

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, 2021 and 2020. 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, 2021 and 2020 as well as our audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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 23, 2021. 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 audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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, statements relating to the potential impacts on our business, financial condition, liquidity and financial results due to the COVID-19 pandemic, the length and severity of an economic downturn, 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 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

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS (continued)

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 23, 2021.

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 the integrity of products 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 by Imaflex to growers. They are available in a variety of formats and include both metalized and non-metalized films. Our portfolio includes common mulch, compostable and fumigant barrier films, as well as innovative metalized 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 25,084 square meters or 270,000 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 deems 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

GROWTH STRATEGY (continued)

Grow the Agriculture Business

We will continue to build-out our agriculture business, driving awareness and exposure for our advanced crop protection films, particularly our metalized films and our patented active ingredient release film, ADVASEAL® (under development). Our metalized agriculture films are surface coated with aluminum 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.

ADVASEAL® (under development)

Today, agricultural films are used in the growing of fresh fruits and vegetables worldwide to cover soil treated with fumigants – volatile and toxic pesticides essential for reducing pests, weeds and fungi in the soil, thus supporting good growth of new crop seedlings. Currently, fumigants offer the greatest efficacy for pre-plant soil disinfection, but they also have the highest health and environmental risk due to their volatility, toxicity and required application rates that can run into the hundreds of pounds per acre.

The U.S. Environmental Protection Agency (EPA) originally approved ADVASEAL® (ADVASEAL® HSM), which contained only an herbicide for weed control. The new enhanced ADVASEAL®, which is under development, also includes three fungicides and a nematicide to control soil borne pathogens, thus becoming a complete non-fumigant alternative for pre-plant soil disinfection. With ADVASEAL®, these modern non-volatile crop protection products can be applied more effectively and safely than with fumigants. The crop protection products are incorporated into a coating, which is then applied to a mulch film. Once the coated film is applied to the ground, the active ingredients are released into the soil under controlled conditions, preventing the over/under-dosing found with current soil disinfection practices. This new technology dramatically reduces the amount of crop protection products required. The catalyst to trigger the release of the active ingredients is soil moisture. When the film is applied to the soil, the active ingredients are efficiently and safely discharged into the ground, resulting in heightened productivity, lower costs and notable environmental benefits. The underlying technology is patent-protected in the top 20 major vegetable and fruit producing countries worldwide.

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 drift of fumigants 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. Management estimates that ADVASEAL® will reduce the chemicals required by over 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 team uses the fields in which they have core-competencies in order to identify innovative improvements and solutions where chemicals and polymers can offer added-value.

Continue Upgrading 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 more than US \$30 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 2021, Imaflex was once again ranked in the top 100 North American film and sheet manufacturers by sales.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW (continued)

The total addressable global mulch film market, excluding silage and greenhouse films, is valued at approximately US \$3.7 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 advanced films, such as 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 and growers are increasingly turning to other industries to help them do more with less.

ADVASEAL® COMMERCIALIZATION PROCESS

Prior to commercializing ADVASEAL®, Imaflex needs to submit a registration package to the U.S. Environmental Protection Agency (EPA) for approval. As part of the process, the Company conducted two independent field trials (an Efficacy Trial and a Release Study) to test the efficacy of ADVASEAL® and to ensure the release times of the active ingredients (herbicide, nematicide and fungicides) coated on the film are in compliance with the pre-harvest intervals established by the EPA. In order to obtain sufficient quantities of ADVASEAL® film for these trials, the Company worked closely with FUJIFILM Manufacturing U.S.A. Inc. (FUJIFILM) to develop and optimize the coating process for the application of the active ingredient mixture.

The first of the two trials – the Efficacy Trial – commenced in February 2020. It was designed to evaluate ADVASEAL's® ability to release its crop protection products into the soil and achieve soil disinfestation, prior to planting tomato seedlings. Concurrently, the trial monitored plant growth, yield and quality, compared to a crop produced under the current best Florida grower standard for fresh tomato production using fumigants. The tomato plant was chosen as it is one of the most widely grown crops in the world. Furthermore, if high yields can be achieved using ADVASEAL® with tomato plants, it can likely be used to generate high yields for most other fruits and vegetables that require pre-plant soil disinfestation with fumigants.

