
December 2016	0.7375	0.7621
January 2017	0.7438	0.7662
February 2017	0.7582	0.7694
March 2017 (through March 27, 2017)	0.7401	0.7551

The following table sets forth the average exchange rate for one Canadian dollar expressed in terms of U.S. dollars for the fiscal years 2012, 2013, 2014, 2015 and 2016. The average rate is calculated using the average of the exchange rates on the last day of each month during the period.

	Average
2012	1.001
2013	0.9720
2014	0.9060
2015	0.7824
2016	0.7544

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Current economic conditions and uncertain economic forecast could adversely affect the Company s results of operations and financial conditions.

Unfavorable changes in the global economy have affected and may affect the demand for the products of the Company and its customers. Adverse economic conditions could also increase the likelihood of customer delinquencies. A prolonged period of economic decline would have a material adverse effect on the results of operations, gross margins, and the overall financial condition of the Company, as well as exacerbate the other risk factors set forth below.

Fluctuations in raw material costs or the unavailability of raw materials may adversely affect the Company s profitability.

Historically, the Company has not always been able to pass on significant raw material cost increases through price increases to its customers. The Company s results of operations in prior years, at times, have been negatively impacted by raw material cost increases. These increases adversely affected the Company s profitability. As a result of raw material cost increases, the Company may increase prices (which could result in reduced market share) or may choose to keep prices the same (which could result in decreased margins). The Company s profitability in the future may be adversely affected due to fluctuations in raw material prices. Additionally, the Company relies on its suppliers for deliveries of raw materials. If any of its suppliers are unable to deliver raw materials to the Company for an extended period of time, there is no assurance that the Company s raw material requirements would be met by other suppliers on acceptable terms, or at all (although the Company has alternative suppliers for a number of the raw materials it uses), which could have a material adverse effect on the Company s results of operations.

Given that a significant portion of the Company s major raw materials are by-products of crude oil and natural gas, the Company is subject to risks associated with energy markets. These markets are subject to volatility, which may result in increased raw material costs for the Company. A number of potential factors, such as legislation aimed at reducing greenhouse gas emissions, wars, terrorist attacks, heightened tariffs and other adverse international trade issues, and political unrest, may result in volatile energy markets and increased raw material costs for the Company.

The Company s ability to achieve its growth objectives depends in part on the timing and market acceptance of its new products and its improved products, as well as its strategic acquisitions and capital expenditure initiatives proving to have the positive effects contemplated in the Company s growth objectives.

The Company s business plan includes the introduction of new products and the improvement of existing products, which are both developed internally and obtained through acquisitions. The Company s ability to introduce these products successfully depends on the demand for the products, as well as their price, quality, and related customer service. In the event the market does not fully accept these products, or competitors introduce similar or superior products (or products perceived by the market to be similar or superior), the Company s ability to expand its markets and generate organic growth could be negatively impacted which could have an adverse effect on its operating results.

In addition, the Company s business plan and growth objectives contain certain goals based on potential acquisitions and capital expenditures. The Company cannot provide any assurances that it will be able to: identify future strategic acquisitions and adequately conduct due diligence; consummate these potential acquisitions on favorable terms, if at all; or if consummated, successfully integrate the operations and management of future acquisitions. Similarly, for potential capital expenditure projects (including any greenfield developments): we may be unable to identify positive projects; actual costs may exceed expected costs for such projects; we may be unable to complete such projects in a timely manner, if at all; such projects may require substantial capital that we are unable to obtain on favorable terms, if at all; such projects may require numerous governmental permits and approvals, and we may be unable to obtain such permits and approvals in a timely manner and at a reasonable cost, if at all; such projects may not yield the expected benefits; and the Company s Revolving Credit Facility s covenants may limit our ability to develop such projects.

For a further description of the risks related to the Company s acquisitions, see Risk Factors Acquisitions could expose the Company to significant business risks. For a further description of the risks related to the Company s Revolving Credit Facility, see Risk Factors The Company s Revolving Credit Facility contains covenants that limit its flexibility and prevent the Company from taking certain actions.

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The Company s competition and customer preferences could impact the Company s profitability.

The markets for the Company s products are highly competitive. Competition in its markets is primarily based upon the quality, breadth and performance characteristics of its products, customer service and price. The Company s ability to compete successfully depends upon a variety of factors, including its ability to create new and improved products, effectively employ skilled personnel, increase plant efficiencies, reduce manufacturing costs, and create complementary products for customer convenience of a single supplier, as well as its access to quality, low-cost raw materials.

Some of the Company s competitors, particularly certain of those located in Asia, may, at times, have lower costs (i.e. raw material, energy and labor) and/or less restrictive environmental and governmental regulations to comply with than the Company does. Other competitors may be larger in size or scope than the Company, which may allow them to achieve greater economies of scale on a global basis or allow them to better withstand periods of declining prices and adverse operating conditions.

Demand for the Company s products and, in turn, its revenue and profit margins, are affected by customer preferences and changes in customer ordering patterns which may occur as a result of changes in inventory levels and timing of purchases which may be triggered by price changes and incentive programs.

The Company s customer contracts contain termination provisions that could decrease the Company s future revenues and earnings.

Most of the Company s customer contracts can be terminated by the customer on short notice without penalty. The Company s customers are, therefore, not contractually obligated to continue to do business with it in the future. This creates uncertainty with respect to the revenues and earnings the Company may recognize with respect to its customer contracts.

The Company s manufacturing plant rationalization initiatives, manufacturing cost reduction programs and capital expenditure projects may result in higher costs and less savings than anticipated.

The Company has implemented several manufacturing plant rationalization initiatives, manufacturing cost reduction programs and capital expenditure projects. Certain of these have not been, and others may not in the future be, completed as planned. As a result, the costs and capital expenditures incurred by the Company have in certain instances substantially exceeded, and may in the future substantially exceed, projections. In addition, the timing for achieving cost reductions has sometimes been, and may in the future be, later than expected. This could potentially, and has in certain instances, resulted in additional debt incurred by the Company, increased costs, reduced profits, or reduced production and elimination. In addition, the anticipated manufacturing cost savings has been, and may be, less than expected or may not materialize at all.

Acquisitions could expose the Company to significant business risks.

The Company may make strategic acquisitions that could, among other goals, complement its existing products, expand its customer base, range of products, production capacity and markets, improve distribution efficiencies, lower production costs and enhance its technological capabilities. Financial risks from these acquisitions include: (a) the use of the Company s cash resources; (b) paying a price that exceeds the future value realized from the acquisition; (c) an increase in our expenses and working capital requirements (which could reduce our return on invested capital); (d) potential known and unknown liabilities of the acquired businesses, as well as contractually-based time and monetary limitations on a seller s obligation to indemnify us for such liabilities; (e) the incurrence of additional debt; (f) the dilutive effect of the issuance of any additional equity securities we issue as consideration for, or to finance, the acquisition; (g) the financial impact of incorrectly valuing goodwill and other intangible assets involved in any acquisitions; (h) potential future impairment write-downs of goodwill and indefinite life intangibles and the amortization of other intangible assets; (i) possible adverse tax and accounting effects; and (j) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close or sell acquired facilities at our cost, which may include substantial employee severance costs and asset write-offs.

Further, there are possible operational risks including: difficulty assimilating and integrating the operations; products; technology; information systems and personnel of acquired companies; losing key personnel of acquired entities; entry into markets in which the Company has no or limited prior experience; diversion of management s attention; compliance with a different jurisdiction s laws; failure to obtain or retain intellectual property rights for certain products; and difficulty honoring commitments made to customers of the acquired companies prior to the acquisition. The Company may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to the integration of acquired businesses. These acquisitions could expose the Company to significant integration risks and increased organizational complexity, including more complex and costly accounting processes and internal controls, which may challenge management and may adversely impact the realization of an increased contribution from said acquisitions. The failure to adequately address these risks could adversely affect the Company s business and financial performance.

Although the Company performs due diligence investigations of the businesses and assets that it acquires, and anticipates continuing to do so for future acquisitions, there may be liabilities related to the acquired business or assets that the Company fails to, or is unable to, uncover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. When feasible, the Company seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, the financial resources of the indemnitor or warrantor, or other reasons.

Some of our recent acquisitions involve, and potential future acquisitions may involve, operations outside of the U.S. which are subject to various risks including those described in Risk Factors The Company faces risks related to its international operations.

The Company s Revolving Credit Facility contains covenants that limit its flexibility and prevent the Company from taking certain actions.

The loan and security agreement governing the Company s Revolving Credit Facility includes a number of significant restrictive covenants. These covenants could limit the Company s ability to plan for or react to market conditions, meet its capital needs and execute its business strategy. These covenants, among other things, limit the Company s ability and the ability of its subsidiaries to incur additional debt; prepay other debt; pay dividends and make other restricted payments; create or permit certain liens; issue or sell capital stock of restricted subsidiaries; use the proceeds from sales of assets; make certain investments; create or permit restrictions on the ability of the guarantors to pay dividends or to make other distributions to the Company; enter into certain types of transactions with affiliates; engage in unrelated businesses; enter into sale and leaseback transactions; and consolidate or merge or sell the Company s assets substantially as an entirety.

A number of these restrictions are more stringent in regards to subsidiaries of the Company that are not party to the Company s Revolving Credit Facility (collectively, the Non-Credit Parties). The Non-Credit Parties are limited in their ability to incur debt outside of the Company s Revolving Credit Facility. In addition, the Company and its subsidiaries are limited in the amount of investments that they may make in the Non-Credit Parties and the amount of guaranties they may make in connection with debt incurred by the Non-Credit Parties outside of the Company s Revolving Credit Facility.

The Company depends on its subsidiaries for cash to meet its obligations and pay any dividends.

The Company is a holding company. Its subsidiaries conduct all of its operations and own substantially all of its assets. Consequently, the Company s cash flow and its ability to meet its obligations or pay dividends to its stockholders depend upon the cash flow of its subsidiaries and the payment of funds by its subsidiaries to the Company in the form of dividends, tax sharing payments or otherwise. The Company s subsidiaries ability to provide funding will depend on, amongst others, their earnings, the terms of indebtedness from time to time, tax considerations and legal restrictions.

Payment of dividends may not continue in the future, and the payment of dividends is subject to restriction.

On August 10, 2016, the Board of Directors amended the Company s dividend policy by increasing the annualized dividend by 7.7% from $0.52 to $0.56 per share. The future declaration and payment of dividends, if any, will be at the discretion of the Board of Directors and will depend on a number of factors, including the Company s financial and operating results, financial position, legal requirements, and anticipated cash requirements. The Company can give no assurance that dividends will be declared and paid in the future or, if declared and paid in the future, at the same level as in the past. Additionally, the Company s Revolving Credit Facility restricts its ability to pay dividends if the Company does not maintain certain borrowing availability or if the Company is in default.

The Company s outstanding debt could adversely affect its financial condition.

As of December 31, 2016, the Company had outstanding debt of $179.8 million, which represented 14.0% of its total capitalization. Of such total debt, approximately $179.8 million, or all of the Company s outstanding senior debt, was secured.

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The Company s outstanding indebtedness could adversely affect its financial condition. The Company s outstanding indebtedness could also increase its vulnerability to adverse general economic and industry conditions; require the Company to dedicate a substantial portion of its cash flows from operating activities to payments on its indebtedness, thereby reducing the availability of the Company s cash flows to fund working capital, capital expenditures, potential acquisitions, research and development efforts and other general corporate purposes; limit the Company s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have less debt; and limit the Company s ability to borrow additional funds on terms that are satisfactory to it or at all.

The Company may not be able to generate sufficient cash flow to meet its debt service obligations.

The Company s ability to generate sufficient cash flows from operating activities to make scheduled payments on its debt obligations will depend on its future financial performance, which will be affected by a range of economic, competitive, regulatory, legislative and business factors, many of which are outside of the Company s control. If the Company does not generate sufficient cash flows from operating activities to satisfy its debt obligations, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any refinancing would be possible or that any assets could be sold on acceptable terms or otherwise. The Company s inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on the Company s business, financial condition and results of operations. In addition, any refinancing of the Company s debt could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its business operations. Also, any additional issuances of equity would dilute the Company s shareholders.

Despite the Company s level of indebtedness, it will likely be able to incur substantially more debt. Incurring such debt could further exacerbate the risks to the Company s financial condition described above.

The Company will likely be able to incur substantial additional indebtedness in the future. Although the loan and security agreement governing the Revolving Credit Facility contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could be substantial. The restrictions also do not prevent the Company from incurring obligations that do not constitute indebtedness. To the extent new debt is added to the Company s currently anticipated debt levels, the substantial leverage risks described above would increase.

The failure to maintain effective internal control over financial reporting in accordance with applicable securities laws could cause the Company s stock price to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the US Securities and Exchange Commission (the SEC) as well as applicable rules and guidelines adopted by the Canadian Securities Administrators require annual management assessments of the effectiveness of the Company s internal control over financial reporting and a report by the Company s independent registered public accounting firm to express an opinion on these controls based on their audit. Due to inherent limitations, there can be no assurance that the Company s system of internal control over financial reporting will be successful in preventing all errors, theft, and fraud, or in informing management of all material information in a timely manner. These risks will likely be exacerbated as the Company expands, particularly in foreign jurisdictions where employees may not be as accustomed to such laws and regulations. Also, if the Company cannot in the future favorably assess, or the Company s independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of the Company s internal control over financial reporting, investors may lose confidence in the reliability of the Company s financial reports, which could cause the Company s stock price to decline.

Certain of the Company s pension and other post-retirement benefit plans are partially funded or unfunded which could require Company contributions.

The Company s pension and other post-retirement benefit plans currently have an unfunded deficit of $30.8 million as of December 31, 2016 as compared to $29.3 million at the end of 2015. For 2016 and 2015, the Company contributed $1.4 million and $2.0 million, respectively, to its wholly or partially funded pension plans and to beneficiaries for its unfunded other benefit plans. The Company may need to divert certain of its resources in the future in order to resolve this funding deficit. In addition, the Company cannot predict whether a change in factors such as pension asset performance or interest rates, will require the Company to make a contribution in excess of its current expectations. Also, the Company expects to contribute $4.1 million to satisfy its 2017 minimum funding requirement for its wholly or partially funded pension plans and to beneficiaries for its unfunded other benefit plans. Further, the Company may not have the funds necessary to meet future minimum pension funding requirements or be able to meet its pension benefit plan funding obligation through cash flows from operating activities.

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The Company depends on the proper functioning of its information systems.

The Company is dependent on the proper functioning of information systems, some of which are owned and operated by third parties, to store, process and transmit confidential information, including financial reporting, inventory management, procurement, invoicing and electronic communications belonging to its customers, its suppliers, its employees and/or the Company itself. The Company s information systems are vulnerable to natural disasters, fire, casualty theft, technical failures, terrorist acts, cyber security breaches, power loss, telecommunications failures, physical or software intrusions, computer viruses, and similar events. If the Company s critical information systems fail or are otherwise unavailable, its operations could be disrupted, causing a material adverse effect on its business. Also, any theft or misuse of information resulting from a security breach could result in, among other things, loss of significant and/or sensitive information, litigation by affected parties, financial obligations resulting from such theft or misuse, higher insurance premiums, governmental investigations, negative reactions from current and potential future customers (including potential negative financial ramifications under certain customer contract provisions) and poor publicity. Given the seemingly increasing frequency and severity of cyberattacks on commercial and governmental organizations in recent years, this threat may be heightened for the Company. Any of these consequences, in addition to the time and funds spent on monitoring and mitigating the Company s exposure and responding to breaches, including the training of employees, the purchase of protective technologies and the hiring of additional employees and consultants to assist in these efforts, could adversely affect its financial results.

The Company faces risks related to its international operations.

The Company has customers and operations located outside the United States and Canada. In 2016, sales to customers located outside the United States and Canada represented approximately 10% of its sales. The Company s international operations present it with a number of risks and challenges, including potential difficulties staffing and managing its foreign operations, potential difficulties managing a more extensive supply chain as compared to its sales efforts in the United States and Canada, potential adverse changes in tax regulations affecting tax rates and the way the United States and other countries tax multinational companies, the effective marketing of the Company s products in other countries, tariffs and other trade barriers, less favorable intellectual property laws, longer customer payment cycles, exposure to economies that may be experiencing currency volatility or negative growth, exposure to political and economic instability and unsafe working conditions (including acts of terrorism, widespread criminal activities and outbreaks of war) and different regulatory schemes and political environments applicable to its operations in these areas, such as environmental and health and safety compliance. As a result of the Company s recent acquisition of Powerband Industries Private Limited (d/b/a Powerband) (Powerband), we expect that our business mix will rebalance to a greater percentage of international operations which should increase our exposure to these risks.

Due in large part to the new U.S. Presidential administration, many are expecting substantial changes to U.S. trade and tax policies, including heightened import restrictions or tariffs. Restrictions could prevent or make it difficult for the Company to obtain certain raw materials and/or equipment needed to manufacture certain products. Increased tariffs could require the Company to increase its prices which likely could decrease demand for the Company s products. In addition, other countries may retaliate through their own restrictions and or increased tariffs which would affect our ability to export products and therefore adversely affect our sales.

The U.S. Federal Reserve recently increased its benchmark interest rate and signaled that rates could continue to rise more quickly than previously expected. While it is unclear whether these actions suggest a change in previous monetary policy positions, including but not limited to an elimination of quantitative easing over time, any such change or market expectation of such change may result in significantly higher long-term interest rates. Such a transition may be abrupt and may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness, negatively impact the market price of our common stock, and potentially decrease demand for the products of the Company and its customers.

In addition, in June 2016, voters in the United Kingdom approved an advisory referendum to withdraw membership from the European Union, which proposed exit (commonly referred to as Brexit) could cause disruptions to, and create uncertainty surrounding, the Company s business in Europe, including affecting the Company s relationships with its existing and future customers, suppliers and employees.

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Finally, the Company s financial statements are reported in US dollars while a portion of its sales is made in other currencies, primarily the Canadian dollar, the Euro and the Indian Rupee. As a result, fluctuations in exchange rates between the US dollar and foreign currencies can have a negative impact on the Company s reported operating results and financial condition. Moreover, in some cases, the currency of the Company s sales does not match the currency in which it incurs costs, which can negatively affect its profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility where the facility faces competition from non-local producers, as well as the Company s ability to successfully market its products in export markets.

The Company s operations are subject to comprehensive environmental regulation and involve expenditures which may be material in relation to its operating cash flow.

The Company s operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, US (federal, state and local), Canadian (federal, provincial and local) and Indian (federal, state and local). environmental laws applicable to the Company include statutes and regulations intended to impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remedying soil and groundwater contamination among specifically identified parties, as well as to prevent future soil and groundwater contamination; imposing ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; governing the handling, management, treatment, storage and disposal of hazardous wastes and substances; and regulating the discharge of pollutants into waterways.

The Company s use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities, suggest that hazardous substances may be present at or near certain of the Company s facilities or may come to be located there in the future. Consequently, the Company is required to closely monitor its compliance under all the various environmental laws and regulations applicable to it. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

The Company obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time it either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or groundwater analysis. The assessments have not revealed any material or significant environmental liability, other than, or in addition to, the $2.5 million liability as of December 31, 2016, accrued in provisions in the Company s consolidated balance sheet, that, based on current information, the Company believes will have a material adverse effect on it. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing cleanup and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company s properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of its properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of its operations, may cause the Company to incur significant costs and liabilities that could have a material adverse effect on it.

Except as described in Item 4B(8) below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations and that it has obtained, and is in material compliance with, all material permits required under environmental laws and regulations. Although certain of the Company s facilities emit pollutants into the air, these emissions are within current permitted limits.

The Company s facilities are required to maintain numerous environmental permits and governmental approvals for its operations. Some of the environmental permits and governmental approvals that have been issued to the Company or to its facilities contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the Company fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement actions and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of the facilities, as a result of which the operation of the facilities may be limited or suspended.

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The Company may become involved in litigation relating to its intellectual property rights, which could have an adverse impact on its business.

The Company relies on patent protection, as well as a combination of copyright, trade secret and trademark laws, nondisclosure and confidentiality agreements and other contractual restrictions to protect its proprietary technology. In addition to relying on patent protection, as well as a combination of copyright, trade secret and trademark laws, nondisclosure and confidentiality agreements and other contractual restrictions, the Company relies a fair amount on unpatented proprietary know-how and trade secrets. The Company employs various methods, including its internal security systems, policies and procedures, to protect its proprietary know-how and trade secrets. These mechanisms may not, however, afford complete or sufficient protection, and misappropriation may still occur.

Litigation may be necessary to enforce these rights, which could result in substantial costs to the Company and a substantial diversion of management attention. Further, there can be no assurance that the Company will be able to enforce its patent or other rights, if any, and that others will not independently develop similar know-how and trade secrets, or develop better production methods. If the Company does not adequately protect its intellectual property, its competitors or other parties could use the intellectual property that the Company has developed to enhance their products or make products similar to the Company s and compete more efficiently with it, which could result in a decrease in the Company s market share.

While the Company has attempted to ensure that its products and the operations of its business do not infringe other parties patents and proprietary rights, its competitors or other parties may assert that the Company s products and operations may infringe upon patents held by them. In addition, because patent applications can take many years to issue, the Company might have products that infringe upon pending patents and other proprietary rights of which it is unaware. If any of the Company s products infringe a valid patent, the Company could be prevented from selling such products unless the Company obtains a license or redesigns the products to avoid infringement. A license may not be available or may require the Company to pay substantial royalties. The Company may not be successful in attempts to redesign its products to avoid infringement. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming to resolve as well as divert management s attention from the Company s core business.

The Company may become involved in labor disputes or employees could form or join unions increasing the Company s costs to do business.

Some of the Company s employees are subject to collective bargaining agreements. Other employees are not part of a union and there are no assurances that such employees will not form or join a union. Any attempt by employees to form or join a union could result in increased labor costs and adversely affect the Company s business, its financial condition and/or results of operations.

Except for the strike which occurred at the Company s Brantford, Ontario plant in 2008, which is now closed, the Company has never experienced any work stoppages due to employee related disputes. Management believes that it has a good relationship with its employees. However, there can be no assurance that work stoppages or other labor disturbances will not occur in the future. Such occurrences could adversely affect the Company s business, financial condition and/or results of operations.

The Company may become involved in litigation which could have an adverse impact on its business.

The Company, like other manufacturers and sellers, is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. The Company is threatened from time to time with, or is named as a defendant in, legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against the Company, or the imposition of a significant fine or penalty resulting from a finding that the Company failed to comply with laws or regulations, or being named as a defendant on multiple claims could adversely affect the Company s business, financial condition and/or results of operations.

Uninsured and underinsured losses and rising insurance costs could adversely affect the Company s business.

The Company maintains property, business interruption, general liability, directors and officer s liability and other ancillary insurance on such terms as it deems appropriate. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay for the full current market value or current replacement cost of the Company s lost investment. Not all risks are covered by insurance, as such coverage is not feasible.

The Company s cost of maintaining property, general liability and business interruption insurance and director and officer liability insurance is significant. The Company could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Company s insurance policies must be renewed annually. The Company s ability to continue to obtain insurance at affordable premiums also depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims against the Company, the assertion of one or more claims in excess of its policy limits, or the inability to obtain adequate insurance coverage at acceptable rates, or any insurance coverage at all, could adversely affect the Company s business, financial condition and/or results of operations.

The Company s success depends upon retaining the services of its management team and key employees.

The Company is dependent on its management team and expects that continued success will depend largely upon their efforts and abilities. The loss of the services of any key executive for any reason could have a material adverse effect on the Company. Success also depends upon the Company s ability to identify, develop, and retain qualified employees.

Product liability could adversely affect the Company s business.

Difficulties in product design, performance and reliability could result in lost sales, delays in customer acceptance of the Company s products, customer complaints or lawsuits. Such difficulties could be detrimental to the Company s market reputation. The Company s products and the products supplied by third parties on behalf of the Company may not be error-free. Undetected errors or performance problems may be discovered in the future. The Company may not be able to successfully complete the development of planned or future products in a timely manner or adequately address product defects, which could harm the Company s business and prospects. In addition, product defects may expose the Company to product liability claims, for which it may not have sufficient product liability insurance. Difficulties in product design, performance and reliability or product liability claims could adversely affect the Company s business, financial condition and/or results of operations.

Because the Company is a Canadian company, it may be difficult to enforce rights under US bankruptcy laws.

The Company and certain of its subsidiaries are incorporated under the laws of Canada and a substantial amount of its assets are located outside of the United States. Under bankruptcy laws in the United States, courts typically assert jurisdiction over a debtor s property, wherever located, including property situated in other countries. However, courts outside of the United States may not recognize the United States bankruptcy court s jurisdiction over property located outside of the territorial limits of the United States. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a Canadian debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside the territorial limits of the United States.

It may be difficult for investors to enforce civil liabilities against the Company under US federal and state securities laws.

The Company and certain of its subsidiaries are incorporated under the laws of Canada. Certain of their directors are residents of Canada and a portion of directors and executive officers assets may be located outside of the United States. In addition, certain subsidiaries are located in other foreign jurisdictions. As a result, it may be difficult or impossible for US investors to effect service of process within the United States upon the Company, its Canadian subsidiaries, or its other foreign subsidiaries, or those directors and officers, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of US federal securities laws or securities or blue sky laws of any state within the United States. The Company believes that a judgment of a US court predicated solely upon the civil liability provisions of the Securities Act of 1933, as amended and/or the Securities Exchange Act of 1934, as amended (Exchange Act) would likely be enforceable in Canada if the US court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot assure, however, that this will be the case. There is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

The Company has its registered office in the Province of Québec, Canada and, as a result, is subject to the securities laws of that province. In addition, the Company is a reporting issuer under the securities laws of each of the provinces of Canada and is therefore subject to the provisions thereof relating to, among other things, continuous disclosure and filing of insider reports by the Company s reporting insiders , as applicable.

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While the Company s shares trade on the Toronto Stock Exchange, they trade on the OTC Pink Marketplace in the US, which may result in the possible absence of a liquid trading market for securities of US investors.

The Company s common shares are traded in the US on the OTC Pink Marketplace. Trading on this market can be thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with a company s operations or business prospects. In addition, trading on this market is often sporadic, so shareholders may have some difficulty reselling any of their shares of common stock on this market.

Compliance with the SEC s conflict mineral disclosure requirements results in additional compliance costs and may create reputational challenges.

The SEC adopted rules pursuant to Section 1502 of the Dodd-Frank Act setting forth disclosure requirements concerning the use or potential use of certain minerals and their derivatives, including tantalum, tin, gold and tungsten, that are mined from the Democratic Republic of Congo and adjoining countries, and deemed conflict minerals. These requirements have necessitated, and will continue to necessitate, due diligence efforts by the Company to assess whether such minerals are used in the Company s products in order to make the relevant required disclosures. There are certain costs associated with complying with these new disclosure requirements, including diligence to determine the sources of those minerals that may be used or necessary to the production of the Company s products. If the Company determines that certain of its products contain minerals that are not conflict-free or is unable to sufficiently verify the origins for all conflict minerals used in its products, the Company may face changes to its supply chain or challenges to its reputation, either of which could impact future sales.

The Company s exemptions under the Exchange Act of 1934, as a foreign private issuer, limit the protections and information afforded investors.

The Company is a foreign private issuer within the meaning of the rules promulgated under the Exchange Act. As such, it is exempt from certain provisions applicable to United States companies with securities registered under the Exchange Act, including: the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (*i.e.,* a purchase and sale, or sale and purchase, of the issuers equity securities within a period of less than six months). Because of these exemptions, purchasers of the Company s securities are not afforded the same protections or information generally available to investors in public companies organized in the United States. For the year ended December 31, 2008 and commencing for the year ended December 31, 2010 and going forward, the Company has elected to file its annual report on Form 20-F which also fulfills the requirements of the Annual Information Form required in Canada, thus necessitating only one report. The Company reports on Form 6-K, and makes certain other filings (such as Form S-8, Form 11-K and Form SD), with the United States Securities and Exchange Commission and publicly releases quarterly financial reports.

Our business could be negatively affected by the actions of activist shareholders.

Certain of our shareholders may from time to time advance shareholder proposals or otherwise attempt to effect changes or acquire control over our business. Such proposals or attempts are sometimes led by investors seeking to increase short-term shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases or even sales of assets or the entire company. Such an action focused on the short-term may be to the long-term detriment of the Company s shareholders. If faced with actions by activist shareholders, we may not be able to respond effectively to such actions, which could be disruptive to our business.

We cannot assure our shareholders that our normal course issuer bid will enhance shareholder value, and share repurchases could increase the volatility of our share price.

We repurchase shares in the open market and otherwise for cancellation pursuant to normal course issuer bids (NCIB), which allow us to repurchase a certain number of shares during a specified period. Under our new NCIB, we are authorized to repurchase up to an aggregate of approximately 4,000,000 common shares over the twelve-month period ending July 13, 2017. The timing and actual number of shares repurchased will depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements, and other market conditions. The existence of the NCIB, however, could also cause our share price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our subordinate voting shares.

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Item 4: Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The business of IPG was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal, Canada. The Company was incorporated under the *Canada Business Corporations Act* on December 22, 1989 under the name 171695 Canada Inc. On October 8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc.

The Company s corporate headquarters is located at 9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Québec, Canada H4M 2X5 and the address and telephone number of its registered office is 800 Place Victoria, Suite 3700, Montréal, Québec H4Z 1E9, c/o Fasken Martineau Dumoulin LLP, (514) 397-7400.

In the last five years, the Company has undertaken a number of significant manufacturing plant rationalization initiatives in an effort to achieve its goal of being a low-cost producer of its products along with having world class assets at its manufacturing facilities. The Company sold its Brantford, Ontario, facility (which it had closed during the second quarter of 2011) in January 2013. In the fourth quarter of 2012, the Company ceased manufacturing operations at its Richmond, Kentucky, manufacturing facility and transferred operations to its Carbondale, Illinois facility during the first quarter of 2013. The Company sold the Richmond, Kentucky facility in the fourth quarter of 2014. In addition, the Company consolidated its North American shrink film production at its Tremonton, Utah facility in 2013.

As the result of an internal restructuring, effective December 31, 2012, the Company liquidated and dissolved ECP L.P. and ECP GP II Inc., its Canadian operating companies, and all business, assets and liabilities were transferred to Intertape Polymer Inc., another Canadian subsidiary of the Company. Also effective December 31, 2012, the Company liquidated and dissolved Polymer International Corp., a Virginia corporation, and all of its assets and liabilities are with Intertape Polymer Corp., a Delaware corporation, a US subsidiary of the Company.

In February 2013, the Company announced plans to relocate and modernize its Columbia, South Carolina, manufacturing facility and in June 2013, acquired property in Blythewood, South Carolina, which is located in close proximity to the Columbia, South Carolina plant. As of December 31, 2016, the Company had completed commissioning efforts in relation to the duct and masking tape production lines in Blythewood, South Carolina. The Company continues to work aggressively on optimizing the masking tape production process mainly through minimization of production waste and machine downtime as well as achieving target quality levels on one of the masking tape products. As of December 31, 2016, capital expenditures for this project totaled approximately $60.7 million, of which $2.7 million was spent in 2012, $21.8 million in 2013, $24.3 million in 2014, $7.9 million in 2015, and $3.7 million in 2016. At this time, it is not expected that a material amount of additional capital expenditures will be required to achieve further improvement.

