

MANAGEMENT DISCUSSION AND ANALYSIS

PREFACE

This Management Discussion and Analysis (MD&A) comments on Imaflex Inc.'s (the "Parent Company") operations, financial performance, financial condition, future outlook and other matters for the three and nine-month periods ended September 30, 2019 and 2018. Unless otherwise indicated, the terms "Imaflex", "Company", "Corporation", "we", "our", and "us" all refer to Imaflex Inc., together with its divisions Canguard Packaging and Canslit, along with its wholly owned subsidiary, Imaflex USA Inc. All intercompany balances and transactions have been eliminated on consolidation.

This MD&A also provides information to improve the reader's understanding of the accompanying unaudited interim condensed consolidated financial statements and related notes. It should be read together with our unaudited interim condensed consolidated financial statements for the periods ended September 30, 2019 and 2018 as well as our audited consolidated financial statements for the years ended December 31, 2018 and 2017.

Unless otherwise indicated, all financial data in this document was prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and all amounts in tables are expressed in thousands of Canadian dollars unless otherwise indicated. Differences may occur due to rounding of amounts. We also use financial measures that are not defined by IFRS. Please refer to the section entitled "Non-IFRS Financial Measures" for a complete description of these measures.

This MD&A was reviewed by Imaflex's Audit Committee and approved by the Board of Directors on November 22, 2019. Disclosure contained within it is current to that date, unless otherwise indicated.

Additional information on Imaflex is available on our website at www.imaflex.com and on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies, including the Company's accounting policies under IFRS, are disclosed in note 2, *Significant accounting policies* of the consolidated financial statements for the years ended December 31, 2018 and 2017. On January 1, 2018 the Company adopted IFRS 9 and 15, as explained in note 2.18 of the consolidated financial statements for the year ended December 31, 2018.

IFRS 16, Leases

Effective January 1, 2019, Imaflex adopted IFRS 16, Leases, ("IFRS 16") as described in note 2.2 to the unaudited interim consolidated financial statements for the period ending September 30, 2019. Under IFRS 16, which replaces IAS 17, lessees are required to account for leases on their balance sheet by recognizing a "right of use" asset and a lease liability, essentially removing the distinction between an operating and finance lease. Certain exemptions exist for short-term leases and leases of low value assets. Imaflex applied the modified retrospective method of application and as such **comparative prior-year information has not been restated**.

FORWARD LOOKING STATEMENTS

From time to time, we make forward-looking statements within the meaning of Canadian Securities laws, including the "safe harbor" provisions of the Securities Act (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, amongst others, statements regarding the business and anticipated financial performance of the Company. The words "may", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "expect", "intend", "objective", the use of the conditional tense and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the length and severity of an economic downturn, management of credit, market dynamics, liquidity, funding and operational risks; the

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FORWARD LOOKING STATEMENTS (continued)

strength of the Canadian and U.S. economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in interest rates; the effects of competition in the markets in which we operate; our ability to successfully align our organization, resources, and processes; the availability and price of raw materials; failure to achieve planned growth associated with the U.S. operations and future sales; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; and other factors that may affect future results including, but not limited to, timely development and introduction of new products and services; changes in tax laws, technological changes, new regulations; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks.

We caution our readers that the previous list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on information available as of November 22, 2019.

COMPANY OVERVIEW

Imaflex is focused on the development and manufacturing of innovative solutions for the flexible packaging and agricultural markets. The Company's flexible packaging products are largely used to protect and preserve and consist primarily of polyethylene (plastic) films and bags, and metalized films. Our polyethylene films are mainly sold to printers known as "converters", who process the film into a finished product to meet their end-customer needs. Additionally, our films are sold directly to customers to protect and market their own products, or bought by distributors for re-sale.

Our agricultural films are finished products, predominantly sold directly to end-users by Imaflex. They are available in a variety of formats and include both metalized and non-metalized films. Our portfolio includes common mulch and fumigant barrier films, which are also available in a compostable plastic, as well as innovative crop protection films, that add pest/weed control and/or accelerated growth benefits beyond those provided by our common mulch films.

Imaflex operates three manufacturing facilities. Two are located in the province of Quebec, including Montreal (Imaflex Inc.) and Victoriaville (Canguard and Canslit), and one is located in Thomasville, North Carolina, USA (Imaflex USA). The Company also has a warehouse in Thomasville. The four facilities cover a total area of approximately 23,412 square meters or 252,000 square feet. Imaflex and Imaflex USA specialize in the manufacturing and sale of custom-made polyethylene films and bags, along with non-metalized agricultural films. Canguard specializes in the manufacturing and sale of polyethylene garbage bags, while Canslit specializes in the metallization of plastic film. We believe that our manufacturing presence in both Canada and the United States provides a competitive advantage in terms of logistics, currency, manufacturing flexibility and cost leadership.