On March 31, 2020, Imaflex announced positive interim results for the Efficacy Trial. Independent analytical lab results of ADVASEAL® samples collected at the trial site, in the three-week period following the film being laid on the ground, indicated that the active ingredients were being released into the soil in the desired manner. Subsequently, on September 10, 2020 the Corporation announced final independent results showing that ADVASEAL® was a viable soil fumigation alternative to the current best grower practice of using fumigants to improve yields of field grown vegetables. Plots using ADVASEAL® were shown to produce comparable marketable yields to the grower standard.

Based on these positive findings, in October 2020 the Corporation commenced a Release Study, the last and most comprehensive trial required for the U.S. Environmental Protection Agency (EPA) registration package. The Study was required to determine the exact timing each active ingredient coated on ADVASEAL® is released into the soil. This is needed to show compliance with the pre-harvest intervals established by the EPA, which is essentially the wait period required between the last application (release) of an active ingredient and when a crop can be harvested for safe human consumption.

On January 25, 2021, the Company subsequently announced positive independent final results for the Release Study. The release times of all five crop protection products coated on ADVASEAL® were in compliance with the pre-harvest intervals established by the EPA.

Imaflex has one remaining step before submitting the registration package to the EPA for approval of ADVASEAL® as a new physical pesticide formulation. Four of the five active ingredients used on the film come from Asia and are not yet registered in the U.S.A. To simplify their registration as generic pesticides Imaflex has mandated a lab to prove their

MANAGEMENT DISCUSSION AND ANALYSIS

ADVASEAL® COMMERCIALIZATION PROCESS (continued)

equivalence with TGAI already registered and marketed in the U.S.A. Although the lab has made significant progress, the analysis is taking longer than originally anticipated and we are now targeting completion for around year-end 2021. This said, it is a highly complex process and the exact timing for completion is subject to change. Going forward, holding our own TGAI registration should give Imaflex greater autonomy, by making it less reliant on a particular supplier. Once the TGAI and ADVASEAL® registration package is submitted, the EPA review process can take up to a year to complete. Management believes the 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 market to protect and preserve the integrity of a product. Many customers also deal in food related goods, which are somewhat recession resistant.

Imaflex believes the Company's ability to develop innovative solutions, while offering high quality products and services gives it a competitive edge. This combined with our ability to take on smaller orders with short lead times and at competitive prices 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.

EMPLOYEES AND CORPORATE OFFICE

Imaflex currently employs approximately 218 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, Imaflex continues to improve its operational, financial and management information systems, as well as its production procedures and controls. Our success is largely the result of the continued contributions of our employees and the Company's ability to attract and retain qualified management, sales and operational personnel.

The overall market we compete in has historically shown resiliency and growth, even during difficult economic times. Our 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: the impact of the COVID-19 global pandemic on our current and future business, 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 costs began to rise at the end of the second quarter of 2020 and this trend accelerated for much of 2021 before leveling off in the third quarter. Production disruptions, tight supplies and COVID-19 driven demand resulted in resin demand outstripping supplies. Although North American resin production is improving, which is helping to stabilize pricing, it is expected to take resin producers considerable time to back-fill orders, restock inventories and unwind *force majeure* declarations. Until this occurs, market pressures are expected to remain which could cause further pricing pressures. Any new production issues could compound the situation further, putting additional pressure on resin supplies and pricing.

As Imaflex has no long term contracts with its customers, it is able to adjust product pricing as resin input costs change. There is usually a 30-day lag between a resin price increase and when customer product pricing can be revised. This said, resin price decreases are normally passed along to the customer immediately. Given that Imaflex is able to adjust product pricing, we do not expect it to have a material impact on our business.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 finished products 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 quarterly profitability may vary, irrespective of quarterly sales. This is due to many factors, including and not limited to: competitive conditions in the businesses in which Imaflex 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 Imaflex's relationship with its suppliers; planned plant shutdowns for preventative maintenance affecting production levels; and interest rate fluctuations along with 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 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE FLUCTUATIONS (continued)