Effective October 30, 2014, the Company completed an additional internal restructuring to reorganize the capital structure of several of its legal entities to more efficiently manage its intercompany debt. The results of this restructuring were (in addition to certain transfers of certain intercompany receivables, payables and notes): (a) IPG Holdings LP was dissolved; (b) all of the preferred shares in IPG (US) Holdings Inc. were redeemed and cancelled, with Intertape Polymer Group Inc. owning all of the common shares of IPG (US) Holdings Inc.; (c) Intertape Polymer Group Inc. formed IPG Luxembourg S.à r.l, a Luxembourg private limited liability company (société à responsabilité limitée) as a wholly owned subsidiary of Intertape Polymer Group Inc. and (d) Intertape Polymer Corp. transferred all of its preferred equity interests in Intertape Polymer Inc. to IPG (US) Inc.

On April 7, 2015, the Company purchased 100% of the issued and outstanding common stock of BP Acquisition Corporation (which wholly-owns a subsidiary, Better Packages, Inc.) (Better Packages), a leading supplier of water-activated tape dispensers. The Company expects the Better Packages acquisition to further extend the Company s product offering and global presence in the rapidly growing e-commerce market. The Company paid a purchase price of $15.9 million in cash. Effective September 1, 2015, along with certain related transfers of certain intercompany receivables, payables and notes, on or about the same date, Intertape Polymer US Inc. was dissolved.

On October 4, 2015, the Columbia, South Carolina manufacturing facility was damaged by significant rainfall and subsequent severe flooding. The damages sustained were considerable and resulted in the facility being shut down permanently.

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On November 2, 2015, the Company purchased 100% of the issued and outstanding common shares of RJM Manufacturing, Inc. (d/b/a TaraTape), a manufacturer of filament and pressure-sensitive tapes. Intertape Polymer Corp. paid in cash, funded primarily from the Company s Revolving Credit Facility, a purchase price of $11.0 million in cash. As part of the Company s plan to realize operational synergies from the TaraTape acquisition, the Company set out a plan to close its Fairless Hills, Pennsylvania manufacturing facility and ceased manufacturing operations as of December 31, 2016. In order to accommodate the related production volume, the Company has leveraged production capacity in its Carbondale, Illinois and Danville, Virginia manufacturing facilities and will continue to do so.

On February 16, 2016, the Company announced it will invest $44 to $49 million in the construction of a greenfield manufacturing facility in Midland, North Carolina, with a goal to increase its manufacturing capacity of water-activated tapes by the end of 2017.

On September 16, 2016, IPG Mauritius Ltd., a newly formed subsidiary of the Company, under a Share Purchase Agreement, dated September 2, 2016, purchased a 74% ownership stake in Powerband a global supplier of acrylic adhesive-based carton sealing tapes and stretch films located in Daman, India. The remaining 26% will continue to be held by the Desai family which founded the company in 1994. The Company has approved a plan to expand the production capacity within the Daman, India manufacturing facility and to expand capacity by investing in the construction of a greenfield manufacturing facility in India (Powerband Investment Projects). Capital expenditures for the Powerband Investment Projects are currently estimated to total approximately $20 million and the plan for the additional capacity in the current manufacturing facility is expected to be completed by mid-2017 while the greenfield facility is expected to be operating in 2018.

The Company s total capital expenditures in connection with property, plant and equipment were $50.0 million, $34.3 million, and $40.6 million for the years 2016, 2015, and 2014, respectively. Capital expenditures for the year ended December 31, 2016 were primarily for property, plant and equipment to support the following strategic and growth initiatives: the water-activated tape capacity expansion in Midland, North Carolina ($13.7 million), the shrink film capacity expansion at the Portugal manufacturing facility ($5.4 million), the expansion of the Company s specialty tape product offering ($2.7 million), the Powerband Investment Projects ($1.5 million), and technology upgrade and capacity expansion of stretch film production in the Danville, Virginia manufacturing facility ($1.4 million). Capital expenditures for the year ended December 31, 2015 were primarily for property, plant and equipment to support the following strategic and growth initiatives: the new facility in Blythewood, South Carolina ($7.9 million), the water-activated tape capacity expansion in Midland, North Carolina ($4.2 million), shrink film capacity expansion at the Portugal manufacturing facility ($3.9 million), and the expansion of the Company s specialty tape product offering ($3.2 million). Capital expenditures for the year ended December 31, 2014 of $40.6 million were primarily for the new facility in Blythewood, South Carolina and updating existing manufacturing equipment and obtaining new equipment. The Company funded the 2016 capital expenditures through its cash flows from operations and funds available under the Revolving Credit Facility. On a related note, the Company typically relies upon cash flows from operations and funds available under the Revolving Credit Facility to fund capital expenditures.

B. BUSINESS OVERVIEW

The Company operates in the specialty packaging industry in North America. The Company develops, manufactures and sells a variety of paper and film-based pressure-sensitive and water-activated tapes, polyethylene and specialized polyolefin packaging films, woven coated fabrics and complementary packaging systems for industrial and retail use. 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 and reinforced filament tapes; shrink film; stretch wrap; lumberwrap, structure fabrics, geomembrane fabrics; and non-manufactured flexible intermediate bulk containers (FIBCs). 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 approximately 2,200 employees with operations in 17 locations, including 11 manufacturing facilities in North America, one in Europe**,** and one in India.

The Company has assembled a broad range of products by leveraging its manufacturing technologies, its research and development capabilities, global sourcing expertise and its strategic acquisition program. Over the years, the Company has made a number of strategic acquisitions, including the 2016 acquisition of a 74% ownership stake in Powerband and the 2015 TaraTape and Better Packages acquisitions, in order 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, fulfillment, consumer, building and construction, oil and gas, transportation, agriculture, aerospace, appliance, general manufacturing, marine, composites and military applications.

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Overview of Periods

2014

In 2014, IPG hired Jeffrey Crystal, who was appointed Chief Financial Officer effective May 9, 2014. Bernard J. Pitz s tenure as chief financial officer ended on January 30, 2014. Michael C. Jay, Corporate Controller since 2011, assumed the duties of interim Chief Financial Officer from January 30, 2014 to May 9, 2014.

In March 2014, IPG increased the amount available under the Equipment Finance Agreement dated August 14, 2012 from $24.0 million to $25.7 million and also entered into its final capital lease schedule under this agreement for $3.5 million. The average of the fixed interest rates of the capital leases as of December 31, 2014 was 2.87%.

On June 11, 2014, IPG s Board of Directors adopted: (a) the Performance Share Unit Plan (PSU Plan) and (b) the Deferred Share Unit Plan (DSU Plan). The PSU Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award PSUs to eligible persons. The DSU Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award DSUs to any member of the Board of Directors of the Company that is not an executive officer or employee of the Company. A maximum of 1,000,000 common shares may be issued from treasury under the PSU Plan. A maximum of 250,000 common shares may be issued from treasury under the DSU Plan.

On July 7, 2014, IPG announced an NCIB effective on July 10, 2014. In connection with this NCIB, the Company was entitled to repurchase for cancellation up to 2,000,000 of the Company s common shares issued and outstanding. The NCIB was set to expire on July 9, 2015. As of December 31, 2014, the Company had repurchased 597,500 common shares at an average price of CDN$14.35 per share, including commissions, for a total purchase price of $7.8 million.

On July 7, 2014, IPG s Board of Directors modified the Company s dividend policy to increase the annualized dividend by 50% from $0.32 to $0.48 per common share.

On August 5, 2014, the Board of Directors appointed Mr. Frank Di Tomaso as a new board member of the Company.

Effective October 30, 2014, IPG completed an internal restructuring to reorganize the capital structure of several of its legal entities to more efficiently manage its intercompany debt. The results of this restructuring were (in addition to certain transfers of certain intercompany receivables, payables and notes): (a) IPG Holdings LP was dissolved; (b) all of the preferred shares in IPG (US) Holdings Inc. were redeemed and cancelled, with Intertape Polymer Group Inc. owning all of the common shares of IPG (US) Holdings Inc.; (c) Intertape Polymer Group Inc. formed IPG Luxembourg Finance S.à r.l, a Luxembourg private limited liability company (société à responsabilité limitée) as a wholly owned subsidiary of Intertape Polymer Group Inc. and (d) Intertape Polymer Corp. transferred all of its preferred equity interests in Intertape Polymer Inc. to IPG (US) Inc.

On November 18, 2014, IPG entered into a new Revolving Credit Facility Agreement which provides for a five-year US$300 million Revolving Credit Facility. The Revolving Credit Facility replaced the Company s previous asset-based loan facility and prepaid in full the outstanding balances of the Real Estate Loan and South Carolina Mortgage. The Revolving Credit Facility Agreement includes an incremental accordion feature of US$150 million, which will enable the Company to increase the limit of this facility (subject to the Revolving Credit Facility Agreement s terms and lender approval) if needed. The Revolving Credit Facility matures on November 18, 2019 and bears an interest rate based primarily on the LIBOR rate plus a spread varying between 100 and 225 basis points (125 basis points as of December 31, 2014) depending on the consolidated total leverage ratio.

In December 2014, the Company sold the Richmond, Kentucky manufacturing facility and received net proceeds of $2.3 million.

2015

On April 7, 2015, the Company purchased 100% of the issued and outstanding common stock of Better Packages, a leading supplier of water-activated tape dispensers.

The Company transferred production of duct tape to the new Blythewood facility in early April 2015. During the second and third quarters of 2015, commissioning of the duct tape production line was ongoing in order to work toward the attainment of target levels of product quality balanced with targeted production efficiency. Although the Company was able to meet customer demand for duct tape during the second and third quarters of 2015, there were production yield and operating inefficiencies related to the ramp-up of duct tape production that had a negative impact on results in these quarters and resulted in an extended timeline for the project. However, these inefficiencies improved throughout the year and production was close to reaching targeted performance levels in early 2016. In the fourth quarter of 2015, the Company began limited production and sales of masking tape from the Blythewood facility. As of December 31, 2016, the Company had completed commissioning efforts in relation to the duct and masking tape production lines in Blythewood, South Carolina. The Company continues to work aggressively on optimizing the masking tape production process mainly through minimization of production waste and machine downtime as well as achieving target quality levels on one of the masking tape products.

On June 4, 2015, the Board of Directors appointed Mr. George J. Bunze as the new Chairman of the Board following the retirement of the former Chairman, Mr. Eric E. Baker.

Effective July 10, 2015, the NCIB (effective on July 10, 2014 and scheduled to expire on July 9, 2015) was renewed. In connection with this NCIB, the Company was entitled to repurchase for cancellation up to 2,000,000 of the Company s common shares issued and outstanding. This renewed NCIB expires on July 9, 2016. On November 11, 2015, the Toronto Stock Exchange (TSX) approved an amendment to the Company s NCIB, as a result of which the Company is entitled to repurchase for cancellation up to 4,000,000 common shares.

On August 12, 2015, the Company s Board of Directors approved a change in the quarterly dividend policy by increasing the dividend from $0.12 to $0.13 per share.

In August 2015, one of the Company s wholly-owned subsidiaries entered into a Partially Forgivable Loan. The loan was entered into with Agencia para Investmento Comercio Externo de Portugal, EPE (AICEP), the Portuguese agency for investment and external trade, as part of financing a capital expansion project. The loan totalled approximately $1.2 million at December 31, 2015 (1.1 million). Based on the terms of the agreement, 50% of the loan will be forgiven in 2020 based on satisfying certain 2019 targets, including financial metrics and headcount additions. The partially forgivable loan is non-interest bearing and semi-annual installments of principal are due beginning in July 2018 through January 2024.

On October 4, 2015, the Columbia, South Carolina manufacturing facility was damaged by significant rainfall and subsequent severe flooding. The damages sustained were considerable and resulted in the facility being shut down permanently. The Company had planned to shut down this facility by the end of the second quarter of 2016 so this represents a timeline of eight to nine months earlier.

In October 2015, one of the Company s wholly-owned subsidiaries entered into a long-term debt agreement containing a short-term credit line and a long-term loan for the purpose of financing a capital expansion project. No amounts were outstanding and approximately $2.3 million (2.5 million) of the loan was available as of December 31, 2015. Both credit lines bear interest at the rate of 6 month EURIBOR (Euro Interbank Offered Rate) plus a premium (125 basis points as of December 31, 2015). The effective interest rate was 1.21% as of December 31, 2015. The short-term credit line matured in September 2016 and is renewable annually, with interest due quarterly and billed in arrears. The long-term loan has a period for capital use until October 2017 and matures in April 2022, with interest billed in arrears and due bi-annually beginning in April 2018. The loans are secured by a comfort letter issued to the lender by the Company in favour of its wholly-owned subsidiary.

During 2015, the Company entered into interest swap agreements designated as cash flow hedges. The terms of the interest swap agreements are as follows:

Effective Date	Maturity	Notional Amount	Settlement	Fixed interest rate paid
March 18, 2015	November 18, 2019	$ 40,000,000	Monthly	1.610%
August 18, 2015	August 20, 2018	$ 60,000,000	Monthly	1.197%

On November 2, 2015, the Company purchased 100% of the issued and outstanding common shares of TaraTape, a manufacturer of filament and pressure-sensitive tapes.

On November 11, 2015, the Company s Board of Directors adopted a new By-Law 2015-1, requiring advance notice for the nomination of directors.

On November 30, 2015, the Board of Directors appointed Ms. Mary Pat Salomone as a new board member of the Company.

On December 14, 2015, the Company entered into a Shareholders Rights Plan Agreement (the Rights Plan) with CST Trust Company. The purpose of the Shareholder Rights Plan is to provide IPG s Board of Directors with additional time, in the event of an unsolicited takeover bid, to develop and propose alternatives to the bid and negotiate with the bidder, as well as to ensure equal treatment of shareholders in the context of an acquisition of control made other than by way of an offer to all shareholders, and lessen the pressure on shareholders to tender to a bid. Under the policies of the TSX, the Rights Plan was required to be ratified by the shareholders of the Corporation at a meeting held within six months following the adoption of the Rights Plan, failing which the Rights Plan would have been required to be immediately cancelled and any rights issued thereunder would have been immediately redeemed or cancelled. On June 9, 2016, shareholders approved a resolution ratifying and approving the Rights Plan. For further details on the Rights Plan, see Item 10(C) below.

As of December 31, 2015, management determined it is more likely than not that substantially all of the Company s deferred tax assets in the Canadian operating entity will be realized based on available evidence such as the cumulative positive financial results for the prior three years, consistent utilization of deferred tax assets, consistent generation of taxable income, and positive financial projections. Accordingly, the Company recognized the majority of its Canadian operating entity s deferred tax assets, including $3.8 million that were previously derecognized. With respect to the deferred tax assets at the Canadian corporate holding entity (the Entity), management determined it appropriate to maintain the same positions for the year ended December 31, 2015 as taken for the year ended December 31, 2014 in that the majority of the Entity s deferred tax assets should continue to be derecognized as of December 31, 2015. The Canadian deferred tax assets remain available to the Company in order to reduce its taxable income in future periods.

2016

On January 28, 2016 and September 2, 2016, IPG entered into amendments to its Revolving Credit Facility Agreement. The January 28, 2016 amendments included certain language clarifying when a change in control has occurred for purposes of the Revolving Credit Facility. The September 2, 2016 amendments included certain changes to the covenants and other sections to permit the acquisition of Powerband, as well as some or all of the Powerband Investment Projects, along with certain customary provisions regarding recent European Union legislation.

On May 9, 2016, the Board of Directors approved an amendment to the PSU Plan to provide the Company the option of settling PSUs in cash. In the event of cash settlement, the cash payment will equal the number of shares that would otherwise have been issued or delivered to the participant, multiplied by the volume weighted average trading price of the shares on the TSX for the five consecutive trading days immediately preceding the day of payment. The Board has full discretion to determine the form of settlement of the PSUs and as of December 31, 2016, no such discretion had been used. As a result, the Company had no present obligation to settle the PSUs in cash and the amendment to the PSU Plan had no impact on the treatment of the PSUs as equity-settled share-based payment transactions as of December 31, 2016. On February 17, 2017, the Board of Directors approved amendments to the PSU Plan and DSU Plan to provide for only cash settlement of PSU and DSU awards, respectively. As a result of the amendment, prospectively and until award settlement, the Company will remeasure the fair value of the awards on the amendment date and at each reporting period end date and present the cash-settled awards as a liability within other liabilities and not in contributed surplus in the consolidated balance sheets. Changes in the fair value of the liability will be reflected in selling, general and administrative expense (SG&A).

Additionally, on May 9, 2016, the Board of Directors approved an amendment to the PSU Plan that allowed for accelerated vesting of PSUs in the event of death, disability or retirement. This amendment required the immediate recognition of expense associated with awards outstanding for certain retirement-eligible participants, the impact of which was $0.4 million for the twelve months ended December 31, 2016 and was included in earnings in SG&A.

The Company entered into an NCIB to repurchase for cancellation up to 2,000,000 common shares effective on July 10, 2014. The NCIB was subsequently renewed July 10, 2015 and amended November 11, 2015, to increase the total shares available for repurchase to 4,000,000 common shares. This NCIB, which was scheduled to expire on July 9, 2016, was renewed for a twelve-month period starting July 14, 2016. This renewed NCIB expires on July 13, 2017. On September 23, 2016, the Company announced that in connection with its NCIB, IPG has entered into an automatic share purchase plan pursuant to which the securities dealer acting as IPG s agent for the NCIB may acquire, at its discretion, shares on IPG s behalf during the black-out or closed periods under IPG s stock trading policy, subject to certain parameters as to price and number of shares. As of December 31, 2016 and March 8, 2017, 4,000,000 shares remained available for repurchase under the NCIB.

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On August 10, 2016, the Board of Directors amended the Company s dividend policy by increasing the annualized dividend by 7.7% from $0.52 to $0.56 per share. The Board s decision to increase the dividend was based on the Company s strong financial position and positive outlook.

On September 16, 2016, IPG Mauritius Ltd., a newly formed subsidiary of the Company, under a Share Purchase Agreement, dated September 2, 2016, purchased a 74% ownership stake in Powerband. The Company has also approved a plan to expand the production capacity within the Daman, India manufacturing facility as well as expand capacity by investing in the construction of a greenfield manufacturing facility in India. Capital expenditures for the Powerband Investment Projects are currently estimated to total approximately $20 million, and the Powerband Investment Projects after-tax internal rates of return are expected to exceed the Company s hurdle rate of 15%. The Company is planning for the additional capacity in the current manufacturing facility to be completed by mid-2017 while the greenfield facility is expected to be operating in 2018.

On October 19, 2016, the Company and its insurers reached a settlement for the outstanding property and business interruption claims related to the South Carolina Flood in the amount of $30.0 million, subject to a $0.5 million deductible covering substantially all of the claimed losses. As of December 31, 2016, the Company received a total of $29.5 million in insurance claim settlement proceeds of which $5.0 million was recorded in manufacturing facility closures, restructuring and other related charges in 2015 and $12.6 million and $9.8 million were recorded in cost of sales and manufacturing facility closures, restructuring and other related charges, respectively, in 2016. The remaining $2.1 million will be recognized as a benefit to cost of sales in the first quarter of 2017.

On November 5, 2015, the Company s former Chief Financial Officer filed a lawsuit against the Company in the United States District Court for the Middle District of Florida alleging certain violations by the Company related to the terms of his employment and his termination. On October 20, 2016, the Company and the former Chief Financial Officer agreed to a settlement of the outstanding litigation (Litigation Settlement). Pursuant to the terms of the confidential settlement agreement, the Company paid $1.9 million in October 2016 for full and complete settlement of all matters between the parties with respect to the litigation.

As part of its plan to realize operational synergies from the TaraTape acquisition completed in November 2015, the Company set out a plan to close its Fairless Hills, Pennsylvania manufacturing facility and ceased production as of December 31, 2016. In order to accommodate the related production volume, the Company has leveraged production capacity in both its Carbondale, Illinois and Danville, Virginia manufacturing facilities and will continue to do so. As a result of the Fairless Hills facility closure, the Company increased its expectation of total annual synergies from this transaction to between $4 and $6 million from the previous estimate of between $2 and $4 million of additional adjusted EBITDA by the end of 2017. In 2016, the Company recorded a charge to earnings of $6.0 million, which included $4.0 million in non-cash charges related to impairment of property, plant and equipment, intangible assets and inventory and $1.9 million in cash charges related to termination benefits, facility restoration costs and other commitments. The Company expects to incur an additional $1 to $2 million mainly in cash charges related primarily to idle facility and equipment relocation costs in 2017.

(1) Products, Markets and Distribution

(a) Tapes

The Company manufactures a variety of paper and film based tapes, including pressure-sensitive and water-activated carton sealing tapes, and industrial and performance specialty tapes including paper, flatback, duct, double-coated, foil, electrical, filament tapes and stencil products.

Management believes the Company is the only packaging company that manufactures carton sealing tapes using all four adhesive technologies: hot melt, acrylic, natural rubber and water-activated. As a vertically integrated manufacturer, the Company believes it has distinctive capabilities, relative to its competitors, to produce its own film and adhesives used in the manufacture of its finished tape.

The Company s tape products are manufactured and primarily sold under the Company s Intertape®, Central American®, Anchor®, and Crowell® brands to industrial distributors and retailers, and are manufactured for sale to third parties under private brands.

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Tape products launched in 2014, 2015, and 2016 include new transfer adhesive products, clean removal tensilized polypropylene and filament products, UL rated HVAC tapes, additional specialty masking products, and tape products designed for the electronic fulfillment market**.** Further information regarding these new products can be found in Item 4.B.5 Research and Development and New Products below.

In 2014, the Company enhanced its offering of packaging solutions with the introductions of: ExlfilmPlus® GPL, a new high performance cross linked polyolefin shrink film; Ripcord , a knife free solution to open packages; RG317, a filament tape for L-clip box closure applications; Auto H2O uniform semi-automatic water-activated case sealer and other complementary products.

In 2015, the Company focused on increasing its offering of specialty tape products including additional masking, foil, double-coated and ATA tapes.

In 2016, the Company expanded its product offering of water-activated tape products that are designed for highly automated fulfillment operations as well as water-activated tape products designed for printability. Also in 2016, the Company expanded its masking tape offering to include FineLine masking tapes, which are low profile masking tapes using a washi tape backing.

For the years ending December 31, 2016, December 31, 2015, and December 31, 2014, tapes accounted for 67%, 68%, and 65%, respectively, of the Company s revenue.

The Company s tape products consist of two main product groups, Carton Sealing Tapes and Industrial & Specialty Tapes.

Carton Sealing Tapes

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

Hot Melt Tape

Hot melt carton sealing tape is a polypropylene film coated with a synthetic rubber adhesive which offers a wide range of application flexibility and is typically used in carton sealing applications. The Company s primary competitors are 3M Co., Shurtape Technologies LLC and Vibac Group.

Acrylic Tape

Acrylic carton sealing tape is a polypropylene film coated with an aqueous, pressure-sensitive acrylic adhesive which is best suited for applications where performance is required within a broad range of temperatures from less than 40°F (4°C) to greater than 120°F (49°C). The Company s primary competitors are 3M Co., GTA, Primetac (Pitamas), Vibac Group and other imported Asian products.

Natural Rubber Tape

Natural rubber carton sealing tape is a polypropylene film coated with natural rubber adhesive and is unique among the carton sealing tapes because of its robust adhesion properties. This tape is ideally suited for conditions involving hot, dusty, humid or cold environments. Typical uses include moving and storage industry applications, as well as packaging and shipping. The Company s primary competitors are Vibac Group and imported products from Europe.

Water-Activated Tape

Water-activated carton sealing tape is typically manufactured using a filament reinforced kraft paper substrate and a starch based adhesive that is activated by water. Water-activated tape is used primarily in applications where a strong mechanical bond or tamper evidence is required. Typical end-use markets include retail fulfillment centers, third-party logistics providers (3PLs), furniture manufacturers and the apparel industry. The Company s primary competitor is Holland Manufacturing Co. Inc.

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Industrial & Specialty Tapes

The Company produces eight primary industrial and specialty products sold primarily under the Intertape , American® and Anchor® brands: paper tape, flatback tape, duct tape, double-coated tape, foil tape, electrical tape, filament tape and stencil products.

Paper Tape

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

Flatback Tape

Flatback tape is manufactured using a smooth kraft paper substrate coated with a natural rubber/SIS blended adhesive. Flatback tape is designed with low elongation and is widely used in applications such as splicing where the tape should not be distorted. Typical applications for flatback tape include splicing, printable identification tapes, label products and carton closure. The Company s primary competitors for this product are 3M Co. and Shurtape Technologies, LLC.

Duct Tape

Duct tape is manufactured from a polyethylene film that has been reinforced with scrim and coated with natural/synthetic rubber blend adhesive or specialty polymer adhesives. Duct tape is primarily used by general consumers for a wide range of applications. Duct tapes are also used in maintenance, repair and operations, in the HVAC (heating, ventilation and air conditioning) markets, construction and in the convention and entertainment industries. The Company s primary competitors for this product are Berry Plastics Corp., 3M Co. and Shurtape Technologies, LLC.

Double-Coated Tape

Double-coated tape is manufactured from a paper, foam, or film substrate and is coated on both sides with a variety of adhesive systems. Double-coated tape also uses a release liner made from paper or film that prevents the tape from sticking to itself. Double-coated tape is typically used to join two dissimilar surfaces. The Company s double-coated tape products are used across a range of markets that include aerospace, graphics, transportation, converting and nameplates. The Company s primary competitors for this product are 3M Co., tesa tape, inc., and Scapa Group plc.

Foil Tape

Foil tape is manufactured using an aluminum substrate and a variety of adhesive systems. The tape is designed for applications that range from HVAC, building and construction, aerospace, transportation, industrial, and general purpose. The products are UV resistant, have reflective and flame retardant properties, and remain flexible to resist cracking and lifting around irregular or curved surfaces. The Company s primary competitors for this product are 3M Co., Berry Plastics and Avery Dennison Corp.

Electrical and Electronic Tape

Electrical and electronic tape is manufactured from a number of different substrates, including paper, polyester, glass cloth and a variety of adhesive systems that include rubber, acrylic and silicone adhesives. Electrical and electronic tapes are engineered to meet stringent application specifications and many electrical and electronic tapes are Underwriters Laboratories (UL) component listed. The Company s primary competitors for this product are 3M Co., Nitto Denko, Saint Gobain, Bondtec, and H-Old.

Filament Tape

Filament tape is a film or paper-backed adhesive tape with fiberglass, polyester fibers embedded in the adhesive to provide high tensile strength. Primary applications for filament tape include temporary holding, bundling and unitizing, subsea umbilical cables (oil and gas), metal coil tabbing, and agricultural applications. The Company s primary competitors for this product are 3M Co. and Shurtape Technologies, LLC.

Stencil Products

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

(b) Films

The Company also manufactures a variety of polyethylene and specialized polyolefin films, as well as complementary packaging systems, for industrial use and retail use, including shrink film and stretch wrap. As a vertically integrated manufacturer, the Company uses internally manufactured films to produce tape products.

The Company s film products are marketed under the Company s brands including SuperFlex®, StretchFlex®, ExlfilmPlus®, and Exlfilm® to industrial distributors and retailers, and are manufactured for sale to third parties under private brands.

For the year ended December 31, 2016, December 31, 2015, and December 31, 2014, films accounted for 19%, 16%, 19%, respectively, of the Company s revenue.

The Company s film products consist of two main product groups: film and protective packaging.

The Company primarily produces two film product lines: (1) SuperFlex® and StretchFlex® stretch wrap; and (2) ExlfilmPlus® and Exlfilm® shrink film.

Stretch Wrap

Stretch wrap is a single or multi-layer plastic film that can be stretched without application of heat and which has the characteristic of trying to return to its original length thereby applying force on the wrapped load. It is used industrially to wrap pallets of various products ensuring a solid load for shipping. The Company uses technology that it believes is state-of-the-art for the manufacturing of its stretch film products.

SuperFlex® is a high performance, light gauge stretch film which offers customers good security for their loads but at a low cost per load. Genesys®, Genesys®Ultra, Fortress®, ProLite® and Orbit Air B are SuperFlex® brand products. Since 2014, the Company has re-formulated its legacy Genesys®, Genesys®Ultra and ProLite® brand products to enhance their performance capabilities. AEP Industries, Inc., Amtopp, Berry Plastics Corp., Malpack (Canada), and Paragon Films produce competitive products.

StretchFlex® is the Company s regular duty, typically a heavier gauge of stretch film which also provides the customer with secure loads at a low price per pound. SFI, SSC, SFIII, Hand Wrap II and Hand Wrap IV are StretchFlex® brand products. Since 2014, the Company has re-formulated its legacy SFI products to enhance performance capabilities. Competitors include AEP Industries Inc., Berry Plastics Corp., Sigma Plastics Group and Amtopp.

Shrink Film

ExlfilmPlus® and Exlfilm® shrink film are specialty plastic films which shrink under controlled heat to conform to a package s shape. The process permits the over-wrapping of a vast array of products of varying sizes and dimensions with a single packaging line. ExlfilmPlus® and Exlfilm® are used to package paper products, food, toys, games, sporting goods, hardware and housewares and a variety of other products. In 2014, the Company introduced ExlfilmPlus® GPL, a new high performance cross linked polyolefin shrink film. The Company s primary competitors for this product are Sealed Air Corp. and Clysar LLC.

The Company entered the European shrink film market through its investment in Fibope in April 1995. The Company initially purchased a 50% equity interest in Fibope, acquiring the remaining 50% equity stake in July 2003. Fibope operates as an autonomous unit within the Company.

IPG subsidiary Fibope, which operates as an autonomous unit within the Company, produces a full range of shrink film products for sale in the European Community. Raw materials are primarily sourced within Europe, with multiple sources utilized to ensure stability of supply and a competitive price environment.

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Protective Packaging

Air Pillows

Air pillows are manufactured from polyethylene film and are inflated at the point of use with an air pillow machine. Air pillows are used as packaging material for void fill and cushioning applications. Typical end-use markets for air pillows include 3PLs retail fulfillment houses and contract packaging operations. The Company s primary competitors for this product are Pregis Corp., Sealed Air Corp., Storopack, Inc., Free-Flow Packaging International Inc. and Polyair Inter Pack Inc.

Complementary Packaging Systems

Machinery

IPG provides complementary packaging systems under the Better Packages(R) and Interpack brands. Machinery that makes up IPG s Complementary Packaging Systems include, but are not limited to, mechanical systems for case sealing applications with the use of long roll carton sealing tape, as well as water-activated tape produced by IPG. They also include IPG s void fill machines and bagging machines. These machines are used in production lines at the packaging level. They are also widely used in the fulfillment industries. These systems add value by providing efficient packaging processes to a variety of industrial customers. The company s primary competitors are 3M, Loveshaw, BestPack, Marsh and Phoenix.

(c) Woven Coated Fabrics

The Company develops and manufactures innovative industrial packaging, protective covering, barrier and liner products utilizing engineered coated polyolefin fabrics, paper and other laminated materials. Its products are sold through multiple channels in a wide number of industries including lumber, construction, oil and gas, and agriculture.

The Company s woven coated fabrics are categorized in four markets: (A) building and construction, (B) agro-environmental, (C) specialty fabrics, and (D) industrial packaging. For the three years ended December 31, 2016, December 31, 2015, and December 31, 2014, woven coated fabric products accounted for 13%, 15% and 15%, of the Company s revenue, respectively.

Building and Construction Products

The Company s building and construction product group includes protective wrap for kiln dried lumber, membrane barrier products such as house wrap, window and door flashing, membrane structure fabrics used in clear span buildings, synthetic roof underlayment, and insulation facing, which are used directly in residential and commercial construction. The Company also supplies packaging over-wrap sleeves for unitizing multiple bags of fiberglass insulation. The Company s primary competitors for these products include InterWrap, Inc., Berry Plastics, Polymer Group International, Alpha ProTech and various producers from India, China and Korea.