The common shares of the Parent Company, Imaflex Inc., are listed on the TSX Venture Exchange under the symbol "IFX". The Company's head office is located in Montréal (Québec).

GROWTH STRATEGY

Imaflex's history attests to its management's ability to successfully adapt to prevailing and continuously changing market conditions. Management believes that success will also lie in the ability to properly manage future growth whether it comes from new markets and products, acquisitions, mergers, or a combination of any or all three. This success will depend on the Company's ability to seek out new opportunities and to position itself such that it will be able to take advantage of them when they present themselves. Past decisions have been made bearing this in mind and the Company is now in a better position to make this happen.

MANAGEMENT DISCUSSION AND ANALYSIS

GROWTH STRATEGY (continued)

Management believes the following initiatives will contribute to Imaflex's long-term growth:

Strengthen and Grow the Core

We will continue to strengthen the core flexible packaging business. This includes revenue growth and margin expansion through higher production volumes geared towards the most profitable markets and products, along with a focus on lean operations (minimizing scrap, reducing production set-up times, etc.). In addition to growing organically, we will also consider strategic acquisitions that make sense in terms of complementary fit, cost and ease of integration.

Grow the Agriculture Business

We will continue to build-out our agriculture business, driving awareness and exposure for our advanced crop protection products, particularly our unique film, Shine N' Ripe XL and our patented film, ADVASEAL® (under development). Our crop protection films are mulch films surface coated with either metallic aluminum and/or chemical/biological active substances aimed to protect plants from disease transmitting insects, to limit the growth of soil borne pests and weeds and/or to accelerate the growth and yield of plants.

Shine N' Ripe XL

Shine N' Ripe XL is a long-lasting, heavy-duty, highly-reflective metalized mulch film designed specifically to fight citrus greening (HLB), a bacterial disease transmitted by the Asian Citrus Psyllid (ACP). HLB has devastated the global citrus industry, causing deformed off-flavored fruits, low yields and inevitably early tree death. Common insecticides have proven to be ineffective in preventing HLB infestation in newly planted citrus groves.

Shine N' Ripe XL's unique ability to reflect up to 80% of solar ultraviolet (UV) light intercepts the ACP and hence helps deter HLB infestation in young citrus trees. In addition, Shine N' Ripe XL significantly increases tree growth and yield by providing more sunlight to the lower tree parts, usually hidden in the canopy's shadow. Importantly, Shine N' Ripe XL also significantly suppresses weeds and reduces water and fertilizer consumption compared to traditional growing methods. The film's proprietary anti-corrosion coating has also been shown to maintain its initial high UV reflectivity for at least 3 years, making it one of the most environmentally-friendly and economically-viable tools for coping with citrus greening.

A multi-year trial conducted by the Florida Research Centre for Agricultural Sustainability (FLARES), repeatedly found that Shine N' Ripe XL demonstrated clear benefits over conventional production practices. In their January 2018 Florida Citrus Show presentation, FLARES reported that although approximately four years had passed since the trial began, trees planted with Shine N' Ripe XL continued to show less impact from citrus greening ("HLB") versus other treatments. As well, material on-going benefits continued in crop yields, resulting in a significantly shorter pay-back time for citrus growers. In both year three and year four, crops using Imaflex's film remained the only ones in the comparative group with a positive net return on invested capital. This ensued despite the higher initial investment costs for land preparation and installation associated with the metalized film's use.

ADVASEAL®

Today, agricultural films are used in the growing of fresh fruits and vegetables worldwide to cover soil treated with fumigants - volatile and toxic pesticides, which are essential for providing a pest and weed free (disinfested) soil for the undisturbed growth of new crop seedlings. ADVASEAL®, which is currently under development, simplifies the soil disinfestation process, making it safer, more environmentally-friendly and cost effective by releasing modern non-volatile crop protection products under controlled conditions from a coated plastic mulch, replacing the need for spraying.

ADVASEAL® will contain all the active ingredients, including a herbicide (HSM) to control weeds, fungicides to control soil borne pathogens, and a nematicide to control nematodes (pre-plant) for soil disinfestation to replace hazardous fumigants and conventional pesticide spray emissions. The catalyst to activate the release of these ingredients from the film is water. When the film is applied to the moist soil, they are released, replacing the spray application currently being used by growers. The underlying technology is patent protected in the top 20 major vegetable and fruit producing countries worldwide until 2032.