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 following table for the reconciliation of the Company's EBITDA 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,	
	2021	2020	2021	2020
Net income	\$ 2,774	\$ 1,236	\$ 6,725	\$ 4,670
Plus:				
Income taxes	288	655	1,038	1,623
Finance costs	87	118	313	429
Depreciation and amortization	921	944	2,724	2,820
EBITDA ¹	\$ 4,070	\$ 2,953	\$ 10,800	\$ 9,542
Basic EBITDA per share ²	\$ 0.08	\$ 0.06	\$ 0.21	\$ 0.19
Diluted EBITDA per share ²	\$ 0.08	\$ 0.06	\$ 0.21	\$ 0.19

(1) Basic weighted average number of shares outstanding of 50,714,724 for the quarter and 50,479,205 for the year-to-date ended September 30, 2021. This compares to basic weighted average number of shares outstanding of 50,063,637 for the quarter and 50,033,163 for the year-to-date ended September 30, 2020. Diluted weighted average number of shares outstanding of 51,651,416 for the quarter ended September 30, 2021 (50,680,718 in 2020) and 51,596,904 for the year-to-date ended September 30, 2021 (50,587,561 in 2020).

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

The Corporation continued to generate strong results in the third quarter of 2021. Both the top and bottom line were up materially over 2020, while cash flows also remained strong. The Company closed the quarter with approximately \$18.2 million of cash available for operating activities, including a cash balance of \$8.1 million and another \$10.1 million under its \$12.0 million revolving line of credit. COVID-19 continued to have no material impact on operations.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales	\$29,459	\$22,904	\$81,770	\$64,742

Revenues were \$29.5 million for the current quarter, up 28.6% over 2020. Growth was driven by product pricing, which rose in-line with higher year-over-year resin costs, partially offset by unfavourable movements in foreign exchange. Sales volumes for higher margin converted products were up materially, while garbage bag sales also continued to climb as more employees returned to the workplace following the continued phase-out of COVID related restrictions.

For the first nine months of 2021 revenues came in at \$81.8 million, up 26.3% over 2020. The year-over-year increase was driven by product pricing and higher sales volumes, partially offset by unfavourable movements in foreign exchange. Sales volumes for converted products and garbage bags were up significantly over 2020.

As Imaflex has no long-term customer contracts, it is able to adjust product pricing in accordance with resin input costs. However, there is usually a 30-day lag between a resin price increase and when customer pass-through adjustments are made. This can temporarily impact margins, particularly in a rising raw material pricing environment.

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Gross Profit (\$) before amortization of production equipment	\$5,262	\$5,272	\$16,086	\$14,687
Gross Profit before amortization of production equipment (%)	17.9%	23.0%	19.7%	22.7%
Amortization of production equipment	866	887	2,588	2,632
Gross profit (\$)	\$4,396	\$4,385	\$13,498	\$12,055
Gross profit (%)	14.9%	19.1%	16.5%	18.6%

Gross profit before amortization of production equipment was \$5.3 million (17.9% of sales) for the current quarter, versus \$5.3 million (23.0%) of sales in 2020. The gross profit including amortization of production equipment came in at \$4.4 million (14.9% of sales) for the third quarter of 2021 versus \$4.4 million (19.1% of sales) in the prior year.

For 2021 year-to-date, the gross profit before amortization of production equipment was \$16.1million (19.7% of sales), up 9.5% from \$14.7 million (22.7% of sales) in 2020. Similarly, the gross profit including amortization of production equipment was up year-over-year, coming in at \$13.5 million (16.5% of sales) versus \$12.1 million (18.6% of sales) in 2020.

Imaflex's 2021 profit margins remained healthy for the current quarter and year-to-date, due to higher sales volumes for converted and industrial products (garbage bags, bags on rolls). The Corporation also continued to benefit from its growing scale, whereby incremental revenues lessen the impact of labor and overhead costs relative to sales. This said, margins were impacted by the rapid rise in resin input costs, which resulted in a higher revenue base due to associated increases in product pricing. In addition, foreign exchange fluctuations were unfavourable year-over-year.