Lumberwrap

The Company s lumberwrap is used to package, unitize, protect and brand lumber during transportation and storage. The product is available in polyethylene or polypropylene coated fabrics and polyethylene films printed to customer specifications. The Company s primary competitor is InterWrap.

Membrane Structure Fabrics

Nova-Shield® is a lightweight, wide-width, and durable polyolefin fabric used as the outer skin layer for flexible membrane structures. The introduction and continuous improvement of the Nova-Shield® fabric in the membrane structure market has enabled membrane structure manufacturers to expand the use of this product beyond agricultural applications. New applications include agriculture barns, amphitheaters, recreational facilities, trade show pavilions, aircraft hangers, and casinos. Developments in the product line include the patented stacked weave, and AmorKote coatings. The Company sells the Nova-Shield® fabrics to membrane structure manufacturers who design, fabricate, and install the structures. The Company s primary competitors are Berry Plastics and a number of PVC (polyvinyl chloride) producers.

Roof Underlayment

IPG s roofing underlayment is a woven synthetic weather barrier installed on the roof before slate, tile or shingles are applied. The Company believes that IPG s roofing underlayment is lighter and easier to install than standard #30 building felt. To meet these market needs, the Company has a three-tiered (Good, Better, Best) approach in an attempt to reach all market segments. The Company s primary competitors in this market are InterWrap, Alpha ProTech, a variety of roofing felt producers and a number of competitors from India, China and Korea.

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Agro-Environmental Products

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

Geomembrane Fabrics

The Company s AquaMaster® line of geomembrane fabrics is used as irrigation canal liners, golf course and aquascape pond liners, oil pad liners, hydraulic fracturing ponds and in aquaculture operations. The Company has a broad product offering in this market that includes the traditional extrusion coated woven substrates as well as manufacturing composite products composed of woven substrates laminated to other materials such as non-woven textiles and polyethylene film. In 2014, in order to help customers specify and use the best solution for their particular need, the Company re-branded its geomembrane product lines to clearly separate long-term, high-performance products from products used for shorter term applications. The Company s primary competitors for similar products include Berry Plastics, Mai Weave LLC, InterWrap and Inland Tarp. Competitive products which may be used as substitutes are manufactured by GSE Environmental, Solmax and Raven Industries Inc.

Hay Wrap

Hay cover products are specially designed fabrics designed to function as protective covers, haystack covers, pit and pond liners and pool covers. The proprietary coating is used to enhance abrasion resistance, flex resistance, seam strength, UV resistance and longevity. The Company s primary competitors for this product include offshore imports, as well as InterWrap, Mai Weave LLC and Berry Plastics.

Poultry Fabrics

Woven coated polyolefin fabrics are used in the construction of poultry houses in the southern United States. Materials with high ultraviolet resistance are fabricated into side curtains that regulate ventilation and temperature in buildings. Other materials are used in ceiling construction. The Company s primary competitors for this product are Berry Plastics and Mai Weave LLC.

Specialty Fabrics

The Company s specialty fabric product category is comprised of a variety of specialty materials custom designed for unique applications or specific customers. The Company s ability to provide polyolefin fabrics in a variety of weights, widths, colors and styles, and to slit, print and perform various other conversion steps, allows it to provide an array of coated products designed to meet the specific needs of its customers.

Products and applications of specialty fabrics include fabrics designed for conversion into pool covers, field covers, disaster relief materials, protective covers and construction sheeting, brattice cloth for mine ventilation, underground marking tapes, salt pile covers and industrial packaging.

Primary competitors of the Company for this product include Berry Plastics, Mai Weave LLC and producers from China and Korea.

Industrial Packaging Products

The Company s printed wrap is used to brand and protect a variety of products during transit and storage. For example, the Company s product is used to cover small recreational vehicles (ATVs) during transportation from their manufacturing location to retail dealers. Primary competitors of the Company for this product include Interwrap Inc. and Covalence Specialty Materials Corp.

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(d) Other

The Company also earns revenues from the sale of FIBCs and from royalties from the sale of film wrap. FIBCs are flexible, intermediate bulk containers generally designed to carry and discharge 1,500 to 3,500 pounds of dry flowable fill products such as chemicals, minerals and dry food ingredients. The market for FIBCs is highly fragmented. The Company has established proven supply lines for FIBCs with integrated bag manufacturers in India, China and Mexico. Revenue from royalties is earned on the purchases of film wrap by end-users from another supplier which is used in machines supplied by the Company. During each of the last three years, other revenues accounted for 1% of the Company s revenue.

(2) Sales and Marketing

As of December 31, 2016, the Company had 224 sales, customer service and marketing personnel, including manufacturer representatives. The Company participates in industry trade shows and uses trade advertising as part of its marketing efforts. The Company s customer base is diverse; however, there was one customer that accounted for approximately 7% of total sales in 2015 and 6.5% of total sales in 2016. Sales of products to customers located in the United States and Canada accounted for approximately 83% and 7% of total sales, respectively, in 2016, 86% and 7% of total sales, respectively, in 2015, and 83% and 8% of total sales, respectively, in 2014.

Many tape and film products are sold to the market through a network of paper, packaging and industrial distributors throughout North America. The Company also sells carton closing systems, including automatic and semi-automatic carton sealing equipment as well as application required for the dispensing of its water-activated carton sealing tapes through this same network of distribution. The Company s shrink and stretch film products are typically sold through industrial distributors. Electrical and electronic tapes are primarily sold through specialty distribution.

The Company s woven coated fabrics are primarily sold directly to end-users. The Company also earns revenues from the sale of FIBCs. FIBCs are sold primarily to end-users and are marketed throughout North America.

(3) Seasonality of the Company s Main Business

The Company does not experience material seasonality or cyclicality in its operations.

(4) Equipment and Raw Materials

The Company purchases mostly custom designed manufacturing equipment, including extruders, coaters, finishing equipment, looms, printers, bag manufacturing machines and injection molds, from manufacturers located in the United States and Western Europe, and participates in the design and upgrading of such equipment. The Company is not dependent on any one manufacturer for its equipment.

The major raw materials purchased for the Company s tape products are polypropylene resin, polyethylene resin, synthetic rubber, hydrocarbon resin, and paper (crepe and kraft). The resins and synthetic rubber are generated from petrochemicals which are by-products of crude oil and natural gas. A significant majority of these products are sourced from North American manufacturers. The majority of paper products are produced by North American paper manufacturers, although due to volatility in prices of paper products, the Company also sources an increasing amount of raw materials from outside of North America, which are derived from the North American pulp and paper industry. Raw materials accounted for approximately 65% of reported cost of sales in 2016 and 2015, and 67% in 2014.

The major raw material used in the Company s film products is polyethylene resin. Polyethylene is a derivative of natural gas petrochemical by-products and/or crude oil.

The major raw materials used to produce the Company s woven coated fabrics are polyethylene and polypropylene resins. Both of these products are petrochemical based products derived from crude oil and/or natural gas. These products are predominantly sourced from North American petrochemical manufacturers.

The prices of most of the major raw materials noted above can be subject to significant volatility, primarily influenced by commodity price fluctuations for crude oil and natural gas. In addition, while the Company maintains a number of suppliers for these raw materials, the Company is dependent on such suppliers to maintain the availability of the Company s raw materials. If any of its suppliers are unable to deliver raw materials to the Company for an extended period of time, there is no assurance that the Company s raw material requirements would be met by other suppliers on acceptable terms, or at all, which could have a material adverse effect on the Company s results of operations.

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(5) Research and Development and New Products

The Company s strategy is to create growth opportunities through enhancements of existing products and the introduction of new products. The Company s research and development efforts continue to focus on new products, technology platform developments, new product processes and formulations. As described in the sections that follow, the Company introduced 35 new products in 2016, 42 new products in 2015, and 38 new products in 2014.

During 2014, the Company expanded its line of carton closure solutions with the addition of Ripcord , a knife free solution to open packages and RG317, a filament tape for L-clip box closure applications.

In 2014, the Company launched its new Auto H2O uniform semi-automatic water-activated case sealer. The Auto H2O case sealer s patented technology provides a reliable and low maintenance automatic sealing system for reinforced water-activated tape to seal corrugated containers.

In 2014, the Company expanded its offering of specialty tape products with the introduction of AC778, a metalized BOPP tape and ALF301, an aluminum foil tape with superior UV, chemical and temperature resistant properties.

In 2014, the Company introduced ExlfilmPlus® GPL, the Company s newest performance shrink film. This film is a cost savings alternative to standard, heavier gauge films. The premium resin formulation exhibits exceptional machinability and high speed processing capabilities.

In 2015, the Company continued to focus significant R&D resources on the transition of duct and masking tape products from the old Columbia, South Carolina facility to the new Blythewood, South Carolina facility. This transition involved significant product modifications with the most notable being producing products with environmentally-friendly solventless technology in the new facility.

In 2015, the Company expanded its product offering to include a range of masking tapes designed for multiple surfaces as well as technically demanding applications. During 2015, the Company also introduced a direct printable hot melt carton sealing tape, which is key product for the fulfillment industry.

In 2015, the Company bolstered its Protective Packaging offering with product additions in both its air pillows and tandem bagging product lines.

In 2016, the Company focused on expansion by engaging in acquisition initiatives to expand the complementary products it can provide to customers. As a result, resources traditionally dedicated to new product development were redirected to these efforts in order to validate and integrate these initiatives.

In 2016, the Company expanded its product offering of water-activated tape products that are designed for highly automated fulfillment operations as well as water-activated tape products designed for printability. Also in 2016, the Company expanded its masking tape offering to include FineLine masking tapes, which are low profile masking tapes using a washi tape backing.

The Company s research expenses in 2016, 2015, and 2014 totaled $10.8 million, $9.5 million, and $7.9 million, respectively.

(6) Trademarks and Patents

The Company markets its tape products under the trademarks Intertape , Central®, Crowell®, American®, TaraTape & Design®, and TARA TAPE® and various private labels. The Company s shrink wrap is sold under the registered trademark ExlfilmPlus® and Exlfilm®. Its stretch films are sold under the trademark SuperFlex® and StretchFlex®.

The Company markets its open mouth bags under the registered trademark NovaPac®. Other key engineered coated products, including polyolefin fabrics are sold under the registered trademarks NovaThene®, NovaShield®, NovaSeal®, NovaWrap , and NovaFlash®.

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The Company has approximately 156 active registered trademarks, 94 in the United States, 29 in Canada, 7 in Mexico, and 26 in foreign jurisdictions, which include trademarks acquired from American Tape, Anchor, Rexford Paper Company, Central Products Company, The Crowell Corporation, Flexia, Better Packages, TaraTape & Design®, and TARA TAPE®. The Company currently has 9 pending trademark applications, 7 in the United States, and 2 in foreign jurisdictions.

The Company has pursued US and foreign patents in select areas where it believes that unique products offer a competitive advantage in profitable markets. The Company s 96 granted patents and 45 pending patent applications include engineered coated products and film for which the Company has 21 patents and 3 pending applications, tape products for which it has 41 patents and 25 pending applications, adhesive products and manufacture for which it has 25 patents and 4 pending applications, other products for which it has 9 patents and 13 pending applications.

(7) Competition

The Company competes with other manufacturers of plastic packaging and pressure-sensitive adhesive products as well as manufacturers of alternative packaging products, such as paper, cardboard and paper-plastic combinations. Some of these competitors are larger companies with greater financial resources than the Company. Management believes that competition, while primarily based on price and quality, is also based on other factors, including product performance characteristics and service. Please refer to Item 4.B.1 above for a discussion of the Company s main competitors by product.

The Company believes that significant barriers to entry exist in its addressable market. Management considers the principal barriers to be the high cost of vertical integration which it believes is necessary to operate competitively, the technical expertise in respect to various processes and equipment operation, and the difficulties and expense of developing an adequate distribution network.

(8) Environmental Initiatives and Regulation

(a) Initiatives

The Company has and continues to be focused on reducing waste and minimizing any environmental impact throughout its manufacturing process, or footprint left behind by the line of products manufactured and marketed by the Company. The stewardship program is a commitment by management and employees of the Company to continually look for opportunities to lower the Company s environmental impact to include minimizing energy intensity and greenhouse gas emissions. The Company has implemented and continues to implement activities, changes and programs that are designed to reduce waste in the manufacturing process; reduce the footprint left behind by its products, processes and employees; increase the recycling of its products; provide alternative solutions to less environmentally friendly products or applications; reduce consumption of raw materials, fuel and other energy sources; reduce pollutants released through air, water and waste; and improve the safety and health of employees.

The Company continues to focus on its environmental initiative to save energy. In August 2009, the Company became an ENERGY STAR® Industrial Partner, which is a voluntary partnership with the U.S. Environmental Protection Agency (EPA) to improve energy efficiency and fight global warming. Intertape Polymer Group (IPG) ®as an ENERGY STAR® Industrial Partner joined the fight against global warming by improving the efficiency of its buildings and facilities. The EPA recognized IPG as a 2014 and 2015 ENERGY STAR Partner of the Year for strategically managing and improving the energy efficiency in its operating locations. In 2016, the EPA presented IPG the ENERGY STAR Sustained Excellence Award, which is the highest level of EPA recognition. In addition, several IPG facilities have met the EPA s ENERGY STAR Challenge for Industry, which is to reduce energy intensity by 10% within 5 years. IPG facilities that have met the EPA s ENERGY STAR Challenge for Industry have achieved an average energy intensity reduction of 21%. The reductions have cut greenhouse gas emissions at these IPG s plants by 42,000 metric tons over the past 5 years, which equals the emissions from the electricity use of 6,000 homes.

The transition of manufacturing operations from IPG s Columbia, South Carolina facility to IPG s new Blythewood, South Carolina facility has further enhanced IPG s environmental stewardship. The Blythewood plant uses non-solvent technologies that do not utilize volatile organic compounds in the manufacturing process and do not generate hazardous waste. Additionally, the transition of manufacturing operations to the Blythewood plant has resulted in increased manufacturing efficiencies.

(b) Regulation

The Company s operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, United States (federal, state and local), Canadian (federal, provincial and municipal) and Indian (federal, state and local) environmental laws applicable to the Company include statutes and regulations intended to: (i) impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remedying soil and groundwater contamination among specifically identified parties; (ii) prevent future soil and groundwater contamination; (iii) impose national ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; (iv) govern the handling, management, treatment, storage and disposal of hazardous wastes and substances; and (v) regulate the discharge of pollutants into waterways.

The Company s use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities, suggest that hazardous substances may be present at or near certain of the Company s facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to the Company. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

The Company obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time the Company either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any material or significant environmental liability other than, or in addition to, the $2.5 million liability as of December 31, 2016, accrued in provisions in the Company s consolidated balance sheet, that, based on current information, the Company believes will have a material adverse effect on it. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company s properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of the Company s properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of the Company s operations, may cause it to incur significant costs and liabilities that could have a material adverse effect on the Company.

The Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations, and that the Company has obtained, and is in material compliance with, all material permits required under environmental laws and regulations.

The new Blythewood plant uses low environmental impact technologies. After the closure of the Columbia, South Carolina Plant, its production was relocated to this new plant and other existing Company plants. The reduced environmental impacts from Blythewood plant operations minimize applicability of environmental laws and permit requirements. Blythewood operations only require a minor EPA air emission permit and the facility is not classified as a large quantity generator of hazardous waste as opposed to the previous Columbia plant. The transition of manufacturing operations from the Columbia plant to the Blythewood plant has significantly reduced carbon emissions and hazardous air pollutants that require EPA reporting and significantly reduced carbon emissions.

In addition, although certain of the Company s facilities emit regulated pollutants into the air, the emissions are within current permitted limits, including applicable Maximum Achievable Control Technology requirements.

The Company and its operating subsidiaries are required to maintain numerous environmental permits and governmental approvals for their operations. Some of the environmental permits and governmental approvals that have been issued to the Company or its operating subsidiaries contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the

Company or any of its operating subsidiaries fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement actions and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company or its operating subsidiaries may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of its facilities, as a result of which the operation of its facilities may be limited or suspended.

C. ORGANIZATIONAL STRUCTURE

Intertape Polymer Group Inc. is a holding company which owns various operating companies in the United States, Canada and internationally. Intertape Polymer Inc., a Canadian corporation, is the principal operating company for the Company s Canadian operations. Intertape Polymer Corp., a Delaware corporation, is the principal operating company for the Company s United States operations.

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The table below lists for each of the subsidiaries of the Company, their respective place of incorporation or constitution, as the case may be, and the percentage of voting securities beneficially owned or over which control or direction is exercised directly or indirectly by Intertape Polymer Group Inc.

Entity	Place of Incorporation or Constitution	Percentage of Ownership or Control
Intertape Polymer Group Inc.	Canada	Parent
Intertape Polymer Inc.	Canada	100%
Spuntech Fabrics Inc.*	Canada	100%
Intertape Polymer Corp.	Delaware	100%
Intertape Woven Products Services, S.A. de C.V.	Mexico	100%
Intertape Woven Products, S.A. de C.V.	Mexico	100%
IPG Luxembourg Finance S.à r.l	Luxembourg	100%
IPG Mauritius Holding Company Ltd.	Mauritius	100%
IPG Mauritius II Ltd.	Mauritius	100%
IPG Mauritius Ltd.	Mauritius	100%
IPG (US) Inc.	Delaware	100%
IPG (US) Holdings Inc.	Delaware	100%
BP Acquisition Corporation	Connecticut	100%
Better Packages, Inc.	Delaware	100%
Powerband Industries Private Limited	India	74%
RJM Manufacturing, LLC (d/b/a TaraTape)	Delaware	100%
Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	100%
Intertape Polymer Europe GmbH	Germany	100%

* Dormant

D. PROPERTY, PLANTS AND EQUIPMENT

Location	Status	Use	Products	Square Feet	Property Size (Acres)
100 Paramount Drive, Suite 300 Sarasota, Florida 34232	Leased	Office	N/A	31,942	

2000 South Beltline Boulevard Columbia, South Carolina 29201	Owned	Idle	N/A	7 Buildings 499,770	86.48
1091 Carolina Pines Drive Blythewood, South Carolina 29016	Owned	Manufacturing	Tapes (paper, duct)	350,000	33.83
360 Ringgold Industrial Parkway Danville, Virginia 24540	Leased	Regional Distribution Center	All products	199,600	
10101 Nordel Court Delta, British Columbia V4G 1J8	Leased	Manufacturing	Woven coated products	54,274	
317 Kendall Street (2) Marysville, Michigan 48040	Owned	Manufacturing	Tapes (paper, reinforced)	5 Buildings 226,016	11.53
741 4th Street Menasha, Wisconsin 54952	Owned	Manufacturing	Tapes (water-activated)	165,134	5.91
748 Sheboygan Street Menasha, Wisconsin 54953	Owned	Office Building	N/A	16,251	Incl above
760 West 1000 North Tremonton, Utah 84337	Owned	Manufacturing	Films (stretch, shrink)	115,000	17.00
13722 Bill McGee Road Midland, North Carolina 28107	Owned	(currently under construction) Manufacturing	Tapes water-activated (intention once operational)	144,000	40.54

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Location	Status	Use	Products	Square Feet	Property Size (Acres)
50 Abbey Avenue Truro, Nova Scotia	Owned	Manufacturing	Woven coated products	306,200	13.00
543 Willow Street Truro, Nova Scotia	Leased	Warehouse	N/A	27,000	
9942 Currie Davis Drive, Suite 23B Tampa, Florida 33619	Leased	Manufacturing	Tape dispensing machinery	17,000	
2200 North McRoy Drive Carbondale, Illinois 62901	Owned	Manufacturing	Tapes electrical, filament, specialty	190,324	29.9
410 E. Lyerla Road Herrin, Illinois 62948	Leased	Warehouse	Tapes electrical, filament, specialty	25,269	
1095 S. 4th Avenue Brighton, Colorado 80601	Leased	Manufacturing	Film	Manufacturing & Office 252,940 Warehouse 21,450	
1101 Eagle Springs Road Danville, Virginia 24540	Owned	Manufacturing	Carton sealing tape, stretch film, acrylic coating	289,195	26.0
341 Bullys Street Eagle Pass, Texas 78852	Leased	Warehouse	FIBCs	6,000	
4-6 Hershey Drive Ansonia, Connecticut	Leased	Manufacturing	Tape dispensing machinery	27,600	
250 Canal Road Fairless Hills, Pennsylvania	Leased	Idle Lease terminates Oct 31, 2017	N/A	88,326	
1536 Cty Rd O Neenah, Wisconsin 54957	Leased	Distribution	Tapes water-activated	114,650	
1407 The Boulevard, Suite E Rayne, Louisiana 70578	Leased	Offices	N/A	1,472	

9999 Cavendish Boulevard., Suite 200 St. Laurent, Quebec H4M 2X5	Leased	Offices	N/A	8,500	
Gronfahrtweg 3 24955 Harrislee Germany	Leased	Office	N/A	560	
Lugar de Vilares-Barqueiros 4740-676 Barqueiros BCL Barcelos, Portugal	Owned	Manufacturing and Distribution	Shrink film	35,500	5.4
20 Rue de Peupliers L-2328 Luxembourg Grand Duchy of Luxembourg	Leased	Office	N/A	108	
Powerband 354/3,4,5 Vapi-Kachigam RoadDaman, India 396210	Owned	Manufacturing and Distribution	Carton sealing tape, stretch film	120,000	6.79
Powerband Plot # Z/103/B Dahej SEZ - II Lakhigam Taluka: Vagra Dist, Bharuch	Owned	(currently under construction) Manufacturing and Distribution	Tape products (intention once operational)	210,000 Under construction	20.28

We consider each of the properties in the table above to be adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations.

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The Company also owns inventory that is temporarily located at facilities owned by various third-party logistics service providers. As these facilities are not owned or leased by the Company, they have been excluded from the summary table above.

The Company continued to move forward in 2016 on several of its initiatives to improve productivity, increase capacity, and manufacture new products. Capital expenditures for the replacement of machinery and equipment during 2014, 2015, and 2016 totaled $40.6 million, $34.3 million, and $50.0 million respectively. The Company typically relies upon cash flows from operations and funds available under the Revolving Credit Facility to fund capital expenditures. In 2014, capital expenditures were also financed in part by an Equipment Finance Agreement, the terms of which are summarized in Item 4.B. above.

The Company has relocated and shut down permanently its Columbia, South Carolina manufacturing facility. In June 2013, the Company acquired property in Blythewood, South Carolina financed by an $8.5 million mortgage with Wells Fargo National Association (in November 2014, the Company prepaid this loan in full with proceeds from the Revolving Credit Facility). As of December 31, 2016, the Company had completed commissioning efforts in relation to the duct and masking tape production lines in Blythewood, South Carolina. The Company continues to work aggressively on optimizing the masking tape production process mainly through minimization of production waste and machine downtime as well as achieving target quality levels on one of the masking tape products. As of December 31, 2016, capital expenditures for this project totaled approximately $60.7 million. At this time, it is not expected that a material amount of additional capital expenditures will be required to achieve further improvement.

For further details on capital expenditures regarding construction, expansion or improvement of above listed facilities, see Item 4.A. above.

Item 4A: Unresolved Staff Comments

Not Applicable.

Item 5: Operating and Financial Review and Prospects (Management s Discussion & Analysis)

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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 the Company as well as how it manages certain risks and capital resources. This MD&A should be read in conjunction with the Company s audited consolidated financial statements and notes thereto as of December 31, 2016 and 2015 and for the three-year period ended December 31, 2016.

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: (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. Variance, ratio and percentage changes in this MD&A are based on unrounded numbers.

Financial Highlights

(In millions of US dollars, except per share amounts, selected ratios, and trading volume information)

(Unaudited)

	2016	2015	2014
	$	$	$
Operations			
Revenue	**808.8**	781.9	812.7
Gross margin (1)	**23.7%**	21.5%	20.1%
Net earnings attributable to Company shareholders (2)	**51.1**	56.7	35.8
Adjusted net earnings (3)(4)	**59.7**	57.6	44.8
Adjusted EBITDA (3)	**119.5**	102.0	103.9
Cash flows from operating activities	**108.1**	102.3	86.9
Free cash flows (3)	**58.2**	68.0	46.3
Capital expenditures (5)	**50.0**	34.3	40.6
Effective Tax Rate (6)	**27.7%**	16.2%	39.0%
Per Common Share			
IPG Net Earnings - diluted	**0.85**	0.93	0.58
Adjusted net earnings - diluted (3)(4)	**0.99**	0.94	0.72
Dividend paid per share	**0.54**	0.50	0.40
Financial Position			
Working capital (7)	**130.6**	130.5	128.2
Total assets	**580.6**	487.3	466.7
Net debt (8)	**158.9**	135.2	114.9
Total equity attributable to Company shareholders	**236.6**	216.7	227.5
Cash and loan availability (9)	**158.2**	182.3	206.2

(continued)

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Financial Highlights (continued)

	2016	2015	2014
	$	$	$
Selected Ratios			
Current Ratio (10)	**2.17**	2.45	2.50
Leverage Ratio (3) (11)	**1.50**	1.50	1.19
Return on equity (12)	**22.6%**	25.5%	15.6%
Stock Information			
Weighted average shares outstanding - diluted (13)	**60,369**	61,111	62,061
Shares outstanding as of December 31 (13)	**59,060**	58,668	60,436
The Toronto Stock Exchange (CDN$)			
Share price as of December 31	**25.18**	18.69	18.61
High: 52 weeks	**25.74**	20.51	19.95
Low: 52 weeks	**15.46**	13.67	11.12

(1) Gross profit divided by revenue

(2) Net earnings attributable to Company shareholders (IPG Net Earnings)

(3) These are non-GAAP financial measures defined below and accompanied by the reconciliation to the closest GAAP financial measure. Refer to the section below entitled Non-GAAP Financial Measures.

(4) As disclosed in the Company s press release on March 1, 2017, adjusted net earnings and adjusted earnings per share for the interim and annual periods in fiscal 2014 and 2015, and the first three interim periods in fiscal 2016 were amended to correct a clerical error in the calculation of the income tax effect of the adjustments made in determining Adjusted Net Earnings and Adjusted Earnings Per Share. For the purpose of a consistent presentation of all periods, certain prior period amounts have been conformed to current period presentation. Refer to the section below entitled Non-GAAP Financial Measures.

(5) Purchases of property, plant and equipment

(6) Refer to Note 5 *Income Taxes* to the Company s Financial Statements

(7) Current assets less current liabilities

(8) Borrowings, current and non-current, less cash

(9) Refer to the section below entitled Liquidity

(10) Current assets divided by current liabilities

(11) Borrowings, current and non-current, divided by adjusted EBITDA

(12) IPG Net Earnings divided by average total equity attributable to Company shareholders

(13) In thousands

2016 Share Prices

	High	Low	Close	ADV(1)
The Toronto Stock Exchange (CDN$)				
Q1	18.96	15.46	18.61	133,288
Q2	21.75	18.09	21.08	150,962
Q3	23.72	20.06	22.64	124,173
Q4	25.74	20.51	25.18	143,488

(1) Represents average daily volume sourced from the Toronto Stock Exchange.

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Consolidated Quarterly Statements of Earnings

(In thousands of US dollars, except share and per share amounts)

(Unaudited)

	1st Quarter			2nd Quarter		
	2016	2015	2014	**2016**	2015	2014
	$	$	$	**$**	$	$
Revenue	**190,816**	189,009	199,948	**201,517**	196,586	202,925
Cost of sales	**149,720**	151,994	157,250	**149,715**	154,178	158,875
Gross profit	**41,096**	37,015	42,698	**51,802**	42,408	44,050
Gross margin	**21.5%**	19.6%	21.4%	**25.7%**	21.6%	21.7%
Selling, general and administrative expenses	**23,384**	18,127	18,980	**26,282**	22,253	20,561
Research expenses	**2,542**	2,066	2,074	**2,734**	2,141	1,667
	25,926	20,193	21,054	**29,016**	24,394	22,228
Operating profit before manufacturing facility closures, restructuring and other related charges	**15,170**	16,822	21,644	**22,786**	18,014	21,822
Manufacturing facility closures, restructuring and other related charges	**1,733**	660	1,384	**2,090**	142	1,020
Operating profit	**13,437**	16,162	20,260	**20,696**	17,872	20,802
Finance costs (income)						
Interest	**982**	616	831	**1,022**	982	864
Other expense (income), net	**(91)**	(641)	352	**411**	395	370
	892	(25)	1,183	**1,433**	1,377	1,234
Earnings before income tax expense	**12,545**	16,187	19,077	**19,263**	16,495	19,568
Income tax expense						
Current	**2,076**	1,063	457	**3,197**	1,249	1,062
Deferred	**940**	3,346	6,986	**2,408**	3,498	6,392
	3,016	4,409	7,443	**5,605**	4,747	7,454
Net earnings	**9,530**	11,778	11,634	**13,658**	11,748	12,114

IPG Net Earnings	**9,530**	11,778	11,634	**13,658**	11,748	12,114
Non-controlling interest						
	9,530	11,778	11,634	**13,658**	11,748	12,114
IPG Net Earnings per share						
Basic	**0.16**	0.19	0.19	**0.23**	0.20	0.20
Diluted	**0.16**	0.19	0.19	**0.22**	0.19	0.19

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Consolidated Quarterly Statements of Earnings

(In thousands of US dollars, except share and per share amounts)

(Unaudited)

	3rd Quarter			4th Quarter		
	2016	2015	2014	**2016**	2015	2014
	$	$	$	**$**	$	$
Revenue	**206,559**	200,635	209,109	**209,909**	195,677	200,750
Cost of sales	**161,705**	157,838	168,447	**156,174**	149,885	164,527
Gross profit	**44,854**	42,797	40,662	**53,735**	45,792	36,223
Gross margin	**21.7%**	21.3%	19.4%	**25.6%**	23.4%	18.0%
Selling, general and administrative expenses	**27,338**	17,927	23,153	**25,576**	25,765	23,261
Research expenses	**2,287**	2,499	1,778	**3,227**	2,753	2,354
	29,625	20,426	24,931	**28,803**	28,518	25,615
Operating profit before manufacturing facility closures, restructuring and other related charges (recoveries)	**15,229**	22,371	15,731	**24,932**	17,274	10,608
Manufacturing facility closures, restructuring and other related charges (recoveries)	**6,329**	181	1,560	**(7,744)**	2,683	963
Operating profit	**8,900**	22,190	14,171	**32,676**	14,591	9,645
Finance costs (income)						
Interest	**1,158**	919	867	**1,236**	1,036	2,069
Other expense (income), net	**270**	(651)	426	**15**	504	380
	1,428	268	1,293	**1,251**	1,540	2,449
Earnings before income tax expense (benefit)	**7,472**	21,922	12,878	**31,425**	13,051	7,196
Income tax expense (benefit)						
Current	**30**	3,281	2,914	**3,454**	2,592	(768)
Deferred	**1,192**	2,987	3,953	**6,272**	(7,033)	1,907
	1,222	6,268	6,867	**9,726**	(4,441)	1,139
Net earnings	**6,250**	15,654	6,011	**21,699**	17,492	6,057

IPG Net Earnings	**6,250**	15,654	6,011	**21,682**	17,492	6,057
Non-controlling interest				**17**		
	6,250	15,654	6,011	**21,699**	17,492	6,057
IPG Net Earnings per share						
Basic	**0.11**	0.26	0.10	**0.37**	0.30	0.10
Diluted	**0.10**	0.26	0.10	**0.36**	0.29	0.10

Overview

The Company operates in the global specialty packaging industry. The Company develops, manufactures and sells a variety of paper and film based pressure sensitive and water-activated tapes, polyethylene and specialized polyolefin packaging films, woven coated fabrics and complementary packaging systems for industrial and retail use. The Company s products primarily consist of: carton sealing tapes, including pressure sensitive and water-activated tapes; industrial and performance specialty tapes, including masking, duct, electrical and reinforced filament tapes; shrink film; stretch wrap; lumberwrap, structure fabrics and geomembrane fabrics; and non-manufactured flexible intermediate bulk containers.