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GROWTH STRATEGY (continued)

Grow the Agriculture Business (continued)

ADVASEAL® is safe to transport, store and handle and its application is emission-free, eliminating the risk of inhalation and environmental damage present with the spray drift of fumigants and herbicides under current agricultural practices. In addition to being environmentally friendly, management estimates that ADVASEAL® will provide significant savings to growers depending on the crop and fumigants currently being used. ADVASEAL® permits the precise application of a low dose of crop protection products, improving crop quality and yields. Management estimates that ADVASEAL® will reduce the chemicals required by up to 95% and eliminate many of the costly work steps currently being used. Collectively, this puts Imaflex in a good position to capture market share worldwide as ADVASEAL® is commercialized.

Maintain focus on Research and Development

We will maintain our focus on enhancing the customer value proposition, while developing new capabilities and leading-edge products for highly profitable niche markets. This will help support the build-out of our core flexible packaging product portfolio. The Company's research teams use the fields in which they have core-competencies in order to identify innovative improvements and solutions where chemicals and polymers can offer added-value.

Maintain Efficiency of Equipment

Finally, we will focus on the efficiency of our equipment, making the required capital investments to maintain, upgrade and expand into new areas. Our commitment to make the required investments, and our ability to deliver customized solutions, on-time and at competitive prices should help to drive revenue and margin expansion, while allowing us to remain competitive in the marketplace.

MARKET OVERVIEW

The North American flexible packaging market is valued at approximately US \$29 billion. Although this market is highly fragmented and commoditized in terms of pricing, there are niches within the space that offer opportunity for increased profitability. In 2019, Imaflex was once again ranked in the top 100 North American film and sheet manufacturers by sales.

The total addressable global agriculture mulch film market, excluding silage and green house films, is valued at approximately US \$3.5 billion. The Company has and continues to develop innovative and proprietary solutions for this important market. Going forward, Imaflex hopes to capture a much larger share of the agriculture film market due to its next generation crop protection and yield enhancement products, Shine N' Ripe XL and ADVASEAL®. Management believes the value of the global addressable market for an active ingredient release film like ADVASEAL® will be much larger than that for traditional mulch films. In the U.S. alone, the Company estimates that approximately 130 million pounds of mulch film is being used, resulting in an estimated total addressable market for ADVASEAL® of approximately US \$750 million.

With growing concerns over the scarcity of resources, the environment, lower crop yields due to disease, and a rising global population, the Company believes that the macro-environment is also working in its favour. Sustainability and intelligent farming are becoming increasingly important.

SHINE N' RIPE XL BUILD-OUT

In 2017, a major international citrus producer began using Shine N' Ripe XL, leading to multi-million dollars in citrus film sales for the year. These purchases followed initial field trials by the grower and other multi-year independent studies, all of which confirmed the biological, environmental and economic benefits associated with using the film.

In 2018, Imaflex saw some timing delays in citrus film sales, largely due to major storms in the southeastern USA in late 2017. Sales fluctuations are not unusual when a product and customer network is being built out. The Corporation is actively pursuing new citrus film users and has a number of trials underway.

Imaflex is currently the only company with independent, long-term field trials showing that its long-lasting metalized film effectively reduces the early onset of citrus greening, while also accelerating tree growth and increasing yield. Due to these

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SHINE N' RIPE XL BUILD-OUT (continued)

successes and trials underway with new growers, we are optimistic the Company will see a further broadening of its customer base and revenue expansion going forward.

ADVASEAL® COMMERCIALIZATION

Imaflex successfully completed the design of a coating line, customized for the cost effective production of ADVASEAL®. The Corporation has also engaged a potential manufacturer (coater) capable of supplying sufficient quantities of ADVASEAL® for upcoming efficacy field trials. The contract manufacturer is a multi-national technology leader staffed with qualified chemists, process engineers and production technicians that are adept at working with chemicals and developing new products. Numerous trials have taken place at their facility and we are increasingly confident they will be able to provide coated film for upcoming efficacy field trials.

As for the active ingredients to be used with the film, faced with merger and acquisition activity amongst crop protection companies and the resulting delays in obtaining supply commitments, the Corporation decided to go directly to the same manufacturers in Asia supplying them. Although all of the active ingredients were eventually sourced, Imaflex subsequently experienced unusually long delays obtaining the necessary import permits due to the partial U.S. federal government shutdown beginning at the end of 2018. This said, all of the registered active ingredients were ultimately received and the contract manufacturer also obtained the required regulatory approval to work with them.

Imaflex is currently working with the contract manufacturer to refine the production process for ADVASEAL®, including optimizing chemical solubility and film characteristics. Field trials are currently expected to commence in spring 2020.

The efficacy field trials are required by the U.S. Environmental Protection Agency (EPA) for the exclusive registration of ADVASEAL®. Management believes the trials and the pesticide registration process will be positive as the generic active ingredients to be used with ADVASEAL are effectively used by growers today. As well, the Company previously received EPA approval of its herbicidal active ingredient release film, ADVASEAL® HSM.

