

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, 2022 and 2021. 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, 2022 and 2021 as well as our audited consolidated financial statements for the years ended December 31, 2021 and 2020.

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, 2022. 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, 2021 and 2020.

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

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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, 2022.

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.

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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 HG® (EPA approval pending)

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 disinfestation, 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. To address this, Imaflex developed ADVASEAL HG® (ADVASEAL®) to be used in preplant soil disinfestation as an alternative to fumigants in minor use crop production.

Originally, the U.S. Environmental Protection Agency (EPA) approved ADVASEAL® HSM, which contained only an herbicide for weed control. The new enhanced ADVASEAL HG® (ADVASEAL®), which still requires EPA approval, also includes three fungicides and a nematicide to control soil borne pathogens. With ADVASEAL®, 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 disinfestation 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.

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 2022, Imaflex was once again ranked in the top 100 North American film and sheet manufacturers by sales.

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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 progressively turning to other industries to help them do more with less.

ADVASEAL® COMMERCIALIZATION PROCESS

As part of the commercialization process, Imaflex 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.

Upon successful completion of the two independent field trials, Imaflex mandated an independent lab to prove the equivalence of the generic active ingredients being used on ADVASEAL® with active ingredients already registered and marketed in the U.S., thus simplifying their registration as generic pesticides. Four of the five active ingredients used on the film come from Asia and are not yet registered in the U.S. Following the successful completion of the lab's work Imaflex

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ADVASEAL® COMMERCIALIZATION PROCESS (continued)

subsequently announced on November 7, 2022 that it had submitted the ADVASEAL® registration package to the U.S. Environmental Protection Agency (EPA) for approval as a new physical pesticide formulation. In conjunction with this, the Corporation announced that it had submitted the required active ingredient registrations for approval as generic pesticides for use in the manufacturing of ADVASEAL®. 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 242 people in North America, including those at its 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 our effort to eliminate 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.

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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

In recent years, production disruptions, tight supplies, COVID-19 driven demand and geopolitical events resulted in resin demand outstripping supplies as market participants looked to secure supplies in an already tight market. Resin input 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 and declining throughout the fourth quarter of 2021. Prices were relatively stable for the first six months of 2022, although a price increase was registered in both quarters, with higher grade polymers being particularly impacted. Resin prices subsequently decreased in the third quarter of 2022. While North American resin production is expected to improve going forward, global events and any production issues could put additional pressure on resin supplies and pricing.

Although the resin market is tight, Imaflex has so far avoided any material procurement issues. In addition, as the Corporation has no long-term contracts with its customers, it is able to adjust product pricing as 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.

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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

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FOREIGN EXCHANGE FLUCTUATIONS (continued)

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 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,	
	2022	2021	2022	2021
Net income	\$ 3,123	\$ 2,774	\$ 8,625	\$ 6,725
Plus:				
Income taxes	510	288	1,431	1,038
Finance costs	105	87	332	313
Depreciation and amortization	1,085	921	3,093	2,724
EBITDA ¹	\$ 4,823	\$ 4,070	\$ 13,481	\$ 10,800
Basic EBITDA per share ²	\$ 0.09	\$ 0.08	\$ 0.26	\$ 0.21
Diluted EBITDA per share ²	\$ 0.09	\$ 0.08	\$ 0.26	\$ 0.21

(1) Basic weighted average number of shares outstanding of 51,738,637 for the quarter and 51,687,538 for the year-to-date ended September 30, 2022. This compares to 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. Diluted weighted average number of shares outstanding of 51,936,493 for the quarter (51,651,416 in 2021) and 51,886,330 for the year-to-date ended September 30, 2022 (51,596,904 in 2021).

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

Despite macroeconomic factors, the temporary delay of sales to a key customer and a slowdown at our Montréal plant due to a COVID outbreak at quarter end, Imaflex continued to generate solid profits during the third quarter of 2022. This is a reflection of our on-going efforts to move towards higher value offerings, along with gains due to currency fluctuations.