The Company reported a 7.3% increase in revenue for the fourth quarter of 2016 as compared to the fourth quarter of 2015 and a 3.4% increase in revenue for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase in revenue compared to the fourth quarter of 2015 was primarily due to increased sales volume and additional revenue from the Powerband and TaraTape acquisitions, partially offset by a decrease in average selling price, including the impact of product mix. The increase in revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to additional revenue from the Better Packages, TaraTape and Powerband acquisitions (Acquisitions), increased sales volume and a decrease in the South Carolina Commissioning Revenue Reduction (defined later in this document), partially offset by a decrease in average selling price, including the impact of product mix. The Company estimates that its revenue for the fourth quarter and year ended December 31, 2016 was negatively impacted by the South Carolina Flood (defined later in this document) by approximately $5.0 million and $25.5 million, respectively, which is embedded in the changes in product mix and sales volume.

Gross margin increased to 25.6% in the fourth quarter of 2016 compared to 23.4% in the fourth quarter of 2015 primarily due to insurance claim settlement proceeds (Insurance Proceeds) related to the South Carolina Flood and the favourable impact of the Company s manufacturing cost reduction programs. These favourable impacts were partially offset by the non-recurrence of the reversal of a 2010 impairment for manufacturing equipment of $2.7 million recorded in the fourth quarter of 2015. Gross margin increased to 23.7% in the year ended December 31, 2016 as compared to 21.5% in 2015. Gross margin increased primarily due to Insurance Proceeds related to the South Carolina Flood, the favourable impact of the Company s manufacturing cost reduction programs, an increase in the spread between selling prices and raw material costs, and the non-recurrence of South Carolina Duplicate Overhead Costs. These favourable items were partially offset by the negative impact of the South Carolina Flood and an unfavourable product mix.

The Company estimates that the South Carolina Flood had a net positive impact on its gross profit of approximately $6.0 million in the fourth quarter and a net negative impact of $1.2 million for the year ended December 31, 2016. The South Carolina Flood impacts are due to lost gross profit related to reductions in revenue as well as incremental costs from alternative product sourcing net of Insurance Proceeds. In November 2016, the Company received a payment of $19.5 million representing the remaining Insurance Proceeds due to the Company as part of the $30.0 million settlement reached by the Company and its insurers in October 2016. The settlement was subject to a $0.5 million deductible and covered substantially all of the claimed property and business interruption losses associated with the South Carolina Flood. Approximately $2.1 million of Insurance Proceeds will be recognized as a benefit to gross profit in the first quarter of 2017.

As part of its plan to realize operational synergies from the TaraTape acquisition completed in November 2015, the Company set out a plan to close its Fairless Hills, Pennsylvania manufacturing facility and ceased production as of December 31, 2016 (TaraTape Closure). In order to accommodate the related production volume, the Company has leveraged production capacity in both its Carbondale, Illinois and Danville, Virginia manufacturing facilities, and will continue to do so. As a result of the TaraTape Closure, the Company increased its expectation of total annual synergies from this transaction to between $4 and $6 million from the previous estimate of between $2 and $4 million of additional adjusted EBITDA (a non-GAAP financial measure as defined and reconciled later in this document) by the end of 2017.

IPG Net Earnings for the year ended December 31, 2016 decreased to $51.1 million ($0.87 basic IPG Net Earnings per share and $0.85 diluted IPG Net Earnings per share) from $56.7 million ($0.95 basic IPG Net Earnings per share and $0.93 diluted IPG Net Earnings per share) for the year ended December 31, 2015. The decrease was primarily due to increases in (i) selling, general and administrative expenses (SG&A) mainly due to share-based and variable compensation expenses and employee related costs to support growth initiatives in the business, and (ii) income tax expense. These unfavourable impacts were partially offset by an increase in gross profit.

IPG Net Earnings for the fourth quarter of 2016 increased to $21.7 million ($0.37 basic IPG Net Earnings per share and $0.36 diluted IPG Net Earnings per share) from $17.5 million ($0.30 basic IPG Net Earnings per share and $0.29 diluted IPG Net Earnings per share) for the fourth quarter of 2015. The increase was primarily due to a decrease in manufacturing facility closures, restructuring and other related charges and an increase in gross profit, both of which were mainly due to Insurance Proceeds related to the South Carolina Flood. These favourable impacts were partially offset by an increase in income tax expense.

Adjusted net earnings (a non-GAAP financial measure as defined and reconciled later in this document) for the year ended December 31, 2016 increased to $59.7 million ($1.02 basic adjusted earnings per share and $0.99 diluted adjusted earnings per share) from $57.6 million ($0.96 basic adjusted earnings per share and $0.94 diluted adjusted earnings per share) for the year ended December 31, 2015. The increase was primarily due to an increase in gross profit, partially offset by increases in (i) income tax expense and (ii) SG&A expenses mainly due to variable compensation expense and employee related costs to support growth initiatives in the business.

Adjusted net earnings for the fourth quarter of 2016 increased to $18.0 million ($0.31 basic adjusted earnings per share and $0.30 diluted adjusted earnings per share) from $16.7 million ($0.28 basic and diluted adjusted earnings per share) for the fourth quarter of 2015. The increase was primarily due to an increase in gross profit, partially offset by an increase in income tax expense.

Adjusted EBITDA increased to $119.5 million for the year ended December 31, 2016 from $102.0 million for the year ended December 31, 2015. The increase was primarily due to an increase in gross profit, partially offset by an increase in SG&A mainly due to variable compensation expense and employee related costs to support growth initiatives in the business.

Adjusted EBITDA increased to $35.3 million for the fourth quarter of 2016 from $24.6 million for the fourth quarter of 2015. The increase was primarily due to an increase in gross profit.

In 2016, the Board of Directors amended the Company s quarterly dividend policy to increase the annualized dividend by 7.7% from $0.52 to $0.56 per common share based on the Company s strong financial position and positive outlook.

On March 8, 2017, the Board of Directors declared a dividend of $0.14 per common share payable on March 31, 2017 to shareholders of record at the close of business on March 21, 2017.

Powerband Acquisition

On September 16, 2016, the Company, under a Share Purchase Agreement dated September 2, 2016, completed the purchase of 74% of the issued and outstanding shares in Powerband, a global supplier of acrylic adhesive-based carton sealing tapes and stretch films located in Daman, India. The remaining 26% will continue to be held by the Desai family which founded the Company in 1994. The Powerband acquisition is intended to further extend the Company s product offering and presence in the global packaging market. Powerband generated approximately $32 million of revenue in its most recently completed fiscal year and it is expected that these acquired operations will be accretive to IPG Net Earnings. The Company paid in cash, funded primarily from the Company s Revolving Credit Facility (defined later in this document), a purchase price of $41.9 million.

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The Company has approved a plan to expand the production capacity within the Daman, India manufacturing facility and to expand capacity by investing in the construction of a greenfield manufacturing facility in India (Powerband Investment Projects). Capital expenditures for the Powerband Investment Projects are currently estimated to total approximately $20 million, and the Projects after-tax internal rates of return are expected to exceed the Company s hurdle rate of 15%. The Company is planning for the additional capacity in the current manufacturing facility to be completed by mid-2017 while the greenfield facility is expected to be operating in 2018.

The impact of the Powerband acquisition on the Company s earnings was as follows (in millions of US dollars, unaudited):

	Three months ended December 31, 2016	September 16, 2016 through December 31, 2016
	$	$
Revenue	7.6	7.6
IPG Net Earnings	0.1	0.1

Columbia, South Carolina Flood Update

On October 4, 2015, the Columbia, South Carolina manufacturing facility was damaged by significant rainfall and subsequent severe flooding (South Carolina Flood). The damages sustained were considerable and resulted in the facility being shut down permanently eight to nine months in advance of the planned shut down. Also as a result of the damage, production of masking tape was relocated to the Company s Blythewood, South Carolina facility and temporarily to the Marysville, Michigan facility.

In October 2016, the Company and its insurers reached a settlement for the outstanding property and business interruption claims in the amount of $30.0 million, subject to a $0.5 million deductible, covering substantially all of the claimed losses associated with the South Carolina Flood. The settlement resulted in a payment of $19.5 million to the Company in November 2016 and a significant net positive impact on IPG Net Earnings of approximately $9.2 million in the fourth quarter of 2016. The Company has received a total of $29.5 million in Insurance Proceeds of which $5.0 million was recorded in manufacturing facility closures, restructuring and other related charges in the fourth quarter of 2015 and $12.6 million and $9.8 million were recorded in cost of sales and manufacturing facility closures, restructuring and other related charges, respectively, in 2016. The remaining $2.1 million will be recognized as a benefit to cost of sales in the first quarter of 2017.

The Company estimates that the South Carolina Flood had the following impacts on its results:

Reductions in revenue of approximately $5.0 million and $25.5 million for the fourth quarter and year ended December 31, 2016, respectively, related to lost sales of masking tape and stencil products, and including $0.3 million and $3.7 million in quality-related masking tape product returns for the fourth quarter and year ended December 31, 2016, respectively. The masking tape product returns are expected to be non-recurring and the cause has been attributed to the required acceleration of the commercialization of these products following the South Carolina Flood;

Improvement in gross profit of approximately $6.0 million and reduction in gross profit of approximately $1.2 million for the fourth quarter and year ended December 31, 2016, respectively, as a result of Insurance Proceeds of $8.1 million and $12.6 million for the fourth quarter and year ended December 31, 2016, respectively, included in cost of sales offsetting the negative impacts of the South Carolina Flood;

Improvements in manufacturing facility closures, restructuring and other related recoveries totalling $8.9 million and $4.9 million for the fourth quarter and year ended December 31, 2016, respectively, as a result of Insurance Proceeds of $9.3 million and $9.8 million for the fourth quarter and year ended December 31, 2016, respectively, included in this caption offsetting the negative impacts of the South Carolina Flood;

Improvements in IPG Net Earnings of approximately $9.2 million and $2.3 million for the fourth quarter and year ended December 31, 2016, respectively, as a result of Insurance Proceeds totalling $17.4 million and $22.4 million recognized in earnings during the fourth quarter and year ended December 31, 2016, respectively, offsetting the negative impacts of the South Carolina Flood;

Improvement in adjusted EBITDA of approximately $6.0 million and reduction in adjusted EBITDA of approximately $0.9 million for the fourth quarter and year ended December 31, 2016, respectively; and

Improvement in adjusted net earnings of approximately $3.7 million and reduction in adjusted net earnings of $0.8 million for the fourth quarter and year ended December 31, 2016, respectively.

The impact on gross profit, IPG Net Earnings, adjusted net earnings and adjusted EBITDA includes lost gross profit on lost sales and quality-related masking tape product returns discussed above, as well as incremental costs from temporary alternative product sourcing net of Insurance Proceeds received and recognized in earnings to date. Also included in the IPG Net Earnings impact above is manufacturing facility closures, restructuring and other related recoveries which includes charges for site clean-up, damage to property and insurance claim preparation costs, offset by the Insurance Proceeds.

The Company expects the South Carolina Flood to continue to have some negative impact on results during the ongoing effort to restore masking tape and stencil product sales, including the related production processes, to pre-flood conditions. The remaining $2.1 million of Insurance Proceeds are expected to partially offset these negative impacts in the first quarter of 2017, however, at this time, it is not possible to predict the extent and timing of the recovery of these lost sales. The Company continues to aggressively re-establish its production processes and pursue opportunities to recapture the lost sales and expects these efforts will most likely result in improvement in results over time.

South Carolina Project Update

The South Carolina Project refers to the previously announced relocation and modernization of the Company s Columbia, South Carolina manufacturing operation. This project primarily involved moving the Company s duct tape and masking tape production to a new state-of-the-art facility in Blythewood, South Carolina as well as moving flatback tape production to the Company s existing facility in Marysville, Michigan. South Carolina Duplicate Overhead Costs refers to temporary operating cost increases related to operating both plants in South Carolina simultaneously and performing planned actions to mitigate risk associated with new technology, including state-of-the-art equipment, to support the South Carolina Project. South Carolina Commissioning Revenue Reduction refers to the sales attributed to the commissioning efforts of the production lines that were accounted for as a reduction of revenue and a corresponding reduction of the cost of the South Carolina Project. In addition, unless otherwise noted, the impact of the South Carolina Commissioning Revenue Reduction on gross profit and capital expenditures is not significant due to the requirement to offset this revenue with the associated cost of sales in the reclassification of the related gross profit as a reduction of the capital expenditures.

The Blythewood, South Carolina manufacturing facility s duct tape production continued to have a net positive impact on gross profit and adjusted EBITDA in the fourth quarter and year ended December 31, 2016. In regards to masking tape production, the Company continues to work towards optimizing the related production processes, reducing inefficiencies and eliminating certain quality issues in relation to one of the masking tape products. These masking tape production inefficiencies largely offset the cost savings realized by the duct tape production resulting in a positive impact to the results realized in the fourth quarter and year ended December 31, 2016 of $1.0 million and $3.0 million, respectively. This represents a significant incremental net positive impact on gross profit and adjusted EBITDA in 2016 when compared to the net negative impact realized in 2015, and is in line with the Company s guidance stating that the Company expected to realize a higher net positive impact in the fourth quarter as compared to the third quarter of 2016.

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The table below presents the impact of the South Carolina Project on gross profit and adjusted EBITDA:

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
	$	$	**$**	$	$
Project savings (costs), net of production ramp-up inefficiencies	**1.0**	(0.0)	**3.0**	(1.9)	
South Carolina Duplicate Overhead Costs				(4.3)	(3.5)
Impact on gross profit	**1.0**	(0.0)	**3.0**	(6.2)	(3.5)
Addback: Non-cash South Carolina Duplicate Overhead Costs				0.4	0.7
Impact on adjusted EBITDA	**1.0**	(0.0)	**3.0**	(5.8)	(2.8)

The Company recorded nil and $6.3 million in the fourth quarter and year ended December 31, 2016, respectively, for the South Carolina Commissioning Revenue Reduction. As previously stated, the impact of the South Carolina Commissioning Revenue Reduction on gross profit is not significant due to the requirement to offset this revenue with the associated cost of sales in the reclassification of the related gross profit as a reduction of the capital expenditures.

As of December 31, 2016, capital expenditures for the South Carolina Project since inception totalled $60.7 million. South Carolina Project capital expenditures recorded were nil and $3.7 million for the fourth quarter and year ended December 31, 2016, respectively.

The Company continues to work aggressively on optimizing the masking tape production process mainly through minimization of production waste and machine downtime as well as achieving target quality levels on one of the masking tape products. While the annualized run-rate of the net savings increased in the fourth quarter of 2016 as compared to the third quarter of 2016, the Company did not achieve its previously-stated estimate of approximately $13 million of annualized savings by the beginning of 2017. The challenges that continue to be faced in regards to the production waste and machine downtime related to masking tape production are expected to improve incrementally over time due to the Company s ongoing efforts, but it is uncertain if and when the Company will realize net savings that approach the previous estimate of approximately $13 million.

Despite the ongoing challenges faced in the South Carolina Project, the Company strongly believes that this leap in technological capability in terms of production efficiency, capacity and environmental footprint will benefit the Company s operations and competitive position in the long term. As such, the Company remains committed to the Project. At this time, it is not expected that a material amount of additional capital expenditures will be required to achieve further improvement.

Outlook

The Company expects gross margin for 2017 to be between 23% and 24%.

Adjusted EBITDA for 2017 is expected to be between $127 and $137 million.

Manufacturing cost reductions for 2017 are expected to be between $10 and $12 million.

Total capital expenditures for 2017 are expected to be between $75 and $85 million.

The Company expects a 25% to 30% effective tax rate for 2017 and cash taxes paid in 2017 to be approximately half of the income tax expense in 2017, excluding the potential impact of any significant tax reform legislation and changes in the mix of earnings between jurisdictions.

Revenue, gross margin and adjusted EBITDA in the first quarter of 2017 are expected to be greater than in the first quarter of 2016.

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Results of Operations

Revenue

Revenue for the year ended December 31, 2016 totalled $808.8 million, a $26.9 million or 3.4% increase from $781.9 million for the year ended December 31, 2015 primarily due to:

- Additional revenue of $31.3 million due to the Acquisitions; and
- An increase in sales volume, excluding the Acquisitions, of approximately 1.7% or $13.3 million primarily due to increased demand for the Company s tape and woven products. The Company believes that the increased sales volume was primarily due to:
  - growth in the carton sealing tape product offerings; and
  - growth in the building and construction market;

Partially offset by:

  - a decrease in certain tape product sales due to the South Carolina Flood.
- A lower South Carolina Commissioning Revenue Reduction of $4.6 million in 2016 as compared to $11.0 million in 2015;

Partially offset by:

- A decrease in average selling price, including the impact of product mix, of approximately 2.9% or $22.3 million due to:
  - an unfavourable product mix variance primarily in the Company s woven and tape product categories;
  - lower selling prices mainly driven by lower petroleum-based raw material costs; and
  - an unfavourable foreign exchange impact (FX impact) of approximately $2.0 million.

The Company estimates that its revenue for the year ended December 31, 2016 was negatively impacted by the South Carolina Flood by approximately $25.5 million, which is embedded in the changes in product mix and sales volume.

Revenue for the year ended December 31, 2015 totalled $781.9 million, a $30.8 million or 3.8% decrease from $812.7 million for the year ended December 31, 2014 primarily due to:

- A decrease in average selling price, including the impact of product mix, of approximately 6% or $49.2 million due to:
  - an unfavourable product mix variance primarily in the Company s tape and woven product categories;
  - an unfavourable FX impact of approximately $13.3 million; and
  - lower selling prices mainly driven by lower petroleum-based raw material costs.
- The South Carolina Commissioning Revenue Reduction of $11.0 million in 2015 (nil in 2014);

Partially offset by:

- Additional revenue of $17.7 million due to the Better Packages and TaraTape acquisitions (2015 Acquisitions); and
- An increase in sales volume, excluding the 2015 Acquisitions, of approximately 1.4% or $11.6 million primarily due to increased demand for the Company s tape and woven products. The Company believes that the increased sales volume was primarily due to:
  - growth in the carton sealing tape product offerings; and
  - growth in the building and construction market;

Partially offset by:

  - a decrease in certain tape product sales due to the South Carolina Flood.

The Company estimates that its revenue for the year ended December 31, 2015 was negatively impacted by the South Carolina Flood by approximately $8.6 million, which is embedded in the changes in product mix and sales volume.

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Revenue for the fourth quarter of 2016 totalled $209.9 million, a $14.2 million or 7.3% increase from $195.7 million for the fourth quarter of 2015 primarily due to:

- An increase in sales volume, excluding the Powerband and TaraTape acquisitions, of approximately 4.5% or $9.8 million due to an increase in demand for certain tape and woven products. The Company believes that the increased sales volume was primarily due to:
  - growth in the carton sealing tape product offerings;
  - an increase in certain tape product sales due to the non-recurrence of the South Carolina Flood; and
  - growth in the building and construction markets;
- Additional revenue of $8.7 million due to the Powerband and TaraTape acquisitions;

Partially offset by:

- A decrease in average selling price, including the impact of product mix, of approximately 2.2% or $4.3 million primarily due to:
  - an unfavourable product mix in the Company s tape and woven product categories;

Partially offset by:

  - price increases in certain film and tape product sales.

The Company estimates that its revenue for the fourth quarter of 2016 and 2015 was negatively impacted by the South Carolina Flood by approximately $5.0 million and $8.6 million, respectively, which is embedded in the changes in product mix and sales volume.

Revenue for the fourth quarter of 2016 totalled $209.9 million, a $3.4 million or 1.6% increase from $206.6 million for the third quarter of 2016 primarily due to:

- Additional revenue of $7.6 million due to the Powerband acquisition; and

An increase in sales volume, excluding the Powerband acquisition, of approximately 0.7% or $1.5 million primarily due to increased demand for certain tape products. The Company believes that the increased sales volume was primarily due to seasonally higher volume across the carton sealing tape product offerings;

Partially offset by:

A decrease in average selling price, including the impact of product mix, of approximately 2.8% or $5.7 million due to:

an unfavourable product mix variance primarily in the Company s tape products;

Partially offset by:

price increases in certain film product sales.

The Company estimates that its revenue for the third and fourth quarters of 2016 was negatively impacted by the South Carolina Flood by approximately $9.9 million and $5.0 million, respectively, which is embedded in the changes in product mix and sales volume.

Gross Profit and Gross Margin

Gross profit totalled $191.5 million for the year ended December 31, 2016, a $23.5 million or 14.0% increase from $168.0 million for the year ended December 31, 2015. Gross margin was 23.7% in 2016 and 21.5% in 2015.

Gross profit increased primarily due to Insurance Proceeds related to the South Carolina Flood, the favourable impact of the Company s manufacturing cost reduction programs, an increase in the spread between selling prices and raw material costs, and additional gross profit from the Acquisitions. These favourable items were partially offset by the negative impact of the South Carolina Flood, an unfavourable product mix variance, and the non-recurrence of the reversal of a 2010 impairment for manufacturing equipment of $2.7 million recorded in the fourth quarter of 2015.

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Gross margin increased primarily due to Insurance Proceeds related to the South Carolina Flood, the favourable impact of the Company s manufacturing cost reduction programs, an increase in the spread between selling prices and raw material costs, and the non-recurrence of South Carolina Duplicate Overhead Costs. These favourable items were partially offset by the negative impact of the South Carolina Flood and an unfavourable product mix.

Gross profit totalled $168.0 million for the year ended December 31, 2015, a $4.4 million or 2.7% increase from $163.6 million for the year ended December 31, 2014. Gross margin was 21.5% in 2015 and 20.1% in 2014.

Gross profit increased primarily due to an increase in the spread between selling prices and lower raw material costs, the favourable impact of the Company s manufacturing cost reduction programs and additional gross profit from the Better Packages acquisition. These favourable items were partially offset by an unfavourable product mix variance, an unfavourable FX impact and an increase in manufacturing inefficiencies mainly in relation to the South Carolina Project.

Gross margin increased primarily due to an increase in the spread between selling prices and raw material costs and the favourable impact of the Company s manufacturing cost reduction programs, partially offset by an unfavourable product mix, an increase in manufacturing inefficiencies mainly related to the South Carolina Project and the decision to change manufacturing locations of certain products to meet customers demand.

Gross profit totalled $53.7 million for the fourth quarter of 2016, a $7.9 million or 17.3% increase from $45.8 million for the fourth quarter of 2015. Gross margin was 25.6% in the fourth quarter of 2016 and 23.4% in the fourth quarter of 2015.

Gross profit increased primarily due to Insurance Proceeds related to the South Carolina Flood, the favourable impact of the Company s manufacturing cost reduction programs, additional gross profit from the Acquisitions, and the increase in volume. These favourable items were partially offset by the non-recurrence of the reversal of a 2010 impairment for manufacturing equipment of $2.7 million recorded in the fourth quarter of 2015.

Gross margin increased primarily due to Insurance Proceeds related to the South Carolina Flood and the favourable impact of the Company s manufacturing cost reduction programs. These favourable items were partially offset by the non-recurrence of the reversal of a 2010 impairment for manufacturing equipment of $2.7 million recorded in the fourth quarter of 2015.

Gross profit totalled $53.7 million for the fourth quarter of 2016, a $8.9 million or 19.8% increase from $44.9 million for the third quarter of 2016. Gross margin was 25.6% in the fourth quarter of 2016 and 21.7% in the third quarter of 2016. Gross profit and gross margin increased primarily due to Insurance Proceeds related to the South Carolina Flood and a reduction in the unfavourable impact of the South Carolina Flood, partially offset by an unfavourable product mix.

Selling, General and Administrative Expenses

SG&A totalled $102.6 million for the year ended December 31, 2016, an $18.5 million or 22.0% increase from $84.1 million for the year ended December 31, 2015. The increase was primarily due to (i) an increase in share-based and variable compensation expenses, (ii) an increase in employee related costs primarily to support growth initiatives in the business, (iii) additional SG&A resulting from the Acquisitions and (iv) a provision for the settlement of the outstanding litigation with the Company s former Chief Financial Officer (CFO) recorded in the third quarter of 2016.

SG&A totalled $84.1 million for the year ended December 31, 2015, a $1.9 million or 2.3% decrease from $86.0 million for the year ended December 31, 2014. The decrease was primarily due to a decrease in share-based and variable compensation expenses as well as a favourable FX impact. These decreases were partially offset by the 2015 Acquisitions and an increase in employee costs, including health related costs. The increase in employee costs was primarily to support the expected growth of the business.

As a percentage of revenue, SG&A expenses represented 12.7%, 10.8%, and 10.6% for 2016, 2015 and 2014, respectively.

SG&A for the fourth quarter of 2016 totalled $25.6 million, a $0.2 million or 0.7% decrease from $25.8 million for the fourth quarter of 2015. The decrease was primarily due to a decrease in variable and share-based compensation expenses and litigation related professional fees, partially offset by an increase in employee related costs to support growth initiatives in the business and additional SG&A resulting from the Powerband acquisition.

SG&A for the fourth quarter of 2016 decreased $1.8 million or 6.4% from $27.3 million in the third quarter of 2016. The decrease was primarily due to the provision for the Litigation Settlement recorded in the third quarter and a decrease in share-based compensation expense, partially offset by additional SG&A resulting from the Powerband acquisition.

Research Expenses

The Company continues to focus its research efforts on potential new products, technology, manufacturing processes and formulations for existing products. Research expenses totalled $10.8 million for the year ended December 31, 2016, a $1.3 million or 14.1% increase from $9.5 million for the year ended December 31, 2015. The increase was primarily to support product development initiatives.

Research expenses totalled $9.5 million for the year ended December 31, 2015, a $1.6 million or 20.1% increase from $7.9 million for the year ended December 31, 2014. The increase was primarily due to ongoing efforts to support the South Carolina Project and other manufacturing cost reduction programs.

Research expenses for the fourth quarter of 2016 totalled $3.2 million, a $0.5 million or 17.3% increase from $2.8 million for the fourth quarter of 2015, and a $0.9 million or 41.2% increase from $2.3 million for the third quarter of 2016. These increases were primarily to support product development initiatives.

As a percentage of revenue, research expenses represented 1.3%, 1.2% and 1.0% for 2016, 2015 and 2014, respectively.

Manufacturing Facility Closures, Restructuring and Other

As part of its plan to realize operational synergies from the TaraTape acquisition completed in November 2015, the Company set out a plan to close its Fairless Hills, Pennsylvania manufacturing facility and ceased production as of December 31, 2016. In order to accommodate the related production volume, the Company has leveraged production capacity in both its Carbondale, Illinois and Danville, Virginia manufacturing facilities and will continue to do so. As a result of the TaraTape Closure, the Company increased its expectation of total annual synergies from this transaction to between $4 and $6 million from the previous estimate of between $2 and $4 million of additional adjusted EBITDA by the end of 2017. In 2016, the Company recorded $6.0 million, which included $4.0 million in non-cash charges related to impairment of property, plant and equipment, intangible assets and inventory and $1.9 million in cash charges related to termination benefits, facility restoration costs and other commitments. The Company expects to incur an additional $1 to $2 million mainly in cash charges related primarily to idle facility and equipment relocation costs in 2017.

Manufacturing facility closures, restructuring and other related charges totalled $2.4 million for the year ended December 31, 2016, a $1.3 million decrease from $3.7 million for the year ended December 31, 2015. The decrease was primarily due to (i) the benefit from Insurance Proceeds, (ii) a reduction in South Carolina Flood charges, and

(iii) a reduction in South Carolina Project charges mostly due to the non-recurrence of termination benefits. These decreases were partially offset by TaraTape Closure charges of $6.0 million. The charges recorded in 2016 for the South Carolina Flood primarily include site clean-up, damage to property and insurance claim preparation costs totalling approximately $4.9 million. These charges were offset by Insurance Proceeds of $9.8 million for a net benefit of $4.9 million.

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Manufacturing facility closures, restructuring and other related charges totalled $3.7 million for the year ended December 31, 2015, a $1.3 million decrease from $4.9 million for the year ended December 31, 2014. The decrease was primarily due to the non-recurrence of $1.0 million and $0.7 million in charges related to the closure of the Richmond, Kentucky manufacturing facility and the relocation of the Langley, British Columbia manufacturing facility to Delta, British Columbia, respectively. The charges recorded in 2015 were primarily related to the South Carolina Project of $1.5 million and the South Carolina Flood of $1.5 million. The South Carolina Project costs primarily include workforce retention and idle facility costs, partially offset by a reversal of impairment on equipment. The South Carolina Flood charges of $1.5 million primarily relate to a total of $6.5 million of damaged inventory, clean-up and idle facility costs and impaired property, plant and equipment, partially offset by Insurance Proceeds of $5.0 million.

Manufacturing facility closures, restructuring and other related recoveries totalled $7.7 million for the fourth quarter of 2016, a $10.4 million improvement from $2.7 million in charges for the fourth quarter of 2015. The improvement was primarily due to Insurance Proceeds of $9.3 million in the fourth quarter of 2016 as compared to $5.0 million in 2015, coupled with a reduction in charges associated with the South Carolina Flood in the fourth quarter of 2016.

Manufacturing facility closures, restructuring and other related recoveries improved $14.1 million from $6.3 million in charges for the third quarter of 2016. The improvement was primarily due to the Insurance Proceeds of $9.3 million relating to the South Carolina Flood and a reduction in charges associated with the TaraTape Closure. The charges recorded in the third quarter of 2016 are primarily related to the TaraTape Closure impairments discussed above and site clean-up and idle facility costs related to the South Carolina Flood.

Finance Costs

Finance costs totalled $5.0 million for the year ended December 31, 2016, a $1.8 million or 58.3% increase from $3.2 million for the year ended December 31, 2015. The increase was primarily due to an increase in interest expense in 2016 and lower foreign exchange gains in 2016 compared to 2015. The interest expense increased due to a higher average amount of debt outstanding and a higher average cost of debt.

Finance costs totalled $3.2 million for the year ended December 31, 2015, a $3.0 million or 48.7% decrease from $6.2 million for the year ended December 31, 2014. The decrease was primarily due to (i) foreign exchange gains in 2015, compared to foreign exchange losses in 2014 and (ii) a decrease in debt issue costs expensed in 2015 as a result of replacing the Company s $200 million asset-based loan facility (ABL facility) with a new five-year $300 million revolving credit facility (Revolving Credit Facility) and the prepayment of certain other debt in 2014.

Finance costs for the fourth quarter of 2016 totalled $1.3 million, a $0.3 million or 18.7% decrease from $1.5 million for the fourth quarter of 2015. The decrease was primarily due to foreign exchange gains in the fourth quarter of 2016, compared to foreign exchange losses in the fourth quarter of 2015. This decrease was partially offset by higher interest expense as a result of a higher average amount of debt outstanding in the fourth quarter of 2016.

Finance costs decreased $0.2 million or 12.3% in the fourth quarter of 2016 from $1.4 million for the third quarter of 2016. The decrease was primarily due to foreign exchange gains in the fourth quarter of 2016, compared to foreign exchange losses during the third quarter of 2016.