COMPETITIVE ENVIRONMENT

Although competition is high in all of our markets, Imaflex operates in a multi-billion dollar industry with a multitude of product opportunities. Flexible packaging alone is used in almost every consumer product market to protect and preserve. Additionally, many of the Company's customers deal in food related products, which are somewhat recession resistant.

Imaflex believes it has a competitive edge since it is recognized as being an industry leader in the development of innovative solutions. The Company focuses on offering customers unique high quality products on a timely basis and at competitive prices. A key strength of ours is the ability to take on smaller orders with short lead times. Collectively, this helps create customer loyalty.

Some competitors, experiencing idle operations or producing at below average capacity levels, may attempt to gain market share through reduced pricing, particularly during difficult economic times. Imaflex still believes that maintaining its focus on the quality of its products and the excellence of its customer service remains its best long-term strategy, as these two characteristics define our position and reputation in the market, and this regardless of the fluctuations in the economic cycle. This strategy has been the backbone of our growth and it has served us well.

We employ a staff of chemical & polymer engineers and a chemist, which allows us to develop unique solutions. In our markets, we believe it is essential to sell value-added products and avoid producing highly commoditized offerings generating lower margins. The key to this strategy is identifying and building relationships with customers having specific needs and eventually developing products that address them. Our sales force is mandated to seek out such clients and the Company works to ensure its sales team is technically accomplished and equipped to properly communicate the advantages of all products.

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EMPLOYEES AND CORPORATE OFFICE

Imaflex currently employs approximately 240 people in North America, including those at our corporate head office located in Montreal, Canada. The Company currently has no unionized employees.

OUTSOURCING

Our industry is capital intensive and labour is only a minor component in the total cost of production. As a result, outsourcing our manufacturing to countries with lower wages would not have a material impact on costs, especially when factoring in expenses related to freight and duty. Furthermore, the risks associated with relinquishing our control over quality and delays in delivery deadlines would far outweigh any minimal benefit that would be generated by lower labour costs.

However, in the effort of eliminating bottlenecks in our production process when our capacity usage is very high, management may consider the use of third-party (toll) manufacturers for certain activities in order to meet all production deadlines and ensure the best service to our customers.

RISK FACTORS

The Company is involved in a competitive industry and marketplace in which there are a number of participants. To accommodate and effectively manage future growth, the Company continues to improve its operational, financial and management information systems, as well as its production procedures and controls. The Company's success is largely the result of the continued contributions of its employees and the Company's ability to attract and retain qualified management, sales and operational personnel.

The overall market the Company competes in has historically shown resiliency and growth, even during difficult economic times. The Company's customers predominantly operate in the food packaging and agriculture markets, which are somewhat resilient to recessionary and seasonal pressures. This fact, coupled with expanding product lines and the introduction of newer and faster equipment, should help Imaflex weather any potential volatility caused by uncertainty in the North American economic climate.

Factors which can impact the Company include, but are not limited to: management of credit, market dynamics, liquidity, funding and operational risks; the strength of the Canadian and U.S. economies in which we conduct business; the impact from movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in interest rates; the effects of competition in the markets in which we operate; our ability to successfully align our organization, resources, and processes; the availability and price of raw materials; failure to achieve planned growth associated with the U.S. operations; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services; changes in tax laws, technological changes and new regulations; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks.

GENERAL SITUATION OF THE POLYETHYLENE BLOWN FILM MARKET – RESIN PRICING

Resin prices increased marginally during the first half of 2019. However, towards the end of the third quarter political unrest in the Middle East created uncertainty in world oil markets and some upward resin pricing pressures ensued. For the remainder of 2019, the prevailing sentiment is for flat to downward pressure on resin prices, supported by expected capacity increases from new plants coming on stream. However, any more supply chain disruptions would give reason for resin producers to raise prices further. Since Imaflex does not have major long-term contracts with its customers, resin price fluctuations are typically passed along to them.

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LOSS OF BUSINESS FROM A SIGNIFICANT CUSTOMER

One of our business practices has been to limit the purchases by any particular customer to less than 10% of our revenues. This strategy helps ensure that our profitability and financial well-being are not dependent on any one client.

COMPETITION FROM OTHER COMPANIES

Imaflex operates in the highly competitive multi-billion dollar flexible packaging and agricultural film markets. This said, we believe the Company has a competitive edge over the competition due to our highly skilled teams that are quick to respond to customer needs, a diversified manufacturing base and the fact that the bulk of our customers deal in food related products which are less subject to recessionary and seasonal pressures. It may not always translate into greater net profit, but it should result in customer loyalty if we decide to match our competitors' prices.