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Selling and administrative	\$1,806	\$1,923	\$5,267	\$5,697
As a % of sales	6.1%	8.4%	6.4%	8.8%

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

Selling and Administrative expenses (SG&A), came in at \$1.8 million (6.1% of sales) for the quarter, versus \$1.9 million (8.4% of sales) in the prior year. For the first nine months of 2021, they totaled \$5.3 million (6.4% of sales), down from \$5.7 million (8.8% of sales) in 2020. The higher revenue base for the current quarter and year-to-date, along with ongoing cost controls, reduced the impact of SG&A expenses as a percent of sales in 2021.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Finance costs	\$87	\$118	\$313	\$429

Finance costs came in at \$87 thousand for the current quarter, down from \$118 thousand in the prior year largely due to a reduction in long-term debt, partially offset by higher bank indebtedness relating to the Company's line of credit. For 2021 year-to-date, finance costs totaled \$313 thousand, down from \$429 thousand in 2020 mainly due to reduced overall debt levels year-over-year, including both long-term debt and Imaflex's line of credit.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Foreign exchange (gains)/losses	(\$580)	\$434	97	(\$432)

Due to the appreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange gain of \$0.6 million in the third quarter of 2021, versus a loss of \$0.4 million in 2020, resulting in a \$1.0 million favourable year-over-year variance. For 2021 year-to-date, Imaflex had a foreign exchange loss of \$0.1 million, versus a gain of \$0.4 million in 2020, resulting in a \$0.5 million unfavourable year-over-year variance. A majority of the Corporation's foreign exchange gains and losses are non-cash impacting and largely relate to intercompany balances for which Imaflex can control the time of settlement.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Income taxes	\$288	\$655	\$1,038	\$1,623
As a % of income before taxes	9.4%	34.6%	13.4%	25.8%

Income taxes were \$0.3 million or 9.4% of income before taxes for the third quarter of 2021, versus \$0.7 million and 34.6% respectively in the corresponding prior-year period. For the first nine months of 2021, income taxes stood at \$1.0 million or 13.4% of income before taxes, versus \$1.6 million and 25.8%, respectively in 2020. An increasing share of profits is being generated by Imaflex's US subsidiary due to multi-year capital investments to strengthen operations. At the same time, the Company is benefitting from prior year tax losses at its US subsidiary, which reduces income taxes. The Corporation's statutory tax rate is currently 26.5%.

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net income	\$2,774	\$1,236	\$6,725	\$4,670
Basic earnings per share	\$0.05	\$0.02	\$0.13	\$0.09
Diluted earnings per share	\$0.05	\$0.02	\$0.13	\$0.09

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

Net income stood at \$2.8 million for the current quarter, up 124.4% from \$1.2 million in 2020. The increase was largely due to lower selling and administrative expenses and the foreign exchange gain in 2021. For the first nine months of 2021 net income came in at \$6.7 million, up 44% over 2020. The increase was largely due to the higher gross profit, along with lower selling and administrative and finance expenses, partially offset by unfavourable year-over-year movements in foreign exchange.

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):

	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
Revenues	29,459	27,391	24,920	21,940	22,904	20,807	21,031	18,740
Net income	2,774	1,999	1,952	1,679	1,236	342	3,092	303
Earnings per share								
Basic	0.055	0.040	0.039	0.034	0.025	0.007	0.062	0.006
Diluted	0.054	0.039	0.038	0.033	0.024	0.007	0.061	0.006

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, 2021 vs. December 31, 2020

Working capital stood at \$22.8 million as at September 30, 2021, up \$6.0 million from \$16.8 million as at December 31, 2020. The year-over-year improvement was largely due to increases in cash, trade and other receivables and inventories, partially offset by increases in trade and other payables and bank indebtedness.

LIQUIDITY

Cash Flows from Operating Activities

Cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$3.5 million for the third quarter of 2021, up slightly from \$3.4 million in the corresponding prior-year quarter. Including movements in working capital and taxes paid, net cash generated by operating activities was \$3.6 million for the current quarter, versus \$4.1 million in 2020. The decrease was largely due to movements in trade and other payables.

For the first nine months of 2021, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$10.8 million, up from \$9.1 million in the corresponding prior-year period. The year-over-year increase was driven by the higher profit in 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$6.6 million for 2021 year-to-date, down from \$9.8 million in 2020. The decrease was largely driven by movements in trade & other receivables resulting from higher product pricing and stronger sales volumes in 2021. Inventory levels also fluctuated versus 2020, reflecting higher resin input costs and additional raw material purchases to accommodate stronger customer orders and ensure resin inventory in a tight market.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY (continued)

Cash Flows from Investing Activities

During the third quarter of 2021 and 2020, Imaflex contributed \$0.5 million towards capital assets. For 2021 year-to-date, capital investments totaled \$1.7 million, up from \$1.0 million in the prior year. The higher outflows for 2021 went largely towards initiatives to further enhance the Company's production capacity and capabilities in order to heighten sales and profitability. As well, the Corporation incurred some additional charges related to the EPA registration of ADVASEAL®.