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Income Taxes

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

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

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
	$	$	**$**	$	$
Income tax expense (benefit)	**9.7**	(4.4)	**19.6**	11.0	22.9
Earnings before income tax expense (benefit)	**31.4**	13.1	**70.7**	67.7	58.7
Effective tax rate	**31.0%**	-34.0%	**27.7%**	16.2%	39.0%

The increase in the effective tax rate for 2016 compared to 2015 is primarily due to (i) the non-recurrence of the tax benefits recorded in 2015 to recognize previously derecognized Canadian deferred tax assets, (ii) the non-recurrence of the tax benefits recorded in 2015 to decrease the deferred tax liability related to previously impaired property, plant and equipment, and (iii) an unfavourable change in the mix of earnings between jurisdictions. The decrease in the effective tax rate for 2015 compared to 2014 is primarily due to a favourable change in the mix of earnings between jurisdictions and the recognition of previously derecognized Canadian deferred tax assets.

As compared to the fourth quarter of 2015, the effective tax rate for the fourth quarter of 2016 increased primarily due to the non-recurrence of the tax benefits recorded in the fourth quarter of 2015 to (i) recognize previously derecognized Canadian deferred tax assets and (ii) decrease the deferred tax liability related to previously impaired property, plant and equipment.

IPG Net Earnings

IPG Net Earnings totalled $51.1 million for the year ended December 31 2016, a $5.6 million decrease from $56.7 million for the year ended December 31, 2015. The decrease was primarily due to increases in SG&A and income tax expense, partially offset by an increase in gross profit. The Company estimates that its IPG Net Earnings for 2016 were positively impacted by the South Carolina Flood by approximately $2.3 million as a result of Insurance Proceeds totalling $22.4 million offsetting the negative net earnings impact of the South Carolina Flood.

IPG Net Earnings totalled $56.7 million for the year ended December 31 2015, a $20.8 million increase from $35.8 million for the year ended December 31, 2014. The increase was primarily due to the recognition of previously derecognized Canadian deferred tax assets, a decrease in finance costs, and an increase in gross profit. The Company estimates that its IPG Net Earnings for 2015 were negatively impacted by the South Carolina Flood by approximately $2.8 million, net of the benefit from Insurance Proceeds totalling $5.0 million.

IPG Net Earnings for the fourth quarter of 2016 totalled $21.7 million, a $4.2 million increase from $17.5 million for the fourth quarter of 2015. The increase was primarily due to a decrease in manufacturing facility closure charges and an increase in gross profit, both of which were mainly due to South Carolina Flood Insurance Proceeds of

$17.4 million in the fourth quarter 2016 as compared to $5.0 million recognized in the fourth quarter of 2015, partially offset by an increase in income tax expense. The Company estimates that its IPG Net Earnings for the fourth quarter of 2016 were positively impacted by the South Carolina Flood by approximately $9.2 million as a result of Insurance Proceeds offsetting the negative net earnings impact of the South Carolina Flood.

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IPG Net Earnings for the fourth quarter of 2016 increased $15.4 million from $6.3 million for the third quarter of 2016. The increase was primarily due to a decrease in manufacturing facility closure charges and an increase in gross profit, both of which were mainly due to South Carolina Flood Insurance Proceeds of $17.4 million, partially offset by an increase in income tax expense mainly due to higher earnings.

Non-GAAP Financial Measures

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

Adjusted Net Earnings (Loss)

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 the controlling interest portion of (i) manufacturing facility closures, restructuring and other related charges (recoveries); (ii) share-based compensation expense (benefit); (iii) impairment of goodwill; (iv) impairment (reversal of impairment) of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; (vi) (gain) loss on disposal of property, plant and equipment; (vii) other discrete items as shown in the table below; and (viii) 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-cash expenses and non-recurring expenses.

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-cash expenses and non-recurring expenses.

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Adjusted Net Earnings Reconciliation to IPG Net Earnings[1]

(In millions of US dollars, except per share amounts and share numbers)

(Unaudited)

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
	$	**$**	**$**	**$**	**$**
IPG Net Earnings	**21.7**	17.5	**51.1**	56.7	35.8
Manufacturing facility closures, restructuring and other related charges (recoveries)	**(7.7)**	2.7	**2.4**	3.7	4.9
Share-based compensation expense	**1.6**	2.3	**8.2**	3.2	6.2
Impairment (reversal of impairment) of long-lived assets and other assets	**0.1**	(5.8)	**0.2**	(5.8)	0.1
Loss (gain) on disposal of property, plant and equipment	**0.0**	0.2	**0.1**	(0.8)	(0.1)
Other Item: Litigation Settlement			**1.9**		
Other Item: Brantford Pension Charge [2]					1.6
Income tax effect of these items	**2.4**	(0.2)	**(4.3)**	0.6	(3.8)
Adjusted net earnings	**18.0**	16.7	**59.7**	57.6	44.8
IPG Net Earnings per share					
Basic	**0.37**	0.30	**0.87**	0.95	0.59
Diluted	**0.36**	0.29	**0.85**	0.93	0.58
Adjusted earnings per share					
Basic	**0.31**	0.28	**1.02**	0.96	0.74
Diluted	**0.30**	0.28	**0.99**	0.94	0.72
Weighted average number of common shares outstanding					
Basic	**58,899,366**	58,802,897	**58,727,751**	59,690,968	60,718,776
Diluted	**60,746,886**	60,316,201	**60,369,227**	61,110,633	62,060,923

(1) As disclosed in the Company s press release on March 1, 2017, adjusted net earnings and adjusted earnings per share for the interim and annual periods in fiscal 2014 and 2015, and the first three interim periods in fiscal 2016 were amended to correct a clerical error in the calculation of the income tax effect caption. For the purpose of a consistent presentation of all periods, certain prior period amounts have been conformed to current period presentation.

(2) The Brantford Pension Charge refers to a charge recorded in the third and fourth quarters of 2014 related to the settlement of the former Brantford, Ontario manufacturing facility pension plan.

Adjusted net earnings totalled $59.7 million for the year ended December 31, 2016, an $2.1 million increase from $57.6 million for the year ended December 31, 2015. The increase was primarily due to an increase in gross profit, partially offset by increases in income tax expense and SG&A. The Company estimates that its adjusted net earnings for 2016 were negatively impacted by the South Carolina Flood by approximately $0.8 million net of the benefit from Insurance Proceeds.

Adjusted net earnings totalled $57.6 million for the year ended December 31, 2015, a $12.8 million increase from $44.8 million for the year ended December 31, 2014. The increase was primarily due to the recognition of previously derecognized Canadian deferred tax assets and decreases in finance costs and variable compensation expenses, partially offset by a decrease in gross profit, an increase in certain other SG&A expenses, and an increase in research expenses primarily associated with the South Carolina Project. The Company estimates that its adjusted net earnings for 2015 were negatively impacted by the South Carolina Flood by approximately $1.8 million.

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Adjusted net earnings totalled $18.0 million for the fourth quarter of 2016, a $1.3 million increase from $16.7 million for the fourth quarter of 2015. The increase was primarily due to an increase in gross profit, partially offset by an increase in income tax expense. The Company estimates that its adjusted net earnings for the fourth quarter of 2016 were positively impacted by the South Carolina Flood by approximately $3.7 million as a result of Insurance Proceeds offsetting the negative adjusted net earnings impact of the South Carolina Flood.

EBITDA, Adjusted EBITDA and Leverage Ratio

A reconciliation of the Company s EBITDA, a non-GAAP financial measure, to net earnings, 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 or cash flows from operating activities as determined by GAAP. The Company defines EBITDA as net earnings before (i) interest and other finance costs; (ii) income tax expense (benefit); (iii) amortization of intangible assets; and (iv) depreciation of property, plant and equipment. Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring and other related charges (recoveries); (ii) share-based compensation expense (benefit); (iii) impairment of goodwill; (iv) impairment (reversal of impairment) of long-lived assets and other assets; (v) write-down on assets classified as held-for-sale; (vi) (gain) loss on disposal of property, plant and equipment; and (vii) 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 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 of the Company s performance between periods presented by excluding certain non-operating expenses as well as certain non-cash expenses and non-recurring expenses. In addition, EBITDA and adjusted EBITDA are used by management and the Company s lenders in evaluating the Company s performance because they believe that they allow management and the Company s lenders to make a more meaningful comparison of the Company s performance between periods presented by excluding certain non-operating expenses as well as certain non-cash expenses and non-recurring expenses.

The Company defines leverage ratio as borrowings divided by adjusted EBITDA. The term leverage ratio does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. Leverage ratio is not a measurement of financial performance under GAAP and should not be considered as an alternative to any GAAP measure as an indicator of the Company s liquidity level 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 meaningful comparison of the Company s liquidity level. In addition, leverage ratio is used by management in evaluating the Company s performance because it believes that it allows management to monitor its liquidity level and evaluate its capacity to deploy capital to meet its strategic objectives.

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EBITDA and Adjusted EBITDA Reconciliation to Net Earnings

(In millions of US dollars)

(Unaudited)

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
	$	$	**$**	$	$
Net earnings	**21.7**	17.5	**51.1**	56.7	35.8
Interest and other finance costs	**1.3**	1.5	**5.0**	3.2	6.2
Income tax expense (benefit)	**9.7**	(4.4)	**19.6**	11.0	22.9
Depreciation and amortization	**8.7**	10.6	**31.0**	30.9	26.2
EBITDA	**41.4**	25.2	**106.7**	101.7	91.1
Manufacturing facility closures, restructuring and other related charges (recoveries)	**(7.7)**	2.7	**2.4**	3.7	4.9
Share-based compensation expense	**1.6**	2.3	**8.2**	3.2	6.2
Impairment (reversal of impairment) of long-lived assets and other assets	**0.1**	(5.8)	**0.2**	(5.8)	0.1
Loss (gain) on disposal of property, plant and equipment	**0.0**	0.2	**0.1**	(0.8)	(0.1)
Other Item: Litigation Settlement			**1.9**		
Other Item: Brantford Pension Charge					1.6
Adjusted EBITDA	**35.3**	24.6	**119.5**	102.0	103.9

Adjusted EBITDA totalled $119.5 million for the year ended December 31, 2016, a $17.5 million or 17.2% increase from $102.0 million for the year ended December 31, 2015. The increase was primarily due to an increase in gross profit, partially offset by an increase in SG&A. The Company estimates that its adjusted EBITDA in 2016 was negatively impacted by the South Carolina Flood by approximately $0.9 million net of the benefit from Insurance Proceeds.

Adjusted EBITDA totalled $102.0 million for the year ended December 31, 2015, a $1.9 million or 1.8% decrease from $103.9 million for the year ended December 31, 2014. The decrease was primarily due to an unfavourable FX impact, an increase in SG&A and an increase in research expenses. These negative impacts were partially offset by a decrease in variable compensation expense. The Company estimates that its adjusted EBITDA for 2015 was negatively impacted by the South Carolina Flood by approximately $2.7 million.

Adjusted EBITDA totalled $35.3 million for the fourth quarter of 2016, a $10.7 million or 43.6% increase from $24.6 million for the fourth quarter of 2015. The increase was primarily due to an increase in gross profit mainly due to Insurance Proceeds related to the South Carolina Flood in the fourth quarter of 2016. The Company estimates that its adjusted EBITDA for the fourth quarter of 2016 was positively impacted by the South Carolina Flood by approximately $6.0 million as a result of Insurance Proceeds offsetting the negative adjusted EBITDA impact of the South Carolina Flood.

Comprehensive Income Attributable to Company Shareholders (IPG Comprehensive Income)

IPG Comprehensive Income is comprised of IPG Net Earnings and other comprehensive income (loss) attributable to Company shareholders. IPG Comprehensive Income totalled $52.4 million for the year ended December 31, 2016, a $6.7 million or 14.6% increase from $45.7 million for the year ended December 31, 2015. The increase was primarily due to a favourable FX impact from cumulative translation adjustments in 2016 compared to an unfavourable FX impact in 2015, partially offset by lower IPG Net Earnings in 2016.

IPG Comprehensive Income totalled $45.7 million for the year ended December 31, 2015, a $22.2 million or 94.8% increase from $23.5 million for the year ended December 31, 2014. The increase was primarily due to higher IPG Net Earnings in 2015 and gains from the remeasurement of the defined benefit liability compared to actuarial losses in 2014.

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Off-Balance Sheet Arrangements

Letters of Credit

The Company had standby letters of credit issued and outstanding as of December 31, 2016 that could result in payments by the Company of up to an aggregate of $1.8 million upon the occurrence of certain events. All of the letters of credit have expiry dates in the first half of 2017.

Capital Commitments

The Company had commitments to suppliers to purchase machines and equipment totalling approximately $32.4 million as of December 31, 2016. It is expected that such amounts will be paid out in the next twelve months. In the event of cancellation, the penalties that would apply may be equal to the purchase price depending on timing of the cancellation.

Raw Material Commitments

The Company obtains certain raw materials from suppliers under consignment agreements. The suppliers retain ownership of raw materials until the earlier of when the materials are consumed in production or auto billings are triggered based upon maturity. The consignment agreements involve short-term commitments that typically mature within 30 to 60 days of inventory receipt and are typically renewed on an ongoing basis. The Company may be subject to fees in the event the Company requires storage in excess of 30 to 60 days. As of December 31, 2016, the Company had on hand $8.7 million of raw material owned by its suppliers.

The Company has entered into agreements with various raw material suppliers to purchase minimum quantities of certain raw materials at fixed rates through October 2017 totalling approximately $10.8 million as of December 31, 2016. The Company is also required by the agreements to pay any storage costs incurred by the applicable supplier in the event the Company delays shipment in excess of 30 days. In the event the Company defaults under the terms of an agreement, an arbitrator will determine fees and penalties due to the applicable supplier. Neither party will be liable for failure to perform for reasons of force majeure as defined in the agreements.

Utilities Commitments

The Company entered into a five-year electricity service contract for one of its manufacturing facilities on May 1, 2016, under which the Company expects to reduce the overall cost of electricity consumed by the facility. In the event of early termination, the Company is required to pay for unrecovered power supply costs incurred by the supplier which are estimated to be approximately $11.7 million as of December 31, 2016 and would decline monthly based on actual service billings to date.

The Company entered into a ten-year electricity service contract for one of its manufacturing facilities on November 12, 2013. The service date of the contract commenced in August 2014. The Company is committed to monthly minimum usage requirements over the term of the contract. The Company was provided installation at no cost and is receiving economic development incentive credits and maintenance of the required energy infrastructure at the manufacturing facility as part of the contract. The credits are expected to reduce the overall cost of electricity consumed by the facility over the term of the contract. Effective August 1, 2015, the Company entered into an amendment lowering the minimum usage requirements over the term of the contract. In addition, a new monthly facility charge will be incurred by the Company over the term of the contract. The Company estimates that service billings will total approximately $12.8 million over the remaining term of the contract.

Certain penalty clauses exist within the electricity service contract related to early cancellation after the service date of the contract. The costs related to early cancellation penalties include termination fees based on anticipated service billings over the term of the contract and capital expense recovery charges. While the Company does not expect to cancel the contract prior to the end of its term, the penalties that would apply to early cancellation could total as much as $4.8 million as of December 31, 2016. This amount declines annually until the expiration of the contract.

The Company has entered into agreements with various utility suppliers to fix certain energy costs, including natural gas and electricity, through December 2020 for minimum amounts of consumption at several of its manufacturing facilities. The Company estimates that utility billings will total approximately $5.1 million over the term of the contracts based on the contracted fixed terms and current market rate assumptions. The Company is also required by the agreements to pay any difference between the fixed price agreed to with the utility and the sales amount received by the utility for resale to a third party if the Company fails to meet the minimum consumption required by the agreements. In the event of early termination, the Company is required to pay the utility suppliers the difference between the contracted amount and the current market value of the energy, adjusted for present value, of any future agreed upon minimum usage. Neither party will be liable for failure to perform for reasons of force majeure as defined in the agreements.

The Company currently knows of no event, trend or uncertainty that may affect the availability or benefits of these arrangements or that would trigger any such penalty described above. The Company maintains no other off-balance sheet arrangements.

Related Party Transactions

The Company s key personnel are all members of the Board of Directors and five members of senior management in 2016. Key personnel remuneration includes: short-term benefits including base and variable compensation, deferred compensation, director retainer and committee fees, post-employment benefits, share-based compensation, and termination benefits. Total key personnel remuneration included in the statement of consolidated earnings totalled $10.3 million for the year ended December 31, 2016, an increase of $4.9 million from $5.4 million for the year ended December 31, 2015. The increase was primarily due to stock appreciation right (SAR) exercise activity and additional performance share unit (PSU) award grants in 2016 as well as an increase in variable compensation.

In June 2014, the Company engaged with a relocation management company to facilitate the purchase of the then-newly appointed CFO s home in Montreal, Québec, Canada to assist in his relocation to Sarasota, FL, U.S.A. The Company provided funding to the relocation management company to purchase the home for $0.9 million. On April 15, 2015, the home was sold and the Company was reimbursed for the purchase funding.

Working Capital

The Company experiences some business cyclicality that requires the management of working capital resources. Typically, a larger investment in working capital is required in quarters when accounts receivable increase due to higher sales and when inventory increases due to higher anticipated future sales. 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 for the fourth quarter of 2016 increased to 63 from 61 in the fourth quarter of 2015. Inventories totalled $103.5 million as of December 31, 2016, a $2.9 million increase from $100.6 million as of December 31, 2015. The increase was primarily due to an increase in production to match sales volume growth as well as additional inventory resulting from the Powerband acquisition.

The Company uses Days Sales Outstanding (DSO) to measure trade receivables. DSO increased to 39 in the fourth quarter of 2016 from 37 in the fourth quarter of 2015. Trade receivables totalled $90.1 million

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as of December 31, 2016, a $11.6 million increase from $78.5 million as of December 31, 2015. The increase was primarily due to an increase in the amount of revenue invoiced in the fourth quarter of 2016 as compared to the fourth quarter of 2015.

The calculations are shown in the following tables:

	Three months ended	
	Dec. 31, 2016	Dec. 31, 2015
Cost of sales [(1)]	**$ 156.2**	$ 149.9
Days in quarter	**92**	92
Cost of sales per day [(1)]	**$ 1.70**	$ 1.63
Average inventory [(1)]	**$ 107.1**	$ 99.4
Days inventory	**63**	61

Days inventory is calculated as follows:

Cost of sales ÷ Days in quarter = Cost of sales per day (Beginning inventory + Ending inventory) ÷ 2 = Average inventory

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

(1) In millions of US dollars

	Three months ended	
	Dec. 31, 2016	Dec. 31, 2015
Revenue [(1)]	**$ 209.9**	$ 195.7
Days in quarter	**92**	92
Revenue per day [(1)]	**$ 2.28**	$ 2.13
Trade receivables [(1)]	**$ 90.1**	$ 78.5
DSO	**39**	37

DSO is calculated as follows:

Revenue ÷ Days in quarter = Revenue per day

Ending trade receivables ÷ Revenue per day = DSO

Accounts payable and accrued liabilities totalled $100.2 million as of December 31, 2016, an increase of $18.0 million from $82.2 million as of December 31, 2015. The increase was primarily due to the timing of payments for inventory and SG&A.

Liquidity

The Company finances its operations through a combination of cash flows from operating activities and borrowings under its Revolving Credit Facility. Liquidity risk management attempts to (i) maintain a sufficient amount of cash and (ii) ensure that the Company has financing sources for a sufficient authorized amount. The Company establishes budgets, cash estimates and cash management policies with a goal of ensuring it has the necessary funds to fulfil its obligations for the foreseeable future.

The Company has access to a $300 million Revolving Credit Facility, plus an incremental accordion feature (that is available subject to the credit agreement s terms and lender approval) of $150 million through November 2019. As of December 31, 2016, the Company had drawn a total of $162.8 million, resulting in loan availability of $137.2 million. In addition, the Company had $21.0 million of cash, yielding total cash and loan availability of $158.2 million as of December 31, 2016.

The Company believes it has sufficient funds from cash flows from operating activities and cash on hand to meet its ongoing expected capital expenditures and working capital requirements funding needs for at least the next twelve months. These funds are also sufficient to meet funding needs for discretionary dividend payments and common share repurchases. In addition, funds available under the Revolving Credit Facility may be used, as needed, to fund more significant strategic initiatives.

Also refer to the section below entitled Revolving Credit Facility for additional discussion of funds available under the Revolving Credit Facility.

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Cash Flows

The Company s net working capital on the balance sheets increased during 2016 and 2015 due to the effects of business acquisitions. However, working capital amounts acquired are not included in cash flows from operating activities under IFRS. As such, the discussions below regarding 2016 and 2015 working capital items appropriately exclude these effects.

Cash flows from operating activities increased in the year ended December 31, 2016 by $5.9 million to $108.1 million from $102.3 million in the year ended December 31, 2015, primarily due to higher operating profits, partially offset by an increase in accounts receivable largely due to an increase in the amount of revenue invoiced in the fourth quarter of 2016 compared to the fourth quarter of 2015.

Cash flows from operating activities increased in the year ended December 31, 2015 by $15.4 million to $102.3 million from $86.9 million in the year ended December 31, 2014, primarily due to a decrease in accounts receivable resulting from lower sales in the fourth quarter of 2015 compared to the fourth quarter of 2014 and an increase in accounts receivable in 2014 compared to 2013.

Cash flows from operating activities increased in the fourth quarter of 2016 by $23.1 million to $65.0 million from $41.9 million in the fourth quarter of 2015 primarily due to higher operating profit and accounts payable and accrued liabilities. The increase in accounts payable and accrued liabilities is primarily due to the timing of payments near the end of 2016 compared to the end of 2015.

Additionally, the Company s working capital contained two significant fluctuations that largely offset each other:

- a decrease in inventory in the fourth quarter of 2016 compared to an increase in the fourth quarter of 2015 primarily due to the timing of raw material pre-buys and a higher volume of sales in the fourth quarter of 2016 compared to the fourth quarter of 2015,

- largely offset by a lower change in trade receivables in the fourth quarter of 2016 compared to the fourth quarter of 2015 primarily due to an increase in the amount of revenue invoiced in the fourth quarter for 2016 compared to 2015 and an increase in DSO to 39 in the fourth quarter of 2016 from 37 in the fourth quarter of 2015.

Cash flows used for investing activities increased in the year ended December 31, 2016 by $32.6 million to $91.8 million from $59.2 million in the year ended December 31, 2015, primarily due to higher capital expenditures as well as the Powerband acquisition in September 2016 for $41.9 million, compared to the 2015 Acquisitions of $26.2 million. The increase in capital expenditures primarily related to water-activated tape capacity expansion in Midland, North Carolina (WAT Project) and other initiatives discussed in the section entitled Capital Resources below.

Cash flows used for investing activities increased in the year ended December 31, 2015 by $22.4 million to $59.2 million from $36.8 million in the year ended December 31, 2014, primarily due to funding the 2015 Acquisitions, partially offset by lower capital expenditures. The decrease in capital expenditures primarily related to the South Carolina Project, partially offset by capital expenditures for the WAT Project and shrink film capacity expansion at the Portugal manufacturing facility (Portuguese Shrink Film Project) discussed in the section entitled Capital Resources below.

Cash flows used for investing activities decreased in the fourth quarter of 2016 by $5.8 million to $14.0 million from $19.8 million in the fourth quarter of 2015, primarily due to funding the TaraTape acquisition in November 2015, partially offset by higher capital expenditures in 2016 related to the WAT Project.

Cash flows used in financing activities decreased in the year ended December 31, 2016 by $19.7 million to $11.5 million from $31.2 million in the year ended December 31, 2015, primarily due to a decrease in repurchases of common shares, partially offset by a decrease in net borrowings and an increase in dividends paid.

Cash flows used in financing activities decreased in the year ended December 31, 2015 by $12.5 million to $31.2 million from $43.7 million in the year ended December 31, 2014, primarily due to an increase in net borrowings, partially offset by an increase in repurchases of common shares and an increase in dividends paid.

Cash flows used in financing activities increased in the fourth quarter of 2016 by $16.3 million to $34.9 million from $18.6 million in the fourth quarter of 2015, primarily due to an increase in net repayments of debt in the fourth quarter of 2016, partially offset by a decrease in repurchases of common shares in the fourth quarter of 2016.

The Company is including free cash flows, a non-GAAP financial measure, 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 residual cash flow available for discretionary purposes, as it excludes other mandatory expenditures such as debt service.

Free cash flows, defined by the Company as cash flows from operating activities less purchases of property, plant and equipment, decreased in the year ended December 31, 2016 by $9.8 million to $58.2 million from $68.0 million in the year ended December 31, 2015 primarily due to an increase in capital expenditures.

Free cash flows increased in the year ended December 31, 2015 by $21.7 million to $68.0 million from $46.3 million in the year ended December 31, 2014 primarily due to a decrease in accounts receivable and lower capital expenditures.

Free cash flows increased in the fourth quarter of 2016 by $17.5 million to $50.8 million from $33.3 million in the fourth quarter of 2015, primarily due to an increase in operating profit and accounts payable and accrued liabilities.

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

(In millions of US dollars)

(Unaudited)

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
	$	$	**$**	$	$
Cash flows from operating activities	**65.0**	41.9	**108.1**	102.3	86.9
Less purchases of property, plant and equipment	**(14.2)**	(8.5)	**(50.0)**	(34.3)	(40.6)
Free cash flows	**50.8**	33.3	**58.2**	68.0	46.3

Revolving Credit Facility

The Company s $300 million Revolving Credit Facility is with a syndicate of financial institutions and replaced the Company s $200 million ABL facility in November 2014. The Company relies upon cash flows from operating activities and funds available under the Revolving Credit Facility to meet working capital requirements as well as to fund capital expenditures, mergers and acquisitions, dividends, share repurchases, obligations under its other debt instruments, and other general corporate purposes. The Revolving Credit Facility also includes an incremental accordion feature of $150 million, which will enable the Company to increase the limit of this facility (subject to the credit agreement s terms and lender approval) if needed.

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As of December 31, 2016, the Company had drawn a total of $162.8 million against the Revolving Credit Facility, which consisted of $161.0 million of borrowings and $1.8 million of standby letters of credit. The Company had total cash and loan availability of $158.2 million as of December 31, 2016 and $182.3 million as of December 31, 2015. The change in total cash and loan availability is due to the changes in cash flows as previously discussed.

The Revolving Credit Facility is priced primarily on the LIBOR rate plus a spread varying between 100 and 225 basis points (150 basis points as of December 31, 2016 and 2015). The spread depends on the consolidated total leverage ratio (as defined under the Revolving Credit Facility) and increases as the consolidated total leverage ratio increases. The revolving credit loans denominated in US Dollars bear interest at the LIBOR rate applicable to dollar-denominated loans plus the applicable spread. Revolving credit loans denominated in an alternative currency bear interest at the floating rate applicable to alternative currency-denominated loans plus the applicable spread and any mandatory costs. As of December 31, 2016, the full $161.0 million of borrowings was priced at 30-day US dollar LIBOR.

As of December 31, 2016, the Revolving Credit Facility has, in summary, three financial covenants: (i) a consolidated total leverage ratio not to be greater than 3.25 to 1.00, with an allowable temporary increase to 3.75 to 1.00 for the four quarters following an acquisition with a price not less than $50 million, (ii) a consolidated debt service ratio not to be less than 1.50 to 1.00, and (iii) the aggregated amount of all capital expenditures in any fiscal year may not exceed $50 million (as discussed in the next paragraph this covenant was amended in January 2017.) Also as of December 31, 2016 (and before the January 2017 amendments discussed in the next paragraph), any portion of the allowable $50 million not expended in the year may be carried over for expenditure in the following year but not carried over to any additional subsequent year thereafter (as such, the allowable capital expenditures were $65.7 million in 2016 and $59.4 million in 2015 due to a carry forward provision of unused capital expenditure amounts from the prior year). The Company was in compliance with all three financial covenants which were 1.53, 7.34 and $49.9 million, respectively, as of December 31, 2016.

In January 2017 the Company s Revolving Credit Facility was in part amended to increase the limit of allowable capital expenditures in any fiscal year from 2017 onwards to $100 million and amounts not expended in the year are no longer able to be carried over to the next year.

Capital Resources

Capital expenditures totalled $14.2 million and $50.0 million in the three months and year ended December 31, 2016, respectively, as funded by the Revolving Credit Facility and cash flows from operating activities. Capital expenditures for the year ended December 31, 2016 and those currently expected to be made in 2017 are primarily for property, plant and equipment to support the following strategic and growth initiatives: the WAT Project, the Portuguese Shrink Film Project, expansion of the Company s specialty tape product offering (Specialty Tape Project), technology upgrade and capacity expansion of stretch film production in the Danville, Virginia manufacturing facility (Stretch Film Project), shrink film capacity expansion at the Tremonton, Utah manufacturing facility (Utah Shrink Film Project), the Powerband Investment Projects and various other initiatives and maintenance needs. All of the strategic and growth initiatives are currently expected to yield an after-tax internal rate of return greater than 15%.

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The table below summarizes the capital expenditures to date and expected future capital expenditures for the above mentioned initiatives (in millions of US dollars):

	Year ended December 31, 2016	Approximate amounts based on current estimates		
		2017	Total Project	Completion Date
	$	$	$	
WAT Project	13.7	26-31	44-49	End of 2017
Portuguese Shrink Film Project [1]	5.4	1-2	11	Mid-2017
Specialty Tape Project	2.7	2-4	10	End of 2017
Powerband Investment Projects [1]	1.5	10-14	20	Mid-2018
Stretch Film Project	1.4	8-10	11	Mid-2018
Utah Shrink Film Project		7-9	9	Mid-2018

(1) Subject to FX impact and excluding any government subsidies.

Capital expenditures to support maintenance needs are expected to be between $10 and $12 million in 2017.

In addition, the Company had commitments to suppliers to purchase machines and equipment totalling approximately $32.4 million as of December 31, 2016, primarily to support the initiatives discussed above. It is expected that such amounts will be paid out in the next twelve months and will be funded by the Revolving Credit Facility and cash flows from operating activities.

Contractual Obligations

The Company s principal contractual obligations and commercial commitments as of December 31, 2016 are summarized in the following table (in millions of USD):

	Payments Due by Period [1]				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Debt principal obligations [2]	167.1	1.1	162.8	1.6	1.6
Finance lease obligations [3]	15.3	6.1	5.8	0.8	2.6
Pensions, post-retirement and other long-term employee benefit plans [4]	8.0	7.8	0.0	0.1	0.0
Operating lease obligations	13.3	4.0	5.2	2.1	2.0
Equipment purchase commitments	32.4	32.4			
Utilities contract obligations [5]	29.6	6.4	11.4	7.4	4.4
Raw material purchase commitments [6]	19.5	19.5			
Other obligations [7]	7.7	5.7	1.0	0.1	0.9
Total	292.9	83.0	186.2	12.1	11.5

(1) Less than 1 year represents those payments due in 2017, 1-3 years represents those payments due in 2018 and 2019, 3-5 years represents those payments due in 2020 and 2021, while After 5 years includes those payments due in later years.

(2) Refer to the previous section entitled Revolving Credit Facility for discussion of related interest obligations.

(3) The figures in the table above include interest expense included in minimum lease payments of $1.0 million.

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(4) Pension, post-retirement and other long-term employee benefit plans includes contributions associated with defined benefit and defined contribution plans as well as obligations under the deferred compensation plan. Defined benefit plan contributions represent the amount the Company expects to contribute in 2017. Defined benefit plan contributions beyond 2017 are not determinable since the amount of any contributions is heavily dependent on the future economic environment and investment returns on pension plan assets. Volatility in the global financial markets could have an unfavourable impact on the Company s future pension and other post-retirement benefits funding obligations as well as net periodic benefit cost.