SEASONALITY OF OPERATIONS

Certain products made at our Victoriaville and Thomasville facilities are subject to some seasonality due to the plant's partial manufacturing focus on the production of agriculture film for fruit and vegetable growers. Inventory is managed in a way to optimize cash flow, while also remaining capable to seize market opportunities that may arise. Since these locations also manufacture products that are destined for other markets, they are not overly affected by seasonal downturns.

EXPOSURE TO PRODUCT LIABILITY

Due to the nature of our operations, which consist primarily of manufacturing polyethylene film for converters, who process film into a finished product for their end-customers, Imaflex's exposure to product liability is low. Furthermore, the Corporation is not exposed to liability for personal injury or death arising from negligence in the manufacturing of the films.

The only market segment that exposes the Company to potential product liability claims is the agriculture space. In this market, proof of negligence in our manufacturing process could entail some form of compensation in the event that the expected crop yields do not materialize.

Although the likelihood of a claim in this market is low, we are nonetheless covered by a product liability insurance policy in the amount of \$25,000,000.

FLUCTUATIONS IN OPERATING RESULTS

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales. This is due to many factors, including and not limited to: competitive conditions in the businesses in which the Company participates; general economic environment and normal business uncertainty; product mix; fluctuations in foreign currency exchange rates; the availability and costs of raw materials; changes in the Company's relationship with its suppliers; planned plant shutdowns for preventative maintenance affecting production levels; and interest rate fluctuations and other changes in borrowing costs.

EXPOSURE TO INTEREST RATE FLUCTUATIONS

The Company's borrowings, which bear interest at a variable rate, have some interest rate risk. Management assesses its exposure to interest rate fluctuations and decides whether it may be favourable to enter into contracts to hedge this risk based on expected future movements and available economic data. Interest rate hikes, including those seen in recent quarters, may affect the Company's future cost of borrowing. However, management is currently not hedging its interest rate exposure and expects this exposure to lessen as the outstanding balance on its long-term borrowings decreases.

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ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

Imaflex's core operational management team has been historically stable and the Company was able to keep key competencies within the firm. This includes its three founders, who have more than 100 years of combined experience in management and research and development. As Imaflex has grown, it has also strengthened its team, adding individuals having a variety of competencies, such as accounting, operations, or engineering.

Management promotes a work environment that allows for the free exchange of ideas in an effort to ensure that the Company remains at the forefront of its industry. Management is confident that it can retain and, if need be, attract qualified individuals that will contribute to its on-going goal of building shareholder value.

FOREIGN EXCHANGE FLUCTUATIONS

Some of the Company's sales and expenses, as well as accounts receivable and payable, are denominated in US dollars. A portion of the revenue stream in US dollars acts as a natural hedge to cover US denominated expenses. Imaflex can also borrow funds on its line of credit in US dollars. The Company has increased its debt in US dollars in order to obtain additional revenues in US dollars. As this additional U.S. business fully materializes, the Company's exposure to foreign currency should be managed naturally. Management continuously assesses its exposure to such risk and the Company does not currently use any financial instruments to hedge its foreign currency position.

ENVIRONMENTAL HAZARDS

The Company's raw materials, processes and finished goods do not have any hazardous implications. However, we do buy a few items which are used in our production equipment, such as cooling products, which may be hazardous, but their use and handling are controlled. Though these products actually pose little risk, they are handled in a manner that fully complies with existing safety regulations.

NON-IFRS FINANCIAL MEASURES

The Company's management uses a non-IFRS financial measure in this MD&A, namely EBITDA, to assess its performance. EBITDA is determined as "Earnings before interest, taxes, depreciation and amortization". The reader may refer to the table below for the reconciliation of the EBITDA used by the Company to its reported net income.

Reconciliation of EBITDA to net income:

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net income	\$ 470	\$ 594	\$ 1,233	\$ 2,994
Plus:				
Income taxes	240	289	599	1,066
Finance costs	196	138	542	401
Depreciation and amortization	829	498	2,435	1,544
EBITDA ¹	\$ 1,735	\$ 1,519	\$ 4,809	\$ 6,005
Basic EBITDA per share ²	\$ 0.04	\$ 0.03	\$ 0.10	\$ 0.12
Diluted EBITDA per share ²	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.12

(1) Excluding the impact of IFRS 16 Leases, EBITDA was \$1.4 million for the quarter and \$3.9 million for the nine-month period ended September 30, 2019.

(2) Basic weighted average number of shares outstanding of 50,013,637 for the three and nine-month periods ended September 30, 2019. This compares to basic weighted average shares outstanding of 49,920,702 for the three-month period ended September 30, 2018 and 49,882,868 for the nine-month period ended September 30, 2018. Diluted weighted

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NON-IFRS FINANCIAL MEASURES (continued)

average number of shares outstanding of 50,596,635 for the quarter ended September 30, 2019 (51,053,391 in 2018) and 50,719,645 for the nine months ended September 30, 2019 (51,077,720 in 2018).