Cash Flows from Financing Activities

The Corporation recorded net cash inflows from financing activities of \$0.5 million for the current quarter, versus cash outflows of \$1.7 million in the corresponding prior-year quarter. The \$2.2 million year-over-year variance is largely due to a \$0.8 million increase in bank indebtedness (revolving line of credit) in the third quarter of 2021 versus a \$1.0 million decrease in 2020. The Corporation also generated \$0.6 million of additional funds in the current quarter due to the issuance of share capital (nil in 2020). This was partially offset by higher payments of long term debt in the current quarter.

For the first nine months of 2021 cash used in financing activities totaled \$24 thousand, down significantly from \$6.6 million of outflows in 2020. The lower outflows for 2021 year-to-date were due to the same variables outlined for the quarter.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at September 30, 2021 were as follows:

(\$ thousands)	Payments due by period			
	Total	Less than 1 year	1 to 5 years	After 5 years
Long-term debt	\$ 6,388	\$ 2,182	\$ 4,111	\$ 95
Bank indebtedness	1,898	1,898	-	-
Leases	1,987	1,016	971	-
Total contractual obligations	\$ 10,273	\$ 5,096	\$ 5,082	\$ 95

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, 2021.

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, 2021, Imaflex had \$1.9 million outstanding on its line of credit (versus nil on December 31, 2020) and had cash outstanding of \$8.1 million (\$3.2 million as at December 31, 2020). Working capital stood at \$22.8 million at the end of the current quarter, up from \$16.8 million at the end of 2020.

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 generated through the operations.

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, 2021 and 2020. For additional information, please refer to note 23, *Related party transactions* of the "Notes to the consolidated financial statements" for the years ended December 31, 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATED PARTY TRANSACTIONS (continued)

(\$ thousands)		Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Professional fees and key management personnel services	(a)	\$ 36	\$ 36	\$ 115	\$ 121
Rent	(b)	\$ 284	\$ 279	\$ 850	\$ 841
Remuneration	(c)	\$ 261	\$ 262	\$ 789	\$ 809

(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 self-employed tax lawyer.

(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, 2020 and 2019 for disclosure on the Company's financial instruments as well as note 22, *Risk management* for a discussion on the risks the Company is exposed to and how they are managed.

As at September 30, 2021, the Company was not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at September 30, 2021, 650,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.822 of which 612,500 were exercisable. During the third quarter of 2021, 1,375,000 options to purchase shares of the Company were exercised, of which 500,000 were issued at an exercise price of \$0.42 and 875,000 were issued at an exercise price of \$0.40.

As at September 30, 2020, 2,225,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.536 of which 2,087,500 were exercisable.

MANAGEMENT OUTLOOK

Demand for our products continues to be steady, particularly our higher margin offerings. As well, we continue to benefit from our growing scale, enhanced by our multi-year capital investments. This said, we operate in a competitive pricing environment, and although resin input costs appear to be stabilizing, any new supply constraints could put additional pressure on resin pricing and availability. Fortunately, we are normally able to adjust product pricing in accordance with raw material costs. In addition, our diversified set of offerings and broad customer base helps mitigate business risks.

To date, the impact of COVID-19 on Imaflex's business, financial situation and results has not been material. However, any outbreaks of new viral variants, occurrences at one of the Corporation's plants, deferrals in customer purchases, payment issues with customers, or supply and distribution delays could impact performance, the extent to which cannot be predicted. This said, these risks are considered temporary and with a strong balance sheet and dynamic team the Corporation is well positioned to meet any challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTSTANDING SHARE DATA

As at September 30, 2021, the Company had 51,638,637 common shares outstanding, up from 50,063,637 as at December 31, 2020. The increase follows the issuance of shares under Imaflex's stock option plan.

Additional information on Imaflex, including 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 23, 2021

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