Defined contribution plan contributions represent the obligation recorded as of December 31, 2016 to be paid in 2017. Certain defined contribution plan contributions beyond 2017 are not determinable since contribution to the plan is at the discretion of the Company.

Refer to Note 18 in the Company s Financial Statements for a complete discussion of pension, post-retirement and other long-term employee benefit plans.

(5) Utilities contract obligations include agreements with various utility suppliers to fix certain energy costs, including natural gas and electricity, for minimum amounts of consumption at several of the Company s manufacturing facilities, as discussed in the previous section entitled Off-Balance Sheet Arrangements above. The figures included in the table above are estimates of utility billings over the term of the contracts based on the contracted fixed terms and current market rate assumptions. The Company currently knows of no event, trend or uncertainty that may affect the availability or benefits of the agreements.

(6) Raw material purchase commitments include certain raw materials from suppliers under consignment agreements, as discussed in the previous section entitled Off-Balance Sheet Arrangements above. The figures included in the table above represent raw material inventory on hand or in transit, owned by the Company s suppliers, that the Company expects to consume.

Raw material purchase commitments also include agreements with various raw material suppliers to purchase minimum quantities of certain raw materials at fixed rates, as discussed in the previous section entitled Off-Balance Sheet Arrangements above. The figures included in the table above do not include estimates for storage costs, fees or penalties. The Company currently knows of no event, trend or uncertainty that may affect the availability or benefits of these agreements.

(7) Other obligations include provisions for (i) environmental obligations primarily related to the South Carolina Project, (ii) restoration obligations associated with leased facilities, and (iii) termination benefits primarily related to the TaraTape Closure and the South Carolina Project. Refer to Note 14 in the Company s Financial Statements for a complete discussion of provisions and contingent liabilities. Also included in other obligations are standby letters of credit discussed above in the section entitled Revolving Credit Facility .

Purchase orders outside the scope of the raw material purchase commitments as defined in this section are not included in the table above. The Company is not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as these purchase orders typically represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The Company s purchase orders are based on current demand expectations and are fulfilled by the Company s vendors within short time horizons. The Company also enters into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

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Stock Appreciation Rights

The amount and timing of a potential cash payment to settle a SAR is not determinable since the decision to exercise is not within the Company s control after the award vests and is not included in the table above. On June 20, 2012, the Board of Directors of the Company adopted the 2012 Stock Appreciation Rights Plan (SAR Plan). A SAR, as defined by the SAR Plan, is a right to receive a cash payment equal to the difference between the base price of the SAR and the market value of a common share of the Company on the date of exercise. These SARs can be settled only in cash and expire no later than 10 years after the date of the grant.

On June 28, 2012, 1,240,905 SARs were granted at a base price of CDN$7.56 with contractual lives ranging from six to ten years.

As of December 31, 2016, the aggregate intrinsic value of outstanding vested awards was $2.1 million. As of December 31, 2016, $0.5 million was accrued to settle SAR awards exercised but not yet paid.

Capital Stock and Dividends

As of December 31, 2016, there were 59,060,335 common shares of the Company outstanding.

During the year ended December 31, 2016, cash dividends were paid as follows:

Declared Date	Paid date	Per common share amount	Shareholder record date	Common shares issued and outstanding	Aggregate payment
March 9, 2016	March 31, 2016	$ 0.13	March 21, 2016	58,522,835	$ 7.5
May 9, 2016	June 30, 2016	$ 0.13	June 15, 2016	58,602,835	$ 7.6
August 10, 2016	September 30, 2016	$ 0.14	September 15, 2016	58,621,585	$ 8.2
November 10, 2016	December 30, 2016	$ 0.14	December 15, 2016	59,060,335	$ 8.0

On March 8, 2017, the Board of Directors declared a dividend of $0.14 per common share payable on March 31, 2017 to shareholders of record at the close of business on March 21, 2017.

Since the dividend policy was reinstated in August 2012, the Company has paid $104.6 million in cumulative dividends, of which $31.4 million was paid in 2016.

The dividends paid in 2016 and payable in 2017 by the Company are eligible dividends as defined in subsection 89(1) of the *Income Tax Act* (Canada).

The Company entered into an NCIB to repurchase for cancellation up to 2,000,000 common shares effective on July 10, 2014. The NCIB was subsequently renewed July 10, 2015 and amended November 11, 2015, to increase the total shares available for repurchase to 4,000,000 common shares. This NCIB, which was scheduled to expire on July 9, 2016, was renewed for a twelve-month period starting July 14, 2016. This renewed NCIB expires on July 13,

2017. As of December 31, 2016 and March 8, 2017, 4,000,000 shares remained available for repurchase under the NCIB.

The table below summarizes the NCIB activity that occurred during the three months and year ended December 31:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Common shares repurchased		366,600	**147,200**	2,487,188
Average price per common share including commissions		CDN$ 14.28	**CDN$ 15.77**	CDN$ 15.52
Total purchase price including commissions (1)		$ 4.0	**$ 1.7**	$ 30.0

(1) In millions of US dollars

On April 22, 2014, the Board of Directors adopted the PSU Plan. A PSU, as defined by the PSU Plan, represents the right of a participant, once such PSU is earned and has vested in accordance with the PSU Plan, to receive (prior to the amendments discussed below) the number of common shares of the Company underlying the PSU. On May 9, 2016, the Board of Directors approved an amendment to the PSU Plan to provide the Company the option of settling PSUs in cash. The Board has full discretion to determine the form of settlement of the PSUs and as of December 31, 2016, no such discretion had been used. Additionally, on the same date, the Board of Directors approved an amendment to the PSU Plan that allowed for accelerated vesting of PSUs in the event of death, disability or retirement of a participant.

The PSUs are normally earned over a three-year period with vesting at the third anniversary of the grant date unless vesting is accelerated based on retirement eligibility, death or disability. The number of shares earned can range from 0% to 150% of the grant amount based on the total shareholder return (TSR) ranking versus a specified peer group of companies. As of December 31, 2016, the Company s TSR ranking was such that if all PSUs outstanding were to be settled as of December 31, 2016, the number of shares earned would be 150% of the grants awarded.

On April 22, 2014, the Board of Directors adopted the DSU Plan. A deferred share unit (DSU), as defined by the DSU Plan, represents the right of a participant to receive (prior to the amendments discussed below) a common share of the Company. Under the DSU Plan, a non-executive director is entitled to receive DSUs as a result of a grant and/or in lieu of cash for semi-annual directors fees. DSUs are settled when the director ceases to be a member of the Board of Directors of the Company. DSUs are net-settled to satisfy minimum statutory tax withholding requirements.

The table below summarizes equity-settled share-based compensation activity that occurred during the three months and year ended December 31:

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
Stock options granted					492,500
Stock options exercised	**415,000**	116,250	**540,000**	712,500	256,677
Cash proceeds (in millions of US dollars)	**$ 0.7**	$ 0.3	**$ 1.5**	$ 1.6	$ 0.8
Stock options expired or forfeited		27,500	**16,250**	30,000	140,000

PSUs granted	**30,161**		**422,733**	363,600	152,500
PSUs forfeited		16,290	**28,696**	18,060	
DSUs granted			**52,665**	46,142	36,901
Shares issued upon DSU settlement				6,397	

On February 17, 2017, the Board of Directors approved an amendment to the PSU Plan and to the DSU Plan to provide for only cash settlement of PSU and DSU awards, respectively. As a result of the amendment, prospectively and until award settlement, the Company will remeasure the fair value of the awards on amendment date and at each reporting period end date, and present the cash-settled awards as a liability within other liabilities and not in contributed surplus in the consolidated balance sheets. Changes in the fair value of the liability will be reflected in SG&A in the statement of consolidated earnings.

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Pension and Other Post-Retirement Benefit Plans

The Company s pension and other post-retirement benefit plans currently have an unfunded deficit of $30.8 million as of December 31, 2016 as compared to $29.3 million as of December 31, 2015. The increase was primarily due to a decrease in the weighted average discount rate from 4.01% and 4.25% for US and Canadian plans, respectively, as of December 31, 2015 to 3.87% and 4.00% for US and Canadian plans, respectively, as of December 31, 2016. These changes resulted in an increase in net present value of the liability and are partially offset by an increase in the fair value of plan assets. For 2016, the Company contributed $1.4 million as compared to $2.0 million in 2015, to its funded pension plans and to beneficiaries for its unfunded benefit plans. Adverse market conditions could require the Company to make additional cash payments to fund the plans which could reduce cash available for other business needs; however, the Company expects to meet its minimum required pension benefit plan funding obligations for 2017. None of the defined benefit plan assets were invested in any of the Company s own equity or financial instruments or in any property or other assets used by the Company.

Effective September 30, 2011, the defined benefit plan sponsored by the Company, associated with the former Brantford, Ontario manufacturing facility, was wound-up. Pursuant to applicable legislation, benefits for this plan had to be settled within the five-year period following the wind-up effective date. During the year ended December 31, 2014, the Company purchased group annuity buy out policies to settle its obligation to plan participants resulting in non-cash settlement losses of $1.6 million representing the difference between the accounting liability and the cost to settle the obligations. The settlement losses were included in the statement of consolidated earnings under the caption cost of sales.

Financial Risk, Objectives and Policies

The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates applicable on its variable rate Revolving Credit Facility and other floating rate debt. To hedge the long-term cost of floating rate debt, the Company entered into interest rate swap agreements that are designated as cash flow hedges.

The terms of the interest swap agreements are as follows (in millions of US dollars):

Effective Date	Maturity	Notional amount	Settlement	Fixed interest rate paid
		$		%
March 18, 2015	November 18, 2019	40.0	Monthly	1.610
August 18, 2015	August 20, 2018	60.0	Monthly	1.197

Please refer to Note 22 of the Company s Financial Statements for a complete discussion of the Company s risk factors, risk management, objectives and policies.

Litigation

On November 5, 2015, the Company s former CFO filed a lawsuit against the Company in the United States District Court for the Middle District of Florida alleging certain violations by the Company related to the terms of his employment and his termination. On October 20, 2016, the Company and the former CFO agreed to the Litigation Settlement. Pursuant to the terms of the confidential settlement agreement, the Company paid $1.9 million in October 2016 for full and complete settlement of all matters between the parties with respect to the litigation.

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 outside 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 December 31, 2016 with the exception of the item discussed in the paragraph above.

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Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company s Financial Statements in conformity with IFRS 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. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are summarized below:

Significant Management Judgment

Deferred income taxes

Deferred tax assets are recognized for unused tax losses and tax credits to the extent that it is probable that future taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies. Refer to Note 5 of the Company s Financial Statements for more information regarding income taxes.

Estimation Uncertainty

Impairments

At the end of each reporting period the Company performs a test of impairment on assets subject to amortization if there are indicators of impairment. Goodwill allocated to cash generating units (CGU) and intangible assets with indefinite useful lives are tested annually. An impairment loss is recognized when the carrying value of an asset or CGU exceeds its recoverable amount, which in turn is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the estimated remaining useful lives of the CGUs and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The value in use will vary depending on the discount rate applied to the discounted cash flows, the estimated future cash inflows, and the growth rate used for extrapolation purposes.

Refer to Note 12 of the Company s Financial Statements for more information regarding impairment testing.

Pension, post-retirement and other long-term employee benefits

The cost of defined benefit pension plans and other post-retirement benefit plans and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the discount rate to measure obligations, expected mortality and the expected healthcare cost trend. Actual results will differ from estimated results which are based on assumptions. Refer to Note 18 of the Company s Financial Statements for more information regarding the assumptions related to the pension and other post-retirement benefit plans.

Uncertain tax positions

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of the Company s provisions could result from audits by, or litigation with, the relevant taxing authorities. Refer to Note 5 of the Company s Financial Statements for more information regarding income taxes.

Useful lives of depreciable assets

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date. As of the reporting date, management assesses the useful lives which represent the expected utility of the assets to the Company. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to information technology and manufacturing equipment.

Net realizable value of inventories and parts and supplies

Inventories and parts and supplies are measured at the lower of cost or net realizable value. In estimating net realizable values of inventories and parts and supplies, management takes into account the most reliable evidence available at the time the estimate is made.

Provisions for slow-moving and obsolete inventories are made based on the age and estimated net realizable value of inventories. The assessment of the provision involves management judgment and estimates associated with expected disposition of the inventory. Refer to Note 7 of the Company s Financial Statements for information regarding inventories and write-downs of inventories.

Allowance for doubtful accounts and revenue adjustments

During each reporting period, the Company makes an assessment of whether trade accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends, past experience and credit insurance coverage. The Company also records reductions to revenue for estimated returns, claims, customer rebates, and other incentives that are estimated based on historical experience, practices and current economic trends. If future collections and trends differ from estimates, future earnings will be affected. Refer to Note 22 of the Company s Financial Statements for more information regarding the allowance for doubtful accounts and the related credit risks.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, when the effect of the time value of money is material.

Provisions of the Company include environmental and restoration obligations, litigation and termination benefits and other provisions. Refer to Note 14 of the Company s Financial Statements for more information regarding provisions.

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Share-based payments

The estimation of share-based payment fair value and expense requires the selection of an appropriate pricing model.

The model used by the Company for the Executive Stock Option Plan (ESOP) and SAR Plan is the Black-Scholes pricing model. The Black-Scholes model requires the Company to make significant judgments regarding the assumptions used within the model, the most significant of which are the expected volatility of the Company s own common shares, the probable life of awards granted, the time of exercise, the risk-free interest rate commensurate with the term of the awards, and the expected dividend yield.

The model used by the Company for the PSU Plan is the Monte Carlo simulation model. The Monte Carlo model requires the Company to make significant judgments regarding the assumptions used within the model, the most significant of which are the volatility of the Company s own common shares as well as those of a peer group, the performance measurement period, and the risk-free interest rate commensurate with the term of the awards.

Refer to Note 16 of the Company s Financial Statements for more information regarding share-based payments.

Business acquisitions

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination.

Refer to Note 17 of the Company s Financial Statements for more information regarding business acquisitions.

Standards Issued and Not Yet Effective but Early Adopted

On January 1, 2015, the Company adopted and implemented IFRS 9 (2013) - Financial Instruments. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. IFRS 9 (2013) includes revised guidance on the classification and measurement of financial assets and liabilities and introduces a new general hedge accounting model which aims to better align a company s hedge accounting with risk management.

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 of 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:

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has performed a preliminary review of the new guidance as compared to its current accounting policies, and began a review of its sales contracts. Based on its initial evaluation, management does not expect the new guidance to materially impact the Company s Financial Statements. In 2017, management plans to finalize its review and determine the method of adoption.

IFRS 9 (2014) - Financial Instruments was issued in July 2014 and differs in some regards from IFRS 9 (2013) which the Company adopted effective January 1, 2015. IFRS 9 (2014) includes updated guidance

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on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. Based on its initial evaluation, management does not expect the new guidance to materially impact the Company s Financial Statements. In 2017, management plans to finalize its review and determine the method of adoption.

IFRS 16 - Leases which will replace IAS 17 - Leases was issued in January 2016. IFRS 16 eliminates the classification of an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17 s approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. Management is currently assessing but has not yet determined the impact of this new standard on the Company s Financial Statements.

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

Internal Control Over Financial Reporting

In accordance with the Canadian Securities Administrators National Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings (NI 52-109), the Company has filed interim certificates signed by the Chief Executive Officer (CEO) and the 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 8.2 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.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company s financial reporting and its compliance with GAAP (as derived in accordance with IFRS) in its consolidated financial statements. The CEO and CFO of the Company have evaluated whether there were changes to the Company s internal control over financial reporting during the Company s most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. The CEO and CFO have concluded that the Company s internal control over financial reporting as of December 31, 2016 was effective.

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

Additional Information

Additional information relating to the Company 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.

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Item 6: Directors, Senior Management and Employees

A. DIRECTORS AND SENIOR MANAGEMENT

Directors

The following table sets forth the name, residence, position, and principal occupations for the last five (5) years of each Director of the Company as of the date hereof, as well as the year during which each Director was first elected. Each Director is elected for a term of one year and may be nominated for re-election at the Company s following annual shareholders meeting. The next annual shareholders meeting is scheduled to be held on June 7, 2017, at which time the current term of each Director will expire.

Name and City of Residence	Position and Occupation	First Year as Director
Robert M. Beil Phoenix, Arizona	Director Retired, September 2006 Sales, Marketing, Business and Executive Management, The Dow Chemical Company, 1975 to 2006	2007

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Name and City of Residence	Position and Occupation	First Year as Director
George J. Bunze, CPA, CMA Senneville, Quebec, Canada	Director Chairman of the Board	2007
	Vice-Chairman, Kruger Inc. (manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and spirits products), 1998 to present	
	Director, Kruger, Inc., 1986 to present	
	Director and Chairman of the Audit Committee, Stella-Jones Inc. (producer and marketer of pressure treated wood products), 2001 to present	
Frank Di Tomaso, FCPA, FCA, ICD.D Montreal, Quebec, Canada	Director	2014
	Director, Birks Group Inc. (designer, manufacturer and retailer of jewelry, timepieces, silverware and gifts), 2014 to present	
	Director, National Bank Trust (asset management and trust services firm), 2012 to present	
	Director, National Bank Life Assurance Company, 2012 to present	
	Director, Yorbeau Resources Inc. (gold exploration company), 2011 to 2016	
	Director, ADF Group Inc. (complex structural steel and heavy built-up steel components for the non-residential	

	construction industry), 2015 to present	
	Director, Laurentian Pilotage Authority (regulates operations of pilotage services on the St. Lawrence River), 2011 to present	
	Director, Redline Communications Group Inc. (wireless communications network designer and manufacturer), 2010 to 2013	
	Partner and Advisory Partner, Raymond Chabot Grant Thornton, 1981 to 2012	
Robert J. Foster Toronto, Ontario, Canada	Director	2010
	Chief Executive Officer and President, Capital Canada Limited (investment banking firm), 1977 to present	

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Name and City of Residence	Position and Occupation	First Year as Director
James Pantelidis Toronto, Ontario, Canada	Director Director and Chairman of the Board of Parkland Fuel Corporation (distributor and marketer of fuels and lubricants), 1999 to present Director and Chairman of the Board of EnerCare Inc. (home services company), 2002 to present Director and Chairman of Human Resources Committee of RONA Inc. (retailer and distributor of hardware, building materials and home renovation products), 2004 to 2016 Director, Chairman of the Investment Committee, and Member of the Human Resources and Compensation Committee, Industrial Alliance Insurance and Financial Services Inc. (insurance company), 2002 to 2016	2012
Jorge N. Quintas Porto, Portugal	Director President, Nelson Quintas SGPS, SA (manufacturer of electrical and telecommunication cables), 2009 to present	2009
Mary Pat Salomone Naples, Florida	Director Director, Herc Holdings Inc. (rental company), 2016 to present Director, TransCanada Corporation (energy infrastructure company), 2013 to present	2015

	Director, TransCanada Pipelines Limited (energy infrastructure company), 2013 to present	
	Senior Vice President and COO, The Babcock & Wilcox Company (power generation systems and specialty manufacturer of nuclear components company), 2010 to 2013	
Gregory A.C. Yull	Director	2010
Sarasota, Florida		
	CEO and President of the Company, 2010 to present	
	President Tapes and Films Division of the Company, 2008 to 2010	
	Executive Vice President, Industrial Business Unit for Tapes and Films, 2004 to 2008	

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Name and City of Residence	Position and Occupation	First Year as Director
Melbourne F. Yull Sarasota, Florida	Director Executive Director through June 8, 2010 Retired, 2006 to 2007 Prior thereto he was Chairman of the Board and Chief Executive Officer of the Company, 1981 to 2006 Father of Gregory A.C. Yull	1989-2006 2007

Senior Management

The following table sets forth the name, residence and position of each member of senior management of the Company as of the date hereof, as well as the year during which each was first elected.

Name and City of Residence	Position and Occupation	First Elected To Office
Gregory A.C. Yull Sarasota, Florida	Chief Executive Officer & President	2010
Jeffrey Crystal, CPA, CA Sarasota, Florida	Chief Financial Officer	2014
Douglas Nalette [1] Longboat Key, Florida	Senior Vice President, Operations	2006
Shawn Nelson [1] Bradenton, Florida	Senior Vice President Sales	2010
Joseph Tocci [1] Bradenton, Florida	Senior Vice President, Global Sourcing and Supply Chain	2013

[1] Officer of Intertape Polymer Corp., a wholly owned subsidiary of the Company

The principal occupation of each member of senior management for the last five (5) years is as follows:

Gregory A.C. Yull was appointed Chief Executive Officer and President on June 8, 2010. He was President, Tapes & Films, from 2008 to June 2010. Gregory A.C. Yull is a son of Melbourne F. Yull.

Jeffrey Crystal was appointed Chief Financial Officer on May 9, 2014. Prior to that, he served as Vice President of Finance of Primo International since December 2013. Prior to that, he served as Chief Financial Officer of American Iron & Metal from June 2008 to February 2013.

Douglas Nalette was appointed Senior Vice President Operations in 2006.

Shawn Nelson was appointed Senior Vice President Sales in 2010. Prior to that, he served as Senior Vice President Industrial Channel since 2006.

Joseph Tocci was appointed Senior Vice President of Global Sourcing and Supply Chain in 2013. Prior to that, he served as Senior Vice President of Corporate Marketing, Research & Development, and Supply Chain since 2012. Prior to that, he served as Senior Vice President of Corporate Marketing and Supply Chain since 2011. Prior to that, he served as Senior Vice President of Consumer and Supply Chain since 2008.

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B. COMPENSATION

The following table sets forth the compensation paid, and benefits in kind granted, to the Company s Directors and senior management for the last fiscal year for services in all capacities to the Company, including contingent and deferred compensation.

2016	**Annual Compensation**				**Performance Share Unit Plan**	**Deferred Share Unit Plan**
Name and principal position	**Salary (1) $**	**Bonus $**	**Other $**	**Director/ Committee Fees (2) $**	**Awards granted #**	**Awards granted #**
Robert M. Beil Director				57,500		5,807
George J. Bunze Director, Chairman				110,500		11,216
Frank Di Tomaso Director				61,500		4,276
Robert J. Foster Director				63,500		7,937
James Pantelidis Director				52,000		4,276
Jorge N. Quintas Director				50,500		6,985
Mary Pat Salomone Director				59,000		6,276
Melbourne F. Yull Director			260,935(3)	52,000		5,892
Gregory A.C. Yull Director, Chief Executive Officer & President	731,378	989,607	40,962(4)		108,131	
Jeffrey Crystal Chief Financial Officer	380,439	409,877			27,363	
Douglas Nalette Senior Vice-President Operations	357,772	269,545			14,485	
Shawn Nelson Senior Vice-President Sales	340,725	283,145			14,485	
Joseph Tocci Senior Vice-President, Global Sourcing & Supply Chain	318,465	251,870			13,158	

(1) Represents amounts included in each executive s W-2, rather than the base salary amount.

(2) Represents total compensation for Board and Committee fees, which includes both cash payments and the value of DSUs elected in lieu of cash for such fees.

(3) Mr. Yull receives a pension from IPG (see Pension and Other Post-Retirement Benefit Plans subsection below).

(4)

Represents a Company leased vehicle and associated tax gross up paid by IPG to Mr. Yull pursuant to the terms of Mr. Yull s employment agreement.

2016 Senior Management Bonus Plan

Each of the members of senior management received a performance bonus for 2016. Bonuses were paid based on the level of achievement of financial objectives of the Company. The Company attributes to each executive, depending on his or her management level, a bonus target level set as a percentage of his or her salary, representing the amount that will be paid if all objectives are achieved according to the targets set. Actual bonuses may vary between zero and twice the target bonus, based on the level of achievement of the predetermined objectives set out at the beginning of the fiscal year. The objectives and weight attached thereto are re-evaluated on an annual basis by the Compensation Committee and communicated to the relevant individuals. The Compensation Committee has discretion to adjust bonus payments upwards or downwards.

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For the fiscal year ended December 31, 2016, the bonuses were based on the Company achieving certain target amounts for:

(i) Compensation Adjusted EBITDA, which the Compensation Committee of the Board of Directors defines as Adjusted EBITDA excluding: (i) performance bonus expense; (ii) the positive or negative impact on Adjusted EBITDA of the business acquired in the current year; (iii) due diligence costs and other advisory fees associated with mergers and acquisitions projects; and (iv) the positive or negative impact of the South Carolina Flood. The Company defines Adjusted EBITDA as net earnings (loss) before: (i) interest and other finance costs; (ii) income tax expense (benefit); (iii) amortization of intangible assets; (iv) depreciation of property, plant and equipment; (v) manufacturing facility closures, restructuring and other related charges; (vi) stock-based compensation expense (benefit); (vii) impairment of goodwill; (viii) impairment (reversal of impairment) of long-lived assets and other assets; (ix) write-down on assets classified as held-for-sale; (x) (gain) loss on disposal of property, plant, and equipment and (xi) other discrete items as disclosed; and

(ii) Compensation Cash Flows, which the Compensation Committee of the Board of Directors defines as cash flows from operating activities excluding: (i) performance bonus expense; (ii) the cash flows from operating activities of the business acquired in the current year; (iii) due diligence costs and other advisory fees associated with mergers and acquisitions projects; (iv) the positive or negative impact of the South Carolina Flood; and (v) Litigation Settlement.

At the Compensation Committee s recommendation, the Board of Directors elected to use Compensation Adjusted EBITDA and Compensation Cash Flows in determining bonuses for 2016 because certain expenses and charges expected (at the time of the Board s election) to be incurred by the Company during the year (e.g., due diligence costs and other advisory fees associated with mergers and acquisitions projects and manufacturing facility closures, restructuring and other related charges) were viewed to be in the long term interest of the Company and that such amounts should not impact the ability of senior management to achieve the performance bonus targets. In determining the actual Compensation Adjusted EBITDA and Compensation Cash Flows, the Compensation Committee used its discretion to exclude an additional immaterial expense.

The target amount for Compensation Adjusted EBITDA for 2016 was set at $126,000,000 (the Compensation Adjusted EBITDA Target) and the target amount for Compensation Cash Flows was set at $96,000,000 (the Compensation Cash Flows Target). The Company s actual Compensation Adjusted EBITDA for 2016 was $128,555,000 which was 102.0% of the Compensation Adjusted EBITDA Target. The Company s actual Compensation Cash Flows for 2016 was $108,532,000 which was 113.1% of the Compensation Cash Flows Target.

The following table presents the target incentive compensation as a percentage of salary, the indicators used in 2016 to measure the Company s performance for purposes of the short term incentive compensation program and their relative weight.

		Gregory A.C. Yull	**Jeffrey Crystal**	**Shawn Nelson**	**Douglas Nalette**	**Joseph Tocci**
2016 Annual Eligible Base Salary		$ 770,000	$ 435,000	$ 342,280	$ 360,600	320,770
Incentive compensation as a percentage of salary	Minimum	0%	0%	0%	0%	0%
	Target	100%	60%	50%	50%	50%

	Maximum	150%	120%	100%	100%	100%
Relative weight of financial Indicators						
	Compensation Adjusted EBITDA	60%	60%	60%	60%	60%
	Compensation Cash Flows	40%	40%	40%	40%	40%
Total		100%	100%	100%	100%	100%

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The bonus is calculated using, for each of the Compensation Adjusted EBITDA and Compensation Cash Flows objectives, the following formula and is equal to the sum of all results:

Annual Eligible Base salary at target	X	Bonus percentage (as determined based on the performance relative to the applicable objective s target and as capped by the applicable maximum)	X	Weight of financial indicator

For purposes of the above calculation, bonus percentage is between 35% and 100% if between approximately 90% and 100% of the target objectives were achieved by the Company, respectively. For achievement between 90% and 100%, the bonus percentage is interpolated between 35% and 100%. For achievement above 100%, the bonus percentage is capped at 100% for purposes of calculating the bonuses for each of the Compensation Adjusted EBITDA and Compensation Cash Flows objectives but such achievement triggers respective additional reach bonuses described below.

The members of senior management were also eligible for an additional bonus calculated using a Compensation Adjusted EBITDA target amount of $135,000,000 (the Reach Adjusted EBITDA Target). This additional bonus is calculated using the following formula (note that the fraction below is capped by the applicable maximum (i.e., it cannot exceed 1)):

Actual Adjusted EBITDA Adjusted EBITDA Target	X	Maximum bonus amount	X	Weight of financial indicator
		Target bonus amount		
Reach Adjusted EBITDA Target Adjusted EBITDA Target				

The members of senior management were also eligible for an additional bonus calculated using a Compensation Cash Flows target amount of $102,000,000 (the Reach Cash Flows Target). This additional bonus is calculated using the following formula (note that the fraction below is capped by the applicable maximum (i.e., it cannot exceed 1)):

Actual Cash flows from operating activities Cash Flows Target	X	Maximum bonus amount	X	Weight of financial indicator
		Target bonus amount		
Reach Cash Flows Target Cash Flows Target				

The following table presents the objectives for 2016 approved by the Board of Directors and the results achieved by the Company.

	Target	Result	Evaluation of Performance

Compensation Adjusted EBITDA	$ 126,000,000	$ 128,555,000	102.0%
Compensation Cash Flows	$ 96,000,000	$ 108,532,000	113.1%
Reach Adjusted EBITDA	$ 135,000,000	$ 128,555,000	95.2%
Reach Cash Flows	$ 102,000,000	$ 108,532,000	106.4%

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The following table presents, for each target objective, the bonus amount earned by each member of senior management for 2016.

	Gregory A.C. Yull	Jeffrey Crystal	Shawn Nelson	Douglas Nalette	Joseph Tocci
Compensation Adjusted EBITDA	$ 462,000	$ 156,600	$ 102,984	$ 108,180	$ 96,231
Compensation Cash Flows	$ 308,000	$ 104,400	$ 68,656	$ 72,120	$ 64,154
Reach Adjusted EBITDA	$ 65,607	$ 44,477	$ 29,249	$ 30,725	$ 27,331
Reach Cash Flows	$ 154,000	$ 104,400	$ 68,656	$ 72,120	$ 64,154
Total	$ 989,607	$ 409,877	$ 269,545	$ 283,145	$ 251,870

Defined Contribution Pension Plans

The Company maintains defined contribution pension plans in the United States and Canada. Each member of senior management participates in the US Plan . The US Plan is a defined contribution pension plan and qualifies as a deferred salary arrangement under section 401(k) of the United States Internal Revenue Code. Under the US Plan, employees who have been employed for at least 90 days may defer a portion of their pre-tax earnings subject to statutory limitations. The Company may make discretionary contributions for the benefit of eligible employees. The US Plan permits eligible employees to choose how their account balances are invested on their behalf within a range of investment options provided by third-party fund managers. The following table sets out the Company s contributions to the pension plan payable for 2016 for each member of senior management.

Name	Company Contributions $
Gregory A.C. Yull	$ 14,575
Jeffrey Crystal	$ 14,575
Douglas Nalette	$ 14,575
Shawn Nelson	$ 14,575
Joseph Tocci	$ 14,575

Total Cash Payments

Total cash payments for employee future benefits for 2016, consisting of cash contributed by the Company to its unfunded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plans, were $6.0 million ($5.4 million in 2015).

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Executive Employment Contracts and Change of Control Agreements

The following agreements between the Company and members of senior management were in effect at the end of 2016.

The Company entered into change of control agreements as of January 2001 with Shawn Nelson, as of October 28, 2004 with Douglas Nalette, and as of September 8, 2006 with Joseph Tocci. These agreements provide that if, within a period of six months after a change of control of the Company: (a) the executive voluntarily terminates his employment with the Company; or (b) the Company terminates the executive s employment without cause, such executive will be entitled to, subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, in deferred compensation, a lump sum in the case of his resignation or an indemnity in lieu of notice in a lump sum in the case of his termination, equal to 12 months of such executive s base remuneration at the effective date of such resignation or termination, and continued insurance coverage then in effect if permitted by its carrier during such period.