While EBITDA is not a standard IFRS measure, management, analysts, investors and others use it as an indicator of the Company's financial and operating management and performance. EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may be different from those used by other companies and accordingly it should not be considered in isolation.

RESULTS OF OPERATIONS

Business conditions remained competitive during the quarter, year-over-year profitability and cash flows came in at respectable levels.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Sales	\$19,195	\$21,316	\$62,331	\$63,860

Revenues were \$19.2 million for the third quarter of 2019, down from \$21.3 million in 2018. The year-over-year decrease is largely due to product pricing resulting from competition and lower resin prices, and reduced citrus film sales, which were \$nil for the current quarter, versus \$0.4 million in the third quarter of 2018.

For 2019 year-to-date, sales came in at \$62.3 million, down 2.4% from \$63.9 million in the corresponding prior-year period. The decrease was mainly due to the aforesaid pricing pressures and lower metalized agriculture film sales. This was partially offset by favourable movements in foreign exchange and higher sales volumes within our core flexible packaging business.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Gross Profit (\$) before amortization of production equipment	\$3,288	\$3,371	\$10,559	\$10,323
Gross Profit before amortization of production equipment (%)	17.1%	15.8%	16.9%	16.2%
Amortization of production equipment	767	442	2,254	1,331
Gross profit (\$)	\$2,521	\$2,929	\$8,305	\$8,992
Gross profit (%)	13.1%	13.7%	13.3%	14.1%

Gross profit before the amortization of production equipment was \$3.3 million or 17.1% of sales in the third quarter of 2019, versus \$3.4 million and 15.8% of sales in 2018. Including amortization of production equipment, the current quarterly gross profit was \$2.5 million or 13.1% of sales, versus \$2.9 million and 13.7% of sales in 2018.

For the first nine months of 2019, gross profit before amortization of production equipment was \$10.6 million or 16.9% of sales, up from \$10.3 million or 16.2% of sales in 2018. The corresponding gross profit including amortization expenses was

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RESULTS OF OPERATIONS (continued)

\$8.3 million or 13.3% of sales for the first nine months of 2019, versus \$9.0 million and 14.1% of sales in 2018. The year-over-year decrease in gross profit for the quarter and year-to-date was largely due to product pricing and lower citrus film sales.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Selling and administrative	\$1,812	\$1,726	\$5,366	\$5,003
As a % of sales	9.4%	8.1%	8.6%	7.8%

Selling and administrative expenses were \$1.8 million or 9.4% of sales for the third quarter of 2019, versus \$1.7 million and 8.1% of sales in 2018. For the first nine months of 2019, selling and administrative expenses were \$5.4 million or 8.6% of sales, versus \$5.0 million and 7.8% of sales in 2018. The year-over-year increases for the quarter and year-to-date were mainly driven by an expanded sales team to help stimulate demand for Imaflex's products and new production equipment, including the company's new five layer extruder.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Finance costs	\$196	\$138	\$542	\$401

Finance costs were \$196 thousand for the current quarter, versus \$138 thousand in 2018. For 2019 year-to-date, finance costs were \$542 thousand, up from \$401 thousand in the corresponding period of 2018. The aforesaid year-over-year increases were largely due to the incremental interest accretion on lease liabilities resulting from the adoption of IFRS 16 and increases in long term debt associated with major equipment purchases.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Foreign exchange (gains)/losses	(\$217)	\$242	\$498	(\$454)

As a result of currency fluctuations, Imaflex recorded a foreign exchange gain of \$0.2 million in the third quarter of 2019, versus a \$0.2 million loss in the corresponding quarter of 2018, resulting in a favourable \$0.4 million variance versus 2018. For 2019 year-to-date, Imaflex recorded a foreign exchange loss of \$0.5 million, versus a \$0.5 million gain in 2018, resulting in a negative \$1.0 million year-over-year variance. The majority of the Corporation's foreign exchange gains and losses are non-cash impacting and relate to intercompany balances for which Imaflex can control the time of settlement.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Income taxes	\$240	\$289	\$599	\$1,066
As a % of income before taxes	33.8%	32.7%	32.7%	26.3%

Income tax expenses totaled \$0.2 million for the third quarter of 2019, down from \$0.3 million in 2018. The Income tax expense as a percentage of income before taxes was up year-over-year, coming in at 33.8% in 2019 versus 32.7% in 2018.

Income taxes were \$0.6 million for 2019 year-to-date, down from \$1.1 million in the corresponding prior-year period due largely to the lower profitability in 2019. Income taxes as a percentage of income before taxes was 32.7% for the first nine months of 2019, versus 26.3% in 2018. The Corporation's statutory tax rate is currently 26.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net income	\$470	\$594	\$1,233	\$2,994
Basic earnings per share	\$0.01	\$0.01	\$0.02	\$0.06
Diluted earnings per share	\$0.01	\$0.01	\$0.02	\$0.06

Net income came in at \$0.5 million for the third quarter of 2019, versus \$0.6 million in the prior year. The decrease was largely due to the lower gross profit and higher selling and administrative expenses in the current quarter, partially offset by favourable movements in foreign exchange.