Furthermore, these agreements also provide that if during the term of the executive s employment a *bona fide* offer is made to all shareholders of the Company which, if accepted, would result in a change of control of the Company, then, subject to any applicable law, all of the executive s stock options which have not yet become vested and exercisable shall become vested and exercisable immediately. Upon expiry of such *bona fide* offer, if it does not result in a change of control of the Company, all of the executive s unexercised stock options which were not vested prior to such offer, shall immediately revert to their unvested status and to their former provisions with respect to the time of their vesting.

On August 2, 2010, the Company entered into an Executive Employment Agreement with Gregory A.C. Yull. Pursuant to the terms of the Agreement, Mr. Yull received an annual base salary of $450,000 which increased to $475,000 commencing June 1, 2011 and to $500,000 commencing on June 1, 2012. Also pursuant to the terms of the Agreement, as of June 1, 2013 and thereafter, annual base salary adjustment has been and will be determined by the Board. Mr. Yull shall also be entitled to a performance bonus for each fiscal year ranging from zero to 150% of his then current annual base salary based on the achievement of specific goals that are mutually agreed to between Mr. Yull and the Board. For 2016, Mr. Yull s bonus was based on the Company achieving certain target amounts for Compensation Adjusted EBITDA Targets and Compensation Cash Flow Targets, as further described above in the Section entitled 2016 Senior Management Bonus Plan . During the first three years of Mr. Yull s employment, commencing June 8, 2010, Mr. Yull was to have been granted 350,000 stock options annually in accordance with the Company s Executive Stock Option Plan (ESOP) and thereafter at the discretion of the Board of Directors. In 2012, instead of receiving an award of 350,000 stock options in accordance with his employment agreement, Mr. Yull agreed to receive 500,905 stock appreciation rights under the Company s 2012 Stock Appreciation Rights Plan described below. The options granted during each of the first two years became exercisable in annual increments of 25% on each of the first four anniversaries of the grant date. Such options shall expire on the tenth anniversary of the grant date, subject to the early expiry provisions of the ESOP. The exercise price of such options shall be equal to the closing market price on the last trading day prior to the date of such grant. Fifty percent (50%) of the shares acquired by Mr. Yull pursuant to the exercise of the options granted under the Executive Employment Agreement must be retained by Mr. Yull and not sold or disposed of for a period of three years following the date when the option was exercised.

Unless earlier terminated by the Company without cause or by Mr. Yull for Good Reason as defined in the Agreement, he shall receive a defined benefit supplementary pension annually for life equal to the lesser of: (i) $600,000 if he separates from service at age 65 or older, $570,000 at age 64, $540,000 at age 63, $510,000 at age 62, $480,000 at age 61, or $450,000 at age 60; and (ii) two percent of the average of his total cash compensation (base salary and performance bonus) for the highest five years of his employment during the prior ten years as of the time of separation, multiplied by his years of service with the Company. In the event of Mr. Yull s death, his surviving spouse would receive 50% of the annual supplement pension benefit within ninety days of his death and continuing annually during her lifetime.

In the event the Company terminates Mr. Yull s employment for any reason other than cause, or Mr. Yull terminates his employment for Good Reason as defined in the Agreement, Mr. Yull shall be entitled to severance pay in an amount equal to two times the sum of his base salary and the average performance bonus paid to Mr. Yull in the last two fiscal years ending on the date prior to his date of termination. Subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, such amount shall be paid 65% in a lump sum and the balance in eight equal quarterly installments. In addition, all unvested options that would otherwise vest during the 24 months following the date of termination shall be immediately vested and remain exercisable for a period of twelve months. Lastly, the retirement benefits set forth above shall vest.

In the event that Mr. Yull s employment is terminated as a result of his Permanent Disability, as defined in the Agreement, or death, he shall be entitled to receive: (i) accrued and unpaid base salary earned up to the date of termination; (ii) a pro-rated performance bonus that he would have received in respect of the fiscal year in which the termination occurred; (iii) vacation pay earned up to the date of termination; and (iv) provided the date of termination is on or after the fifth year anniversary of the Agreement, the retirement benefits set forth above shall vest. In addition, all unvested stock options held by Mr. Yull shall immediately vest and remain exercisable for a period of nine months following the date of termination for Permanent Disability or death.

In the event that Mr. Yull s employment is terminated by the Company without cause or for Good Reason within two years of a Change of Control, as defined in the Agreement, then he shall be entitled to receive: (i) accrued and unpaid base salary earned up to the date of termination; (ii) a pro-rated performance bonus that he would have received in respect of the fiscal year in which the termination occurred, based upon the average performance bonus paid to Mr. Yull in the last two fiscal years; (iii) vacation pay earned up to the date of termination; and (iv) severance pay in an amount equal to three times the sum of his base salary and the average performance bonus paid in the last two fiscal years immediately preceding the date of termination. In addition, all unvested stock options held by Mr. Yull shall immediately vest and remain exercisable for a period of 36 months following the date of termination, and the retirement benefits set forth above shall vest. Mr. Yull shall also be entitled to participate, at his cost, in the benefits under the Company s medical and dental benefit program until such time as he reaches the age of eligibility for coverage under Medicare. Lastly, disability and life insurance benefits shall be provided for the benefit of Mr. Yull pursuant to any benefit plans and programs then provided by the Company generally to its executives and continue for a period of 36 months following the date of termination.

Mr. Yull has also agreed to a customary non-compete for two years from the date of termination.

On March 21, 2014, the Company and Mr. Crystal mutually agreed to certain terms of employment. Under these terms, Mr. Crystal was to receive an annual base salary of $330,000. Mr. Crystal also was to be entitled to a bonus ranging from zero to 50% of his then-current annual base salary based on the achievement of certain target amounts for Adjusted EBITDA Targets and Cash Flow Targets, with the bonus opportunity increasing to 100% of his then-current annual base salary based on the achievement of certain stretch Adjusted EBITDA goals. While a definitive employment agreement has yet to be entered into between the Company and Mr. Crystal and the above terms have not been amended in writing, the actual compensation practices have varied from the above terms. For a description of the 2016 compensation of Mr. Crystal, please see the Section entitled Compensation.

In addition, the Company agreed to cover certain of Mr. Crystal s relocation costs. Further, the terms provide that Mr. Crystal will be entitled to severance pay in an amount equal to twelve months base annual salary, or if Mr. Crystal were terminated within six months of change of control, he will be entitled to severance pay in an amount equal to eighteen months base annual salary. Alternatively, if Mr. Crystal were to resign within six months of change of control, or the Company were to terminate Mr. Crystal after six months of change of control, he will be entitled to severance pay in an amount equal to twelve months base annual salary. Mr. Crystal shall also be entitled to continue insurance coverage then in effect if permitted by its carrier during such period.

Executive Stock Option Plan

In 1992, the Company adopted the Executive Stock Option Plan (the ESOP). Since its adoption, the ESOP has been amended on several occasions. The ESOP provides that the total number of common shares reserved for issuance thereunder is equal to 10% of the issued and outstanding common shares of the Company from time to time. The ESOP is considered to be an evergreen plan, because the number of common shares covered by options which have been exercised will be available for subsequent grants under the ESOP and the number of options available for grants increases as the number of issued and outstanding common shares of the Company increases. As such, under the rules of the TSX, a security-based arrangement such as the ESOP must, when initially put in place, receive shareholder approval at a duly-called meeting of shareholders and the unallocated options are subject to ratification by shareholders every three years thereafter. All unallocated options under the ESOP were ratified, confirmed and approved by shareholders at a special meeting of shareholders of the Company held on June 4, 2015.

The purpose of the ESOP is to promote a proprietary interest in the Company among the executives, key employees and directors of the Company and its subsidiaries, in order to both encourage such persons to further the development of the Company and assist the Company in attracting and retaining key personnel necessary for the Company s long-term success. The Board of Directors designates from time-to-time those persons to whom options are to be granted and determines the number of common shares subject to such options. Generally, participation in the ESOP is limited to persons holding positions that can have an impact on the Company s long-term results.

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The number of common shares to which the options relate is determined by taking into account, *inter alia*, the market value of the common shares and each optionee s base salary.

The following is a description of certain features of the ESOP (for further details regarding the ESOP, please see Exhibit 4.1 to this Form 20-F):

(a) options expire not later than ten years after the date of grant and, unless otherwise determined by the Board of Directors, all vested options under a particular grant expire 24 months after the vesting date of the last tranche of such grant;

(b) options that are granted to directors who are not executives officers of the Corporation vest 25% on the date of grant, with another 25% vesting on each of the first three anniversaries of the date of the grant. Under the current amended plan, all other options granted vest as to one-third on each of the first, second and third anniversaries of the date of grant. Previously, the ESOP provided that such stock options granted, other than to directors who are not executives, vest 25% per year over four years;

(c) the exercise price of the options is determined by the Board of Directors, but cannot be less than the Market Value of the common shares of the Company, defined in the ESOP as the closing price of the common shares on the TSX for the day immediately preceding the effective date of the grant; and

(d) certain limitations exist on the number of options, common shares reserved for issuance, number of common shares issuable and the number of common shares issued to certain individuals over certain time periods.

As of December 31, 2016, there were options outstanding under the ESOP to purchase an aggregate of 1,061,250 common shares, representing 1.8% of the issued and outstanding common shares of the Company, and a total of 692,500 options exercisable. During 2016, no options were granted.

Year-End Unexercised Options and Option Values

The following table sets out for each of the Directors and members of senior management the total number of unexercised options held as of December 31, 2016 and the value of such unexercised options at that date.

Name	Number of unexercised options at fiscal year-end Exercisable / Unexercisable	Value of unexercised in the money options at fiscal year-end Exercisable / Unexercisable CDN$ (1)
Robert M. Beil	20,000 /	367,700 /
George J. Bunze	15,000 /	249,550 /
Frank Di Tomaso	/	/
Robert J. Foster	10,000 /	131,400 /
Jorge N. Quintas	2,500 /	32,850 /
James Pantelidis	10,000 /	131,400 /

Mary Pat Salomone		/			/	
Melbourne F. Yull	20,000	/		367,700	/	
Gregory A.C. Yull	278,750	/	146,250	3,621,975	/	1,880,925
Jeffrey Crystal	16,250	/	16,250	211,900	/	211,900
Douglas Nalette	53,750	/	28,750	697,987	/	369,488
Shawn Nelson	103,750	/	28,750	1,866,987	/	369,488
Joseph Tocci	60,000	/	22,500	911,300	/	290,550

(1) The value of unexercised in-the-money options is calculated using the closing price of the common shares of IPG on the TSX on December 30, 2016 (CDN$25.18) less the respective exercise prices of the options).

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2012 Stock Appreciation Rights Plan

The Board of Directors of the Company adopted the 2012 Stock Appreciation Rights Plan on June 20, 2012 in lieu of granting stock options in 2012. The purpose of the 2012 Stock Appreciation Rights Plan is to: (a) promote a proprietary interest in the Company among its executives and directors; (b) encourage the Company s executives and directors to further the Company s development; and (c) attract and retain the key employees necessary for the Company s long-term success. The 2012 Stock Appreciation Rights Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award stock appreciation rights (SARs) to eligible persons. A SAR, as defined by the Company s plan, is a right to receive a cash payment equal to the difference between the base price of the SAR and the market value of a common share of the Company on the date of exercise. These SARs can only be settled in cash and expire no later than 10 years after the date of the grant. The award agreements provide that these SARs granted to employees and executives will vest and may be exercisable 25% per year over four years. The SARs granted to directors, who are not officers of the Company, will vest and may be exercisable 25% on the grant date, and a further 25% will vest and may be exercisable per year over three years. On February 3, 2016, the Board of Directors amended the SAR Plan by adding a provision that the base price of each SAR is confirmed in writing to the participant at the time of grant and once so confirmed, may not be changed and, on March 18, 2016, further amended the SARs Plan by adding a provision that once the expiry date of SARs is determined in the applicable agreement, such expiry date may not be extended. No SARs were granted in 2016.

The following table sets out for each of the Directors and members of senior management the total number of SARs held as of December 31, 2016 and the value of such unexercised SARs at that date.

Name	Number of unexercised SARs at fiscal year-end Exercisable / Unexercisable	Value of unexercised SARs at fiscal year-end Exercisable / Unexercisable CDN$ (1)
Robert M. Beil	10,000 /	176,200 /
George J. Bunze	10,000 /	176,200 /
Frank Di Tomaso	/	/
Robert J. Foster	10,000 /	176,200 /
James Pantelidis	30,000 /	528,600 /
Jorge N. Quintas	10,000 /	176,200 /
Mary Pat Salomone	/	/
Melbourne F. Yull	/	/
Gregory A.C. Yull	/	/
Jeffrey Crystal	/	/
Douglas Nalette	/	/
Shawn Nelson	/	/
Joseph Tocci	80,000 /	1,409,600 /

(1) The value of unexercised SARs is calculated using the closing price of the common shares of IPG on the TSX on December 30, 2016 (CDN$25.18 less the base price of the SARs).

Performance Share Unit Plan

On April 22, 2014, the Board of Directors of the Company adopted the PSU Plan. The purpose of the PSU Plan is to provide participants with a proprietary interest in the Company to: (a) increase the incentives of those participants who share primary responsibility for the management, growth and protection of the business of the Company; (b) furnish an incentive to such participants to continue their services for the Company; and (c) provide a means through which the Company may attract potential employees. The PSU Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award PSUs to eligible persons. A PSU, as defined by the Company s PSU Plan, represents the right of a participant, once such PSU is earned and has vested in accordance with the PSU Plan, to receive the number of common shares of the Company underlying the PSU. Furthermore, a participant will receive a cash payment from the Company upon PSU settlement that is equivalent to the number of shares issued or delivered to the participant multiplied by the amount of cash dividends per share declared by the Company between the date of grant and the third anniversary of the grant date. PSUs are net-settled to satisfy minimum statutory tax withholding requirements. Accelerated vesting is permitted in the event of change of control, as defined by the PSU Plan.

On May 9, 2016, the Board of Directors approved an amendment to the PSU Plan to provide the Company the option of settling PSUs in cash. As a result of the amendment, in the event of cash settlement, the cash payment would equal the number of shares that would otherwise have been issued or delivered to the participant, multiplied by the volume weighted average trading price of the shares on the TSX for the five consecutive trading days immediately preceding the day of payment. The Board had full discretion to determine the form of settlement of the PSUs and as of December 31, 2016, no such discretion had been used. As a result, the Company had no obligation to settle the PSUs in cash as of December 31, 2016, and the amendment to the PSU Plan had no impact on the treatment of the PSUs as equity-settled share-based payment transactions as of December 31, 2016.

Additionally, on the same date, the Board of Directors approved an amendment to the PSU Plan that allowed for accelerated vesting of PSUs in the event of death, disability or retirement of a participant. This amendment required the immediate recognition of expense associated with awards outstanding for certain retirement-eligible participants, the impact of which was $0.4 million for the year ended December 31, 2016, and was included in earnings in selling, general and administrative expense.

PSUs are expensed straight-line over their vesting period. The fair value of the PSU is based on the close price for the common shares of the Company on the TSX on the date of the grant adjusted for market-based performance conditions. The PSUs are earned over a three-year period with vesting at the third anniversary of the grant date. The number of shares earned can range from 0 to 150% of the grant amount based on entity performance criteria, specifically the total shareholder return ranking versus a specified peer group of companies.

On February 17, 2017, the Board of Directors approved amendments to the PSU Plan to provide for only cash settlement of PSU awards. As a result of the amendment, prospectively and until award settlement, the Company will remeasure the fair value of the awards at each reporting period end date and present the cash-settled awards as a liability within other liabilities and not in contributed surplus in the consolidated balance sheets. Changes in the fair value of the liability will be reflected in SG&A.

PSU Grants During the Most Recently Completed Fiscal Year

The following table sets out the details of all PSU grants to the members of senior management during the fiscal year ended December 31, 2016.

Name	PSU Awards granted	% of total PSU awards granted in financial year	Market value on date of grant CDN$	Expiration date
Gregory A.C. Yull	77,970	19%	$ 17.58	12/30/2019
	30,161	7%	$ 25.36	12/30/2019
Jeffrey Crystal	27,363	6%	$ 17.58	12/30/2019
Douglas Nalette	14,485	3%	$ 17.58	12/30/2019
Shawn Nelson	14,485	3%	$ 17.58	12/30/2019

Joseph Tocci	13,158	3%	$	17.58	12/30/2019

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Year-End Vested and Unvested PSU Shares and Values

The following table sets out for each of the members of senior management the total number of vested and unvested PSU shares held as of December 31, 2016 and the value of such vested and unvested shares at that date.

Name	Number of PSUs at fiscal year-end		Equivalent number of common stock shares at fiscal year-end(1)		Value of shares CDN$(2)	
	Vested	Unvested	Vested	Unvested	Vested	Unvested
Gregory A.C. Yull		221,091		331,636		8,350,593
Jeffrey Crystal		64,913		97,370		2,451,764
Douglas Nalette	25,000(3)	14,485	37,500(3)	21,728	944,250(3)	547,098
Shawn Nelson		39,485		59,228		1,491,348
Joseph Tocci		31,168		46,752		1,177,215

(1) The equivalent number of common stock shares earned is based on the Corporation s level of attainment of the performance objective measured at December 30, 2016. Based on the December 30, 2016 TSR ranking, equivalent common shares are 150% of PSU s granted.
(2) The value of vested and unvested shares is calculated using the closing price of the common shares of IPG on the TSX on December 30, 2016 (CDN$25.18).
(3) Accelerated vesting as a result of meeting retirement eligibility as defined by the PSU Plan.

Deferred Share Unit Plan

On April 22, 2014, the Board of Directors of the Company adopted the DSU Plan. The purpose of the DSU Plan is to provide participants with a form of compensation which promotes greater alignment of the interests of the participants and the shareholders of the Company in creating long-term shareholder value. The DSU Plan is administered by the Compensation Committee of the Board of Directors of the Company and authorizes the Company to award DSUs to any member of the Board of Directors of the Company that is not an executive officer or employee of the Company. A DSU, as defined by the Company s DSU Plan, represents the right of a participant to receive a common share of the Company. Under the DSU Plan, each director is entitled to receive DSUs as a result of a grant and/or in lieu of cash for semi-annual directors fees. DSUs are settled when the director ceases to be a member of the Board of Directors of the Company. DSUs are net-settled to satisfy minimum statutory tax withholding requirements.

DSUs received as a result of a grant are expensed immediately. The fair value of DSUs is based on the close price for the common shares of the Company on the TSX on the date of the grant. DSUs received in lieu of cash for directors fees are expensed as earned over the service period.

On February 17, 2017, the Board of Directors approved amendments to the DSU Plan to provide for only cash settlement of DSU awards. As a result of the amendment, prospectively and until award settlement, the Company will remeasure the fair value of the awards on amendment date and at each reporting period end date and present the cash-settled awards as a liability within other liabilities and not in contributed surplus in the consolidated balance sheets. Changes in the fair value of the liability will be reflected in SG&A.

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DSU Grants During the Most Recently Completed Fiscal Year

The following table sets out the details for the fiscal year ended December 31, 2016 of all DSU grants to Directors, including DSUs elected in lieu of cash by the Directors for semi-annual Director fees. Amounts presented do not include DSUs elected in lieu of cash for semi-annual fees earned that were not granted as of December 31, 2016.

Name	DSU Awards granted	% of total DSU awards granted in financial year	Market value on date of grant CDN$	Expiration date
Robert M. Beil	808	2%	$ 18.59	n/a
	4,999	9%	$ 22.83	n/a
George J. Bunze	3,843	7%	$ 18.59	n/a
	7,373	14%	$ 22.83	n/a
Frank Di Tomaso	4,276	8%	$ 22.83	n/a
Robert J. Foster	2,011	4%	$ 18.59	n/a
	5,926	11%	$ 22.83	n/a
James Pantelidis	4,276	8%	$ 22.83	n/a
Jorge N. Quintas	1,436	3%	$ 18.59	n/a
	5,549	11%	$ 22.83	n/a
Mary Pat Salomone	2,000	4%	$ 18.78	n/a
	4,276	8%	$ 22.83	n/a
Melbourne F. Yull	1,616	3%	$ 18.59	n/a
	4,276	8%	$ 22.83	n/a

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Year-End Unsettled DSU Shares and Values

The following table sets out for each of the Directors the total number of unsettled DSU shares held as of December 31, 2016 and the value of such unsettled shares at that date.

Name	Number of unsettled shares at fiscal year-end(1)	Value of unsettled shares CDN$(1)(2)
Robert M. Beil	14,556	366,520
George J. Bunze	23,248	585,385
Frank Di Tomaso	10,276	258,750
Robert J. Foster	20,081	505,640
James Pantelidis	10,276	258,750
Jorge N. Quintas	17,579	442,639
Mary Pat Salomone	6,276	158,030
Melbourne F. Yull	16,956	426,952

(1) Amounts presented do not include DSUs elected in lieu of cash for semi-annual directors fees earned that were not yet granted as of December 30, 2016.

(2) The value of unvested shares is calculated using the closing price of the common shares of IPG on the TSX on December 30, 2016 (CDN$25.18).

The following table sets out for each of the Directors the total number of DSUs elected in lieu of cash for semi-annual directors fees earned that were not yet granted as of December 31, 2016.

Name	Number of DSUs not yet granted at 12/31/16 (1)	Fees Earned for which DSUs were elected in lieu of cash CDN$
Robert M. Beil	859	21,529
George J. Bunze	3,014	75,517
Frank Di Tomaso		
Robert J. Foster	1,850	46,370
James Pantelidis		
Jorge N. Quintas	1,507	37,759
Mary Pat Salomone		
Melbourne F. Yull		

(1) Estimated DSUs to be granted in lieu of cash for semi-annual directors fee earned based on five-day volume weighted average of the closing price of the common shares of IPG on the TSX on December 30, 2016 (CDN$25.05).

Pension and Other Post Retirement Benefit Plans

Melbourne F. Yull was Chairman of the Board of Directors and Chief Executive Officer of the Company from January 11, 1995 to June 14, 2006. Prior thereto, Mr. Yull was the President and a Director of the Company or a predecessor thereof, from 1981. The former employment agreement entered into between the Company and Mr. Yull provides that Mr. Yull receive from the Company a defined benefit supplementary pension annually for life in an amount equal to 2% of the average of Mr. Yull s annual gross salary for the final five years of his employment with the Company, multiplied by his years of service with the Company to retirement. Accordingly, Mr. Yull receives a pension from the Company in an amount of $260,935 per year.

Clawback Policy

In April 2014, the Board of Directors adopted a clawback policy, pursuant to which the Company will recoup from executive officers or employees and its subsidiaries, as the case may be, annual incentive bonuses, special bonuses, other incentive compensation and equity-based awards, whether vested or unvested, paid, issued or granted to them, in the event of fraud, restatement of the Company s financial results, material errors or omissions in the Company s financial statements, or other events as may be determined from time to time by the Board of Directors in its discretion. To date, the Company has not been required to apply the clawback policy.

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C. BOARD PRACTICES

Term

The Company has nine Directors. Each Director is elected for a term of one year and may be nominated for re-election at the Company s following annual shareholders meeting. The next annual shareholders meeting is scheduled to be held on June 7, 2017, at which time the current term of each Director will expire.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is appointed by the Board and is currently composed of four directors, Robert M. Beil (Chairman), Robert J. Foster, Jorge N. Quintas and Mary Pat Salomone, none of whom is or has been at any previous time an employee of the Company or any of its subsidiaries. Each of the Human Resources and Compensation Committee members is independent as that term is defined by the TSX and Sarbanes-Oxley Act.

Mr. Beil joined the Dow Chemical Company in 1975 after graduating from Youngstown State University with a BA Degree in Industrial Marketing. During a thirty-two-year career with Dow, Mr. Beil held numerous sales and marketing executive positions, where he had responsibility for the implementation of company compensation schemes for large organizations. In addition, he spent a portion of his career working in Dow s Human Resources function, which was responsible for compensation design for Dow, a Fortune 500 company.

Mr. Foster graduated from Queen s University with an MA in Economics, earning his CFA, then managed the research department and worked in corporate finance at one of the major investment dealers in Canada. He founded and serves as President and Chief Executive Officer of Capital Canada Limited, a boutique investment banking firm. He serves on a number of not-for-profit boards and was on the board and audit committee of CHC Helicopters Corporation and Golf Town Income Trust.

Mr. Quintas graduated in Management at INP-Lisbon and initialized his professional career in ALCAN (England). Later he became a Board Member in several industrial companies from power and telecommunication cable production to optic fibers. He was a Board Member at Portgás, a city gas distributor in Portugal. Presently Mr. Quintas is the Chairman of Nelson Quintas Group in Portugal and Board Member of: ECODEAL- dangerous waste recycling plant, NQT- Telecommunication Network in Rio de Janeiro (Brasil) and Audit Committee of Serralves Foundation.

Ms. Salomone graduated from Baldwin Wallace College with a Masters of Business Administration and from Youngstown State University with a Bachelor of Engineering in Civil Engineering. Ms. Salomone is a Director of TransCanada Corporation and TransCanada Pipelines Limited since 2013 where she serves on the Human Resources Committee and the Health, Safety and Environment Committee. Ms. Salomone is also a Director of Herc Holdings, Inc (equipment rental company) since 2016. She is the chairperson of the Compensation Committee, as well as a member of the Nominating and Governance Committee at Herc Holdings. Ms. Salomone was the Senior Vice President and Chief Operating Officer of The Babcock & Wilcox Company (B&W) (power generation company) from January 2010 to June 2013. Ms. Salomone serves as a trustee of the Youngstown State University Foundation.

The mandate of the Human Resources and Compensation Committee consists of ensuring the direction and implementation of the Company s wage and compensation plans, policies, and programs, and in ensuring that a succession plan is put in place to deal with the Company s future needs regarding human resources, with respect to the Chief Executive Officer and other key executives.

The Human Resources and Compensation Committee Charter is included as Exhibit 15.2 to this Form 20-F.

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Audit Committee

The Audit Committee is appointed by the Board and is currently composed of four Directors, Frank Di Tomaso (Chairman), Robert J. Foster, James Pantelidis, and Mary Pat Salomone. Each of the Audit Committee members is independent and financially literate as such terms are defined by Canadian Multilateral Instrument 52-110-*Audit Committees*.

Mr. Di Tomaso graduated from Concordia University with a Bachelor of Commerce in Accounting and is a Chartered Professional Accountant, a Fellow CPA, FCA and an ICD.D. Mr. Di Tomaso has over 45 years of experience in accounting and auditing. Mr. Di Tomaso was a Partner and Advisory Partner from 1981 until 2012 and served as Director and Member of the Management Committee from 2000 to 2009, of Raymond Chabot Grant Thornton, and previously served as a Director and Chair of the Audit Committee at Yorbeau Resources, Inc. Mr. Di Tomaso currently serves as Director and Chair of the Audit Committee of ADF Group Inc., and Birks Group Inc. He is also a Director of National Bank Trust, National Bank Life Assurance Company and Laurentian Pilotage Authority.

For Mr. Foster s professional experience, please see above under Human Resources and Compensation Committee.

Mr. Pantelidis graduated from McGill University with a Bachelor of Science degree and a Master of Business Administration. Mr. Pantelidis has over 30 years of experience in the petroleum industry. Mr. Pantelidis is Chairman of the Board of Parkland Fuel Corporation and has served as a director of Parkland Fuel Corporation since 1999. Mr. Pantelidis is Chairman and Director of EnerCare Inc. since 2002. Mr. Pantelidis served on the Board of each of RONA Inc. (Chairman of the Human Resources) from 2004 to 2016 and Industrial Alliance Insurance and Financial Services Inc. (Chairman of the Investment Committee and member of Human Resources and Compensation Committee) from 2002 to 2016. From 2002 to 2006, Mr. Pantelidis was on the board of FisherCast Global Corporation and served as Chairman and Chief Executive Officer from 2004 to 2006. From 2002 to 2004, Mr. Pantelidis was President of J.P. & Associates, a strategic consulting group. Between 1999 and 2001, Mr. Pantelidis served as Chairman and Chief Executive Officer for the Bata International Organization.

For Ms. Salomone s professional experience, please see above under Human Resources and Compensation Committee.

The Audit Committee fulfills applicable public corporation obligations required of audit committees and assists the Board in fulfilling its oversight responsibilities. The Audit Committee examines the financial reporting processes, internal controls, financial risk management and the audit process and procedures applied by the Company and makes recommendations to the Board in connection with the nomination of the external auditor.

The Audit Committee s Charter is included as Exhibit 15.3 to this Form 20-F**.**

D. EMPLOYEES

As of December 31, 2016, the Company had 2,218 total employees; 384 in Canada, 1,487 in the US, 80 in Portugal, 8 in the rest of Europe, 4 in Mexico, and 255 in India. As of December 31, 2016, 433 held either sales-related, administrative, information technology or research and development positions and 1,785 were employed in operations. Approximately 151 hourly employees at the Company s Marysville plant are unionized and subject to a collective bargaining agreement which expires on April 30, 2018. Approximately 203 hourly employees at the Company s Menasha plant are unionized and subject to a collective bargaining agreement that expires on July 31, 2018. Approximately 114 hourly employees at the Company s Carbondale plant are unionized and subject to a collective bargaining agreement that expires on March 4, 2021. Approximately 17 hourly employees at the Company s

Delta, British Columbia plant are unionized and subject to a collective bargaining agreement that is scheduled to expire on March 31, 2019. Other than the strike at its Brantford, Ontario plant, which was closed in the second quarter of 2011, the Company has never experienced a work stoppage and it considers its employee relations to be satisfactory. The Company does not employ a significant number of temporary employees.

As of December 31, 2015, the Company had 1,970 total employees; 382 in Canada, 1,517 in the US, 61 in Portugal, and 4 in Mexico and 6 in the rest of Europe. As of December 31, 2015, 424 held either sales-related, administrative, information technology or research and development positions and 1,546 were employed in operations. As of December 31, 2014, the Company had 1,896 total employees; 369 in Canada, 1,446 in the US, 67 in Portugal, and 7 in Mexico and 7 in the rest of Europe. As of December 31, 2014, 2014, 387 held either sales-related, administrative, information technology or research and development positions and 1,509 were employed in operations.

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E. SHARE OWNERSHIP

The following table sets out for each of the Directors and members of senior management the number of shares of the Company owned or controlled by each, as of March 9, 2017.

Name	Number of Shares Owned	% of Shares Outstanding
Robert M. Beil	46,493	0.08%
George J. Bunze	53,371	0.09%
Frank Di Tomaso	10,000	0.02%
Robert J. Foster	56,100	0.09%
James Pantelidis	10,000	0.02%
Jorge N. Quintas	48,008	0.08%
Mary Pat Salomone		
Melbourne F. Yull	1,835,829	3.11%
Gregory A.C. Yull	702,214	1.19%
Jeffrey Crystal	5,092	0.01%
Douglas Nalette	141,142	0.24%
Shawn Nelson	143,136	0.24%
Joseph Tocci	63,252	0.11%

Directors who are not executive officers of the Company are required to own a minimum of 10,000 shares within five years of joining the Board of Directors in order to remain eligible for future grants of DSUs. On February 3, 2016, the Board determined that DSUs will be included in determining whether the minimum share ownership requirements have been satisfied, on the basis that each DSU is equivalent to one common share for purposes of such determination. As of March 9, 2017, all of the eight directors who are not executive officers of the Company are in compliance with the share ownership requirement with the exception of Mary Pat Salomone, who was appointed to the Board of Directors on November 30, 2015 and has until November 30, 2020 to satisfy the minimum share ownership requirement.