For the first nine months of 2019 net income stood at \$1.2 million, compared to \$3.0 million in 2018. The decrease over 2018 was largely due to the \$1.0 million unfavourable year-over-year variance relating to movements in foreign exchange, the lower gross profit and higher selling and administrative expenses.

SUMMARY OF QUARTERLY RESULTS

Summary financial data derived from the Company's unaudited quarterly financial statements for each of the eight most recently completed quarters are as follows:

For the quarters ending March, June, September and December (\$ thousands, except per share data):

	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17
Revenues	19,195	21,269	\$21,867	\$22,472	\$21,316	\$21,927	\$20,617	\$21,395
Net income (loss)	470	205	558	556	594	727	1,673	761
Earnings (loss) per share								
Basic	0.009	0.004	0.011	0.011	0.012	0.015	0.034	0.015
Diluted	0.009	0.004	0.011	0.011	0.012	0.014	0.033	0.015

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales, due to many factors. These factors include and are not limited to: competitive conditions in the businesses in which the Company participates; general economic conditions and normal business uncertainty; product mix; fluctuations in foreign currency rates; the availability and costs of raw materials; changes in the Company's relationship with its suppliers; planned plant shutdowns for preventative maintenance affecting production levels; along with interest rate fluctuations and other changes in borrowing costs.

FINANCIAL POSITION

September 30, 2019 vs. December 31, 2018

Working capital stood at \$10.8 million for the third quarter ended September 30, 2019 (\$11.8 million excluding the impact of IFRS 16), versus \$11.0 million as at December 31, 2018.

LIQUIDITY

Cash Flows from Operating Activities

Before movements in working capital and income taxes paid, Imaflex generated \$1.6 million of cash flows from operating activities during the third quarter of 2019, versus \$1.8 million in the corresponding prior-year period. The slight decrease was largely due to year-over-year fluctuations in foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY (continued)

Cash Flows from Operating Activities (continued)

Overall movements in working capital generated \$0.1 million of cash inflows for the current quarter, versus cash outflows of \$0.4 million in the third quarter of 2018. Including movements in working capital and taxes paid, the net cash generated by operating activities totaled \$1.4 million for the third quarter of 2019, up from cash inflows of \$0.4 million in the corresponding period of 2018.

For the first nine months of 2019, cash generated by operating activities totaled \$7.0 million, compared to \$0.5 million in 2018. The \$6.5 million favourable year-over-year variance is predominantly due to favourable movements in working capital, particularly relating to trade and other receivables, inventories, and lower 2019 taxes paid.

Cash Flows from Investing Activities

During the third quarter of 2019, Imaflex contributed \$3.0 million towards capital assets, up from \$0.3 million in the corresponding prior-year period. For the year-to-date, capital investments totaled \$4.1 million, up from \$2.2 million in 2018. The investments made in 2018 and 2019 largely relate to equipment payments aimed at improving the Company's production capacity and capabilities in order to generate heightened sales and profitability. This includes expenditures towards the purchase of Imaflex's new five-layer extruder, which is now operational, and other major equipment purchases.

Cash Flows from Financing Activities

During the third quarter of 2019, the Corporation had cash inflows from financing activities of \$2.0 million, versus \$2 thousand in the corresponding prior-year quarter. The year-over-year increase largely relates to the receipt of funds pertaining to the Company's equipment financing. For the first nine months of 2019, Imaflex had cash outflows from financing activities of \$2.6 million, versus cash inflows of \$1.9 million in 2018. The higher cash outflows in 2019 largely pertain to changes in bank indebtedness relating to the Corporation's line of credit, along with heightened repayments of long-term debt and leases.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at September 30, 2019 were as follows:

(\$ thousands)	Payments due by period			
	Total	Less than 1 year	1 to 5 years	After 5 years
Long-term debt	\$ 9,694	\$ 2,244	\$ 7,425	\$ 25
Bank indebtedness	5,427	5,427	-	-
Leases*	4,152	1,271	2,856	25
Total contractual obligations	\$ 19,273	\$ 8,942	\$ 10,281	\$ 50

*Based on IFRS 16, commitments previously captured under operating leases are now largely recorded on the balance sheet as *lease obligations*.

These contractual obligations are sensitive to the fluctuation of interest rates. They are based on interest and foreign exchange rates effective as at September 30, 2019.

CAPITAL RESOURCES

The Company's \$12 million operating line of credit, which is secured by trade receivables and inventories, bears interest at a premium of 0.40% over the Canadian prime rate. As at September 30, 2019, Imaflex was using approximately \$5.4 million on its line of credit (\$8.1 million as at December 31, 2018) and had cash outstanding of \$0.6 million (\$0.3 million as at December 31, 2018). Working capital stood at \$10.8 million for the quarter ended September 30, 2019 (\$11.8 million excluding the impact of IFRS 16), versus \$11.0 million as at December 31, 2018. The Company controls its financial leverage, ensuring that its borrowings reflect the asset base against which funds are borrowed as well as the profitability that is

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL RESOURCES (continued)

generated through the operations. The Company has sufficient capital to fund its operations and to further grow the business in the near future.

EQUIPMENT LEASING FACILITY

In 2018, Imaflex entered into an equipment leasing facility of up to CDN \$10.0 million with a leading global financial institution to fund business expansion. To date, approximately \$6.7 million of funds have been used to purchase equipment for the Corporation's US operations. During the third quarter of 2019, all funds borrowed under this lease agreement were transferred to loan agreements, as described under notes 9 (f and g) in the accompanying unaudited interim condensed consolidated financial statements and related notes. This new equipment allows the Corporation to increase its scale, broaden its capabilities and drive revenue and margin expansion at attractive terms.

PROPOSED TRANSACTION

The Company is not currently contemplating any business acquisition or merger.

RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company had routine transactions with related parties. These transactions are measured at fair value, which is the amount of consideration established and agreed to by the related parties.

The following table reflects the related party transactions recorded for the periods ended September 30, 2019 and 2018. For additional information, please refer to note 24, *Related party transactions* of the "Notes to the consolidated financial statements" for the years ended December 31, 2018 and 2017.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Professional fees and key management personnel services (a)	\$ 59	\$ 63	\$ 178	\$ 197
Rent (b)	\$ 278	\$ 214	\$ 834	\$ 639
Remuneration (c)	\$ 247	\$ 285	\$ 876	\$ 890

(a) Professional fees include transactions with Polytechnomics Inc., of which Gerald R. Phelps, Imaflex's Vice-President – Operations, is the controlling shareholder and with Philip Nolan, a director of Imaflex, who is also a partner at Lavery de Billy L.L.P.

(b) Joseph Abbandonato, Imaflex's President, Chief Executive Officer and Chairman of the Board, is the controlling shareholder of Roncon Consultants Inc. ("Roncon"). The Company's production facilities at Imaflex, Canslit, and Imaflex USA are leased from Roncon and parties related to Roncon under long-term lease agreements. The majority of these payments are recorded as a lease obligation on the balance sheet, while the remainder covers the applicable interest and is recorded under finance costs as an expense.

(c) Includes salaries, benefits and fees paid to key management personnel and directors.

FINANCIAL INSTRUMENTS

Please refer to note 21, *Financial instruments* of the consolidated financial statements for the years ended December 31, 2018 and 2017 for disclosure on the Company's financial instruments as well as note 23, *Risk management* for a discussion on the risks the Company is exposed to and how they are managed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS (continued)

As at September 30, 2019, the Company was not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at September 30, 2019, 2,725,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.521 of which 2,525,000 were exercisable.

As at September 30, 2018, 2,375,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.495 of which 2,287,500 were exercisable.

MANAGEMENT OUTLOOK

Although competition has eased in recent quarters, it remains a dynamic pricing environment, which continues to put pressure on revenues. This said, our solid line-up of innovative products is allowing us to attract and retain customers, albeit at lower than historical sales price points. As well, all of the major equipment projects undertaken since 2018 are now on-line, which provides additional upside opportunities. We will continue to stay the course, building out our business, and preparing for upcoming ADVASEAL® field trials. With respect to our citrus film, we continue to believe in the benefits it brings citrus growers and we remain cautiously optimistic demand will build going forward.

OUTSTANDING SHARE DATA

As at September 30, 2019, the Company had 50,013,637 common shares outstanding, unchanged from 50,013,637 as at September 30, 2018 and December 31, 2018.

Additional information relating to our Company, including our quarterly and Annual Reports, can be found on SEDAR at www.sedar.com.

(s) Joe Abbandonato

Joe Abbandonato
President and Chief Executive Officer

(s) Giancarlo Santella

Giancarlo Santella, CPA, CA
Chief Financial Officer

November 22, 2019

For investor information, contact

JOHN RIPPLINGER

Vice President Corporate Affairs

johnr@imaflex.com

T: 514.935.5710 ext. 157 | F: 514.935.0264

IMAFLEX INC.

5710 Notre-Dame West
Montreal, Quebec, Canada H4C 1V2
T: 514.935.5710 | F: 514.935.0264
www.imaflex.com