The Board of Directors has determined that the Company s minimum share ownership requirement shall apply to the CEO, CFO and all the Company s other NEOs as identified in the Company s management information circular. The three NEOs are currently Douglas Nalette, Shawn Nelson and Joseph Tocci. The Board of Directors has further determined that, for the CEO, the minimum share ownership requirement is shares having a value equal to at least two times his annual salary, and for the CFO and the three other NEOs, the minimum share ownership requirement is shares having a value equal to at least one time their respective annual salaries, with such share ownership requirement to be satisfied not later than five years from the later of May 11, 2015 and the date of hiring of the executive.

The Board of Directors has also adopted a policy of once met always met and a review process every three years. Specifically, if an executive satisfies the minimum share ownership requirement, he or she will continue to satisfy the minimum requirement notwithstanding a subsequent decrease in the value of shares held due to market conditions. Further, the Human Resources and Compensation Committee will review every three years whether an executive will be required to purchase additional shares to satisfy the minimum share ownership requirement, including as a result of an increase in compensation. If the Human Resources and Compensation Committee determines that an additional purchase of shares is required, the executive will have one year in which to do so.

As of March 9, 2017, the CEO and the NEOs, other than the CFO, are in compliance with the minimum share ownership requirement while the CFO has until May 11, 2020 to comply.

As of March 9, 2017, the Directors and senior management owned an aggregate of 3,114,637 common shares of the Company, being 5.3% of the issued and outstanding common shares of the Company. The common shares held by the Directors and senior management do not have different voting rights from those held by the other shareholders of the Company.

Please see the heading Executive Stock Option Plan above in this section for a description of the Company s Amended Executive Stock Option Plan.

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The following table sets forth all vested and unvested outstanding options granted to the Company s Directors and senior management through March 9, 2017:

Name	Number of options outstanding	Exercise price of options CDN$	Expiration date of options
Robert M. Beil	10,000	1.55	6/7/2017
	10,000	12.04	6/5/2019
George J. Bunze	5,000	1.55	6/7/2017
	10,000	12.04	6/5/2019
Frank Di Tomaso			n/a
Robert J. Foster	10,000	12.04	6/5/2019
James Pantelidis	10,000	12.04	6/5/2019
Jorge N. Quintas	2,500	12.04	6/5/2019
Mary Pat Salomone			n/a
Melbourne F. Yull	10,000	1.55	6/7/2017
	10,000	12.04	6/5/2019
Gregory A.C. Yull	265,000	12.04	6/5/2023
	160,000	12.55	3/17/2024
Jeffrey Crystal	32,500	12.14	5/13/2020
Douglas Nalette	50,000	12.04	6/5/2019
	32,500	12.55	3/17/2020
Shawn Nelson	50,000	1.80	6/27/2017
	50,000	12.04	6/5/2019
	32,500	12.55	3/17/2020
Joseph Tocci	12,500	1.80	6/27/2017
	50,000	12.04	6/5/2019
	20,000	12.55	3/17/2020

Item 7: Major Shareholders and Related Party Transactions

A. MAJOR SHAREHOLDERS

As of March 9, 2017, to the knowledge of the Company, the following are the only persons who beneficially own, or exercise control or direction over, more than 5% of the issued and outstanding common shares of the Company (Major Shareholders). Also provided below is a three-year history of their stock ownership:

Name and place of residence	# / % 12/31/2016	# / % 12/31/2015	# / % 12/31/2014
FMR, LLC Boston, Massachusetts	4,734,907[(1)] / 8.02%	8,193,799 / 13.97	6,675,400 / 11.05
Fiera Capital Corporation Montreal, Quebec	3,399,616[(2)] / 5.59%	1,720,401 / 2.93%	1,400,000 / 2.32%

(1) Based on report dated February 13, 2017 filed by FMR LLC with the SEC.
(2) Based on Nasdaq Global Intelligence report as of February 2017.

The Major Shareholders of the Company do not have any voting rights that differ from the other shareholders of the Company.

As of December 31, 2016, the number of record holders is as follows: 11,497 in Canada, 868 in the United States and 243 elsewhere. Of the 59,060,335 common shares issued and outstanding on December 31, 2016, such record holders hold 23,624,134 shares in the United States, 31,301,978 shares in Canada and 4,134,223 shares elsewhere, equaling 40%, 53% and 7%, respectively.

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The Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any natural or legal person. There are no arrangements known to the Company that could result at a subsequent date in a change of control of the Company.

B. RELATED PARTY TRANSACTIONS

To the knowledge of the Company, for the period from the beginning of 2016, none of its directors or officers or any person who beneficially owns or exercises control or direction over shares carrying more than ten percent of the voting rights attached to the Company s shares, any associate or affiliate of any such person, or any close member of any such person s family, has any material interest in any transaction since the beginning of the last completed financial year or in any proposed transactions that has materially affected or will materially affect the Company or any of its affiliates.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

Item 8: Financial Information

IPG s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The Consolidated Financial Statements of IPG for the years ended December 31, 2016, 2015, and 2014 include the following:

Management s Responsibility for Financial Statements

Management s Report on Internal Control over Financial Reporting

Independent Auditor s Report of Registered Public Accounting Firm

Independent Auditor s Report of Registered Public Accounting Firm on Internal Control over Financial Reporting

Consolidated Financial Statements

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Legal or Arbitration Proceedings

On July 3, 2014, the Company was informed of a complaint filed on June 27, 2014 by its former Chief Financial Officer with the Occupational Safety and Health Administration of the US Department of Labor (OSHA) alleging certain violations by the Company related to the terms of his employment and his termination. The Company aggressively contested the allegations and, it believes, demonstrated that the former Chief Financial Officer s assertions were without merit.

In a letter dated July 16, 2015, OSHA informed the Company that the former Chief Financial Officer had withdrawn his OSHA complaint in order to file a complaint against the Company in U.S. federal district court. The withdrawal occurred prior to any determination by OSHA regarding the complaint.

On November 5, 2015, the former Chief Financial Officer filed a lawsuit in the United States District Court for the Middle District of Florida. The lawsuit was premised on essentially the same facts and made essentially the same allegations as asserted in his OSHA complaint; the lawsuit sought unspecified damages and a trial by jury. On October 20, 2016, the Company and the former Chief Financial Officer agreed to a settlement of the outstanding litigation. Pursuant to the terms of the confidential settlement agreement, the Company paid $1.9 million for full and complete settlement of all matters between the parties with respect to the litigation.

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 outside 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 amounts have been recorded as of December 31, 2016.

Dividends

The Board of Directors of the Company adopted a Dividend Policy on August 14, 2012 providing for semi-annual dividend payments. On August 14, 2013, the Board of Directors modified the Company s dividend policy to provide for quarterly dividend payments. On July 7, 2014, the Board of Directors further modified the Company s dividend policy to increase the annualized dividend by 50% from $0.32 to $0.48 per common share. On August 12, 2015, the Board of Directors of the Company amended the quarterly dividend policy to increase the annualized dividend from $0.48 to $0.52 per share. On August 10, 2016, the Board of Directors amended the Company s the dividend policy by increasing the annualized dividend by 7.7% from $0.52 to $0.56 per share. So long as the payments do not result in a violation of the Company s covenants with its lenders, and subject to the provisions of the Canada Business Corporations Act relating to the declaration and payment of dividends, there are no other restrictions that would prevent the Company from paying dividends. The following table sets forth the dividends paid as of December 31, 2016:

	Date Declared	Record Date	Date Paid	Amount per Share
Dividends per Share				
	2/6/2014	3/19/2014	3/31/2014	USD $0.08
	5/7/2014	6/17/2014	6/30/2014	USD $0.08

	8/5/2014	9/15/2014	9/30/2014	USD $0.12
	11/4/2014	12/15/2014	12/31/2014	USD $0.12
	3/9/2015	3/19/2015	3/31/2015	USD $0.12
	5/11/2015	6/15/2015	6/30/2015	USD $0.12
	8/12/2015	9/15/2015	9/30/2015	USD $0.13
	11/11/2015	12/15/2015	12/31/2015	USD $0.13
	3/9/2016	3/21/2016	3/31/2016	USD $0.13
	5/9/2016	6/15/2016	6/30/2016	USD $0.13
	8/10/2016	9/15/2016	9/30/2016	USD $0.14
	11/10/2016	12/15/2016	12/30/2016	USD $0.14

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The Company has determined it is appropriate to declare its dividend in US dollars because most of its cash flows are in US dollars. The Company has paid no other dividend in the past three years other than as set forth above. For details regarding the Company s covenants with its lenders please refer to the Credit Facility Agreement, as amended, filed as Exhibit 4.6 to this Form 20-F.

B. SIGNIFICANT CHANGES

On February 17, 2017, the Board of Directors approved amendments to the PSU Plan and DSU Plan to provide for only cash settlement of PSU and DSU awards, respectively. As a result of the amendments, prospectively and until award settlement, the Company will remeasure the fair value of the awards at each reporting period end date and present the cash-settled awards as a liability within other liabilities and not in contributed surplus in the consolidated balance sheets. Changes in the fair value of the liability will be reflected in SG&A.

No other significant changes have occurred since the date of the annual financial statements.

Item 9: The Offer and Listing

A. OFFER AND LISTING DETAILS

The following table sets forth the reporting of the high and low prices for IPG shares on the TSX for the periods indicated. Also set forth below are the high and low prices for IPG shares on OTC Pink Marketplace.

		Toronto Stock Exchange (CDN$)		OTC Pink Marketplace	
Year	**Period**	**High**	**Low**	**High**	**Low**
2011	Annual	3.39	1.02	3.30	1.04
2012	Annual	9.07	3.12	9.17	3.08
2013	Annual	15.62	7.96	15.20	8.09
2014	Annual	19.95	11.12	17.36	10.10
2015	Annual	20.51	13.67	16.65	10.30
2016	Annual	25.74	15.46	19.25	11.19
2014	First Quarter	14.05	11.12	13.23	10.10
	Second Quarter	13.21	11.50	11.96	10.73
	Third Quarter	16.37	11.84	14.82	11.24
	Fourth Quarter	19.95	14.53	17.36	12.89
2015	First Quarter	20.51	16.74	16.41	13.43
	Second Quarter	20.31	16.21	16.65	13.60
	Third Quarter	20.21	13.67	15.58	10.30
	Fourth Quarter	19.01	13.96	14.19	10.82
2016	First Quarter	18.96	15.46	14.53	11.19
	Second Quarter	21.75	18.09	16.68	13.97
	Third Quarter	23.72	20.06	17.99	15.35

	Fourth Quarter	25.74	20.51	19.25	15.25
2016	September	23.72	21.67	17.99	16.61
	October	23.60	21.53	17.50	16.23
	November	24.84	20.51	18.30	15.25
	December	25.74	23.22	19.25	17.19
2017	January	25.06	23.50	18.57	18.00
	February	24.91	21.68	19.11	16.43

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IPG has authorized an unlimited number of voting common shares without par value. The Company also has authorized an unlimited number of non-voting Class A preferred shares issuable in a series, ranking in priority to the common shares with respect to dividends and return of capital on dissolution. The Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to the shares of each series of Class A preferred shares. As of December 31, 2016, there were 58,667,535 issued and outstanding common shares and no issued and outstanding preferred shares of the Company.

B. PLAN OF DISTRIBUTION

Not Applicable.

C. MARKETS

The Company s common shares are traded on the TSX under the symbol ITP. The Company s common shares are traded in the US on the OTC Pink Marketplace.

D. SELLING SHAREHOLDERS

Not Applicable.

E. DILUTION

Not Applicable.

F. EXPENSES OF THE ISSUE

Not Applicable.

Item 10: Additional Information

A. SHARE CAPITAL

Not Applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

1. The business of IPG was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal. The Company was incorporated under the Canada Business Corporations Act (the Act) on December 22, 1989 under the name 171695 Canada Inc. On October 8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of

Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc.

On November 11, 2015, the Board of Directors adopted a new By-Law 2015-1, requiring advance notice for the nomination of directors.

2. The Directors of the Company may, when deemed expedient:

(a) borrow money upon the credit of the Company;

(b) issue debentures or other securities of the Company, and pledge or sell the same for such sums and at such prices as may be deemed expedient;

(c) notwithstanding the provisions of the Civil Code, hypothecate, mortgage or pledge the moveable or immoveable property, present or future, of the Company, to secure any such debentures, or other securities, or give part only of such guarantee for such purposes; and constitute the hypothec, mortgage or pledge above mentioned, by trust deed, or on any other manner; and

(d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any moveable or personal, immoveable or real or other property of the Company, owned or subsequently acquired, to secure any obligation of the Company.

The directors may, by resolution or by-law, delegate the above listed powers to such officers or directors of the Company as set out in such resolution or by-law.

Section 13 of the By-laws allows the Board of Directors to determine the remuneration paid to directors and such remuneration shall be in addition to the salary paid to any officer of the Company who is also a member of the Board of Directors (in the Board s discretion, it does not currently pay any director remuneration to Gregory A.C. Yull in addition to the compensation paid to him as an officer of the Company). The Directors may also by resolution award special remuneration to any Director undertaking any special services on the Company s behalf other than the routine work ordinarily required of a Director by the Company. The confirmation of any such resolution or resolutions by the shareholders is not required.

3. Description of Share Capital

The authorized capital of the Company consists of an unlimited number of common shares and non-voting Class A preferred shares, issuable in series. The following is a summary of the material provisions which attach to the common shares and Class A preferred shares, and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares.

Common Shares

Voting Rights Each common share entitles the holder thereof to one vote at all meetings of the shareholders of the Company.

Payment of Dividends The holders of the Company s common shares are entitled to receive during each year, as and when declared by the Board of Directors, dividends payable in money, property or by issue of fully-paid shares of the capital of the Company.

Distribution of Assets Upon Winding-Up In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Company s common shares are entitled to receive the remaining property of the Company.

Class A Preferred Shares

The Board of Directors may at any time and from time to time issue non-voting Class A preferred shares in one or more series, each series to consist of such number of shares, designation, rights, restrictions, conditions and limitations (including any sinking fund provisions) as may, before the issuance thereof, be determined by the Board of Directors. The Class A preferred shares are entitled to preference over the common shares with respect to the payment of dividends. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Class A preferred shares will, before any amount is paid to, or any property or assets of the Company distributed among, the holders of the common shares, be entitled to receive: (i) an amount equal to the amount paid-up on such shares together with, in the case of cumulative Class A preferred shares, all unpaid cumulative dividends and, in the case of non-cumulative Class A preferred shares, all declared and unpaid non-cumulative dividends; and (ii) if such liquidation, dissolution, winding-up or distribution is voluntary, an additional amount equal to the premium, if any, which would have been payable on the redemption of the Class A preferred shares if they had been called for redemption by the Company on the date of distribution.

4. The rights of the holders of the Class A preferred shares may be amended only with the prior approval of two-thirds of the holders of the Class A preferred shares in addition to any other approvals required by the Act.

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There are no preferred shares currently issued and outstanding.

5. Subject to compliance with the Act, the annual shareholders meeting shall be convened on such day each year and at such time as the Board of Directors may by resolution determine. Special meetings of the shareholders may be convened by order of the Chairman of the Board, the President or a Vice President who is a director or by the Board of Directors to be held at such time and place as may be specified in such order. Special meetings of the shareholders may also be called by written request to the Board of Directors signed by shareholders holding between them not less than five percent (5%) of the outstanding shares of the Company entitled to vote at such meeting. Such request shall state the business to be transacted at the meeting and sent to the registered office of the Company. In the event the Board of Directors does not call the meeting within twenty-one (21) days after receiving the request, then any shareholder who signed the request may call the meeting.

6. The Articles of Amalgamation of IPG do not contain limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the Company s shares.

7. The Articles of Amalgamation and the Bylaws contain no provision that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

C. MATERIAL CONTRACTS

The following is a description of the material contracts the Company was a party to during the last two fiscal years ended December 31, 2016, regardless of when they were initially entered into by the Company, either directly or through one of its subsidiaries, and that are not in the ordinary course of IPG s business:

an **Amended Executive Stock Option Plan.** For a summary of this Plan, please see Item 6.B in this 20-F. For a copy of the Executive Stock Option Plan, see Exhibit 4.1 to this Form 20-F.

an **Amended Stock Appreciation Rights Plan.** For a summary of this Plan, please see Item 6.B in this 20-F. For a copy of the Stock Appreciation Rights Plan, as amended, see Exhibit 4.2 to this Form 20-F.

an **Amended Deferred Share Unit Plan.** For a summary of this Plan, please see Item 6.B in this 20-F. For a copy of the Deferred Shared Unit Plan, see Exhibit 4.3 to this Form 20-F.

an **Amended Performance Share Unit Plan.** For a summary of this Plan, please see Item 6.B in this 20-F. For a copy of the Performance Shared Unit Plan, see Exhibit 4.4 to this Form 20-F.

an **Equipment Finance Agreement** dated August 14, 2012 in the amount of up to $24.0 million (which was later increased to $25.7 million as of March 26, 2014) for qualifying US capital expenditures during the period May 2012 through March 31, 2014. The Equipment Finance Agreement allowed for periodic scheduling of amounts with each schedule having a term of sixty months and a fixed interest rate for leases scheduled prior to March 31, 2014. For a copy of the Equipment Finance Agreement, see Exhibit 4.5 to this Form 20-F. The Company has entered into the five schedules as listed below.

Date Entered	Amount	Interest Rate	Payments	Last Payment due
September 27, 2012	$ 2.7 million	2.74%	$ 48,577	October 1, 2017
December 28, 2012	$ 2.6 million	2.74%	$ 46,258	January 1, 2018
June 28, 2013	$ 2.2 million	2.90%	$ 39,329	July 1, 2018
December 31, 2013	$ 14.7 million	2.90%	$ 263,450	January 1, 2019
April 1, 2014	$ 3.5 million	2.95%	$ 62,263	April 1, 2019

a **Revolving Credit Facility Agreement** dated November 18, 2014 (and since amended on August 2, 2016, September 2, 2016 and January 26, 2017), among IPG and certain of its subsidiaries, the Lenders referred to therein, Wells Fargo Bank, National Association as Administrative Agent, Swingline Lender and Issuing Lender, Bank of America, N.A. as Syndication Agent, and Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Joint Lead Arrangers and Joint Bookrunners. The Revolving Credit Facility Agreement provides for a five-year $300 million Revolving Credit Facility. The Revolving Credit Facility replaced the ABL. The Revolving Credit Facility Agreement includes an incremental accordion feature of $150 million, which will enable the Company to increase the limit of this facility (subject to the Revolving Credit Facility Agreement s terms and lender approval) if needed. The Revolving Credit Facility matures on November 18, 2019 and bears an interest rate based primarily on the LIBOR for US dollar loans and CDOR for Canadian dollar loans plus a spread varying between 100 and 225 basis points depending on the consolidated total leverage ratio (150 basis points as of December 31, 2016, 150 basis points as of December 31, 2015 and 125 basis points on December 31, 2014). The Revolving Credit Facility Agreement includes certain financial covenant obligations. The amount of capital expenditures in any fiscal year is limited to $100 million (prior to the January 2017 amendment, this limit was $50 million and any portion of the allowable $50 million not expended in the year could have been carried over for expenditure in the following year but not carried over to any additional subsequent year thereafter). The consolidated total leverage ratio may not exceed 3.25 to 1.00 (subject to increase to 3.75 to 1.00 for the first four quarters following an acquisition with a price not less than $50 million), and the consolidated debt service coverage ratio may not be less than 1.50 to 1.00. The consolidated total leverage ratio compares consolidated total indebtedness to consolidated EBITDA (as defined in the Revolving Credit Facility Agreement). The consolidated debt service coverage ratio compares consolidated EBITDA (less certain taxes and dividends), to the sum of consolidated interest expense plus scheduled principal payments. The Revolving Credit Facility Agreement also includes certain other affirmative and negative covenants, subject to certain exceptions and limitations, including restrictions on indebtedness, liens, investments, and distributions. Reference is made to the Revolving Credit Facility Agreement for more detailed information regarding specific covenants, defined terms and conditions. For a copy of the Revolving Credit Facility Agreement, see Exhibit 4.6 to this Form 20-F.

the **Rights Plan** dated December 14, 2015 with CST Trust Company. The purpose of the Shareholder Rights Plan is to provide IPG s Board of Directors with additional time, in the event of an unsolicited takeover bid, to develop and propose alternatives to the bid and negotiate with the bidder, as well as to ensure equal treatment of shareholders in the context of an acquisition of control made other than by way of an offer to all shareholders, and lessen the pressure on shareholders to tender a bid.

IPG s Board of Directors has implemented the Rights Plan by authorizing the issuance of one right (a Right) in respect of each common share outstanding at the close of business on December 14, 2015 (the Record Time) and in respect of each voting share issued by IPG after the Record Time. The Rights trade with, and are represented by, the common shares. Until such time as the Rights separate, when they become exercisable, Rights certificates will not be distributed to shareholders and no further action is required by shareholders. If a person, or a group acting jointly or in concert (each, an Offeror), acquires beneficial ownership of 20% or more of the then outstanding voting shares (other than pursuant to an exemption available under the Rights Plan), Rights (other than those held by such Offeror, which will become void) will separate and permit the holders thereof to purchase additional shares at a substantial discount to the market price of the shares at that time. Pursuant to the Rights Plan, any bid that meets certain criteria intended to protect the interests of all shareholders will be deemed to be a permitted bid and will not trigger a separation under the Rights Plan. These criteria require, among other things, that the bid be made by way of a takeover bid circular to all holders of voting shares other than the Offeror, that all shareholders be treated equally and that the bid remain open for acceptance by shareholders for at least 60 days or such longer period as may be prescribed by law as the minimum deposit period.

Prior to separation, the Rights Plan is not dilutive and will not affect reported earnings per share or change the way in which shareholders would otherwise trade shares. Upon separation, reported earnings per share, on a fully diluted or non-diluted basis, may be affected. Shareholders who do not exercise their Rights upon separation may suffer substantial dilution along with the Offeror.

Under the policies of the TSX, the Rights Plan was required to be ratified by the shareholders of the Corporation at a meeting held within six months following the adoption of the Rights Plan, failing which the Rights Plan would have been required to be immediately cancelled and any rights issued thereunder would have been immediately redeemed or cancelled. On June 9, 2016, shareholders approved a resolution ratifying and approving the Rights Plan.

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At or prior to the annual meeting of shareholders of the Corporation in the year 2019, the Board of Directors shall submit a resolution ratifying the continued existence of the Rights Plan to the shareholders for their consideration and, if thought desirable, approval.

For a copy of the Rights Plan, see Exhibit 2.1 to this Form 20-F.

A copy of each of the foregoing contracts, except as otherwise noted, are available as Exhibits to this Form 20-F.

D. EXCHANGE CONTROLS

As of the date hereof, there are no governmental laws, decrees or regulations in Canada on the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of IPG s common stock, except as described under Item 10E Taxation below.

Except as provided in the Investment Canada Act (Canada), the Competition Act (Canada), and/or the Canada Transportation Act (Canada), which have provisions that may potentially restrict the holding of voting shares by non-Canadians, there are no limitations specific to the rights of non-Canadians to hold or vote the Company s common shares under the laws of Canada or in its charter documents. The following summarizes the principal features of the Investment Canada Act, the Competition Act and the Canada Transportation Act for non-Canadian residents proposing to acquire the Company s common shares.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal advice to any holder or prospective holder of the Company s common shares, and no opinion or representation to any holder or prospective holder of the Company s common shares is hereby made. Accordingly, holders and prospective holders of the Company s common shares should consult with their own legal advisors with respect to the consequences of purchasing and owning the Company s common shares.

1. Investment Canada Act

The Investment Canada Act governs acquisitions of control of Canadian businesses by non-Canadians. Under the Investment Canada Act, non-Canadian individuals or entities acquiring control (as defined in the Investment Canada Act) of a corporation carrying on business in Canada are required to either notify, or file an application for review with, Innovation, Science and Economic Development Canada (or in the case of cultural businesses , Heritage Canada), subject to certain statutory exemptions. The relevant Minister may review any transaction which constitutes an acquisition of control of a Canadian business, where certain thresholds are exceeded (which are higher for investors from members of the World Trade Organization, including United States residents, or World Trade Organization member-controlled companies) or where the activity of the business is a cultural business (as defined in the legislation and its regulations), or where the investment could be injurious to Canada s national security. For acquisitions of control of businesses which do not involve a cultural business or present national security issues, no change of voting control will be deemed to have occurred, for purposes of the Investment Canada Act, if less than one-third of the voting control of a Canadian corporation is acquired by an investor. Different rules apply to acquisitions of control of businesses related to Canada s cultural heritage or national identity, or present national security concerns.

If an investment is reviewable under the Investment Canada Act, an application for review in the form prescribed is normally required to be filed with Innovation, Science and Economic Development Canada or Heritage Canada prior to implementation of the investment. An investment subject to review may not be implemented until the review has been completed and the Minister responsible is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian cannot implement the investment, or if the investment has been implemented, may be required to divest itself of control of the Canadian business that is the subject of the investment. Different rules apply if the Minister determines that the investment may be injurious to Canada s national security.

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Certain transactions relating to IPG s common stock would be exempt from the Investment Canada Act, unless they are found to be potentially injurious to Canada s national security by the Minister responsible, including:

(a) the acquisition of the Company s common stock by a person in the ordinary course of that person s business as a trader or dealer in securities;

(b) the acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and

(c) the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through ownership of the Company s common stock, remains unchanged.

These exemptions do not apply to an acquisition of control of a Canadian business that is deemed to be potentially injurious to Canada s national security.

2. Competition Act

The Competition Act requires notification to the Commissioner of Competition of specified merger transactions that exceed certain monetary and share thresholds prior to their completion.

If a proposed merger is subject to pre-merger notification, each party to the proposed merger must file a notification with the Commissioner of Competition.

Proposed mergers that are subject to pre-merger notification under the Competition Act are prohibited from being completed before the end of 30 days following the receipt of a complete notification by the Commissioner of Competition, unless a waiver of the waiting period is obtained from the Commissioner of Competition. The waiting period may be extended by the issuance of a supplementary information request by the Commissioner of Competition within the initial 30 day waiting period. In the event that a supplementary information request is issued by the Commissioner of Competition, the parties may not complete the proposed merger until the end of a further 30 day waiting period that commences on the date on which the information requested pursuant to the supplementary information request has been provided to the Commissioner of Competition.

Whether or not a merger is subject to pre-merger notification to the Commissioner of Competition, the Commissioner of Competition may commence an application for relief in the Competition Tribunal on the basis that the merger prevents or lessens, or is likely to prevent or lessen, competition substantially in a relevant market. Such applications for relief are subject to a one-year limitation period from the merger s substantial completion.

3. Canada Transportation Act

If a proposed transaction involves a transportation undertaking, and is subject to pre-merger notification to the Commissioner of Competition pursuant to the Competition Act, the parties to the proposed transaction must also provide pre-closing notification to the Minister of Transportation under the Canada Transportation Act. Such transactions require a 42 day waiting period which may be extended.

The parties to a proposed transaction subject to pre-merger notification to the Minister of Transportation may not complete the proposed transaction unless the Minister of Transportation issues a notice of his opinion that the proposed transaction does not raise issues with respect to the public interest as it relates to national transportation, or unless the transaction is approved by the Governor in Council.

E. TAXATION

Material Canadian Federal Income Tax Consequences

The following general summary describes the principal Canadian federal income tax consequences applicable to a holder of the Company s common stock who is a resident of the United States, who is not, will not be and will not be deemed to

62be a resident of Canada for purposes of the Income Tax Act (Canada) (the Income Tax Act) and any applicable tax treaty and who does not use or hold, and is not deemed to use or hold, his common stock in the capital of the Company in connection with carrying on a business in Canada (a non-resident holder). This summary applies only to non-resident holders who hold their IPG common stock as capital property. This summary does not apply to non-resident holders who are financial institutions (within the meaning of the Income Tax Act) or insurers.

This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder (the Regulations), the current publicly announced administrative and assessing policies of the Canada Revenue Agency and the Canada-United States Tax Convention (1980), as amended (the Treaty). This summary also takes into account the amendments to the Income Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the Tax Proposals) and assumes that all such Tax Proposals will be enacted in their present form. However, no assurances can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to a non-resident holder of the Company s common stock and, except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax consequences described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of IPG s common stock, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of the Company s common stock is made. Accordingly, holders and prospective holders of the Company s common stock should consult their own tax advisors with respect to the income tax consequences of purchasing, owning and disposing of IPG s common stock in their particular circumstances.

Dividends

Dividends paid on the Company s common stock to a non-resident holder will be subject under the Income Tax Act to withholding tax which tax is deducted at source by the Company. The withholding tax rate for dividends prescribed by the Income Tax Act is 25% but this rate may be reduced under the provisions of an applicable tax treaty. Under the Treaty, the withholding tax rate is reduced to 15% on dividends paid by the Company to a resident of the United States who is the beneficial owner of such dividend and is eligible to benefits under the Treaty. The rate is further reduced to 5% where the beneficial owner of the dividend is a corporation resident in the United States that is eligible for benefits under the Treaty and that owns at least 10% of the voting stock of the Company.

Capital Gains

A non-resident holder is not subject to tax under the Income Tax Act in respect of a capital gain realized upon the disposition of a common share of the Company unless such share is (or is deemed to be) taxable Canadian property (as defined in the Income Tax Act) of the non-resident holder. As long as they are listed on a designated stock exchange (which includes the TSX) at the time they are disposed of, IPG s common stock generally will not be considered taxable Canadian property of a non-resident holder unless at any time during the 60-month period immediately preceding the disposition of the stock: (i) the non-resident holder, persons with whom the non-resident holder does not deal at arm s length or the non-resident holder together with such non-arm s length persons owned, or had an interest in an option in respect of, 25% or more of the issued stock of any class or series of the Company s capital stock; and (ii) more than 50% of the fair market value of the shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Income Tax Act), timber resource properties (as defined in the Income Tax Act), or an option, an interest or right in such property.

Material United States Federal Income Tax Consequences

The following is a general discussion of the material United States federal income tax consequences, under current law, generally applicable to a US Holder (as hereinafter defined) of common shares of the Company. This discussion does not address individual consequences to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See Canadian Federal Tax Consequences).

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The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. This discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares of the Company are urged to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.

US Holders

As used herein, a US Holder means a holder of common shares of the Company who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof or a trust whose income is taxable in the United States irrespective of source.

This summary does not address the tax consequences to, and US Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a functional currency other than the US dollar, shareholders who hold common shares as part of a straddle, hedging or a conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to US Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

Distribution on Common Shares of the Company

US Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States federal income tax purposes the gross amount of such distributions equal to the US dollar value of such dividends on the date of receipt (based on the exchange rate on such date) to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the US Holder s federal income tax liability or, alternatively, may be deducted in computing the US Holder s federal taxable income by those who itemize deductions. (See more detailed discussion at Foreign Tax Credit below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the US Holder s adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a US Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a US Holder which is a corporation. Section 1411 of the Internal Revenue Code imposes a 3.8% Medicare surtax on net investment income of certain individuals, estates and trusts. In general, income with respect to Company distributions will be considered investment income for purposes of the surtax.

Foreign Tax Credit

A US Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the US Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer s income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the US Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the US Holder s United States income tax liability that the US Holder s foreign sources income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Dividends

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distributed by the Company will generally constitute passive income or, in the case of certain US Holders, financial services income for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and US Holders of common shares of the Company should consult their own tax advisors regarding their individual circumstances.