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RESULTS OF OPERATIONS (continued)

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Sales	\$26,569	\$29,459	\$89,756	\$81,770

Revenues were \$26.6 million for the third quarter of 2022, down 9.8% from \$29.5 million in 2021. The decrease was partially offset by product mix, including strong metalized film sales, and favourable year-over-year movements in foreign exchange. Sales were impacted by reduced order levels in the current quarter, driven by a temporary slowdown from a large customer who asked for an unexpected product redesign and a COVID outbreak at Imaflex's Montreal plant in September 2022. As well, resin costs went down during the quarter, resulting in lower sales prices. As Imaflex has no long-term contracts, it is able to adjust product pricing in accordance with resin input costs.

For the year-to-date, revenues came in at \$89.8 million, up 9.8% from \$81.8 million in 2021. Growth was driven by product pricing, which rose in line with increased sales of higher margin offerings and additional costs for some resins. Sales of metalized films were particularly strong, reflecting the strength of Imaflex's diversified line-up of products. This strong performance was partially offset by the reduced volumes seen in the third quarter of 2022.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Gross Profit (\$) before amortization of production equipment	\$5,377	\$5,262	\$17,642	\$16,086
Gross Profit before amortization of production equipment (%)	20.2%	17.9%	19.7%	19.7%
Amortization of production equipment	1,028	866	2,925	2,588
Gross profit (\$)	\$4,349	\$4,396	\$14,717	\$13,498
Gross profit (%)	16.4%	14.9%	16.4%	16.5%

Gross profit before the amortization of production equipment was \$5.4 million (20.2% of sales) for the current quarter, up 2.2% from \$5.3 million (17.9% of sales) in 2021. Gross profit including amortization of production equipment came in at \$4.3 million (16.4% of sales) for the current quarter, versus \$4.4 million (14.9% of sales) in the prior year. The gross profit for the current quarter was impacted by resin price fluctuations. Resin price decreases are normally reflected immediately in product pricing for Imaflex's customers, while increases usually take about 30 days to be priced in. As such, the effect of a resin price decrease is that an immediate opportunity loss is incurred with respect to resin inventory previously purchased when prices were higher. Despite this, the gross profit remained relatively stable. This is largely due to Imaflex's on-going efforts to drive sales of higher value products and favourable year-over-year movements in foreign exchange. This quarter's higher gross profit margins (before and after amortization) were also supported by the lower sales base.

For 2022 year-to-date, the gross profit before amortization of production equipment was \$17.6 million (19.7% of sales), up 9.7% from \$16.1 million (19.7% of sales) in 2021. The gross profit including amortization of production equipment was up 9.0% year-over-year, coming in at \$14.7 million (16.4% of sales) versus \$13.5 million (16.5% of sales) in 2021. The year-to-date gross profit was positively impacted by Imaflex's continuing shift to higher value business segments and favourable year-over-year movements in foreign exchange. In addition, the Corporation benefited from its ongoing initiatives to drive operating efficiencies and enhance production capabilities throughout the business. This was partially offset by additional costs for some resins and inflationary pressures, such as fuel surcharges from carriers and some suppliers and higher product packaging and other costs.

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RESULTS OF OPERATIONS (continued)

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Selling and administrative	\$1,947	\$1,806	\$5,979	\$5,267
As a % of sales	7.3%	6.1%	6.7%	6.4%

Selling and Administrative expenses came in at \$1.9 million for the quarter, up slightly from \$1.8 million in the prior year. The increase was largely due to new employee hires. Selling and Administrative expenses as a percentage of sales were slightly higher than in 2021, coming in at 7.3% for the current quarter versus 6.1% in 2021. The year-over year variance was due to the aforementioned expense increases and the lower revenue base in the current quarter.

For 2022 year-to-date, Selling and Administrative expenses came in at \$6.0 million (6.7% of sales) versus \$5.3 million (6.4% of sales) in 2021. The expense increase is largely due to the same factors outlined for the quarter, along with some non-recurring expenses incurred in the first quarter of 2022.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Finance costs	\$105	\$87	\$332	\$313

Finance costs for the quarter and year-to-date were slightly higher year-over-year, coming in at \$105 thousand for the current quarter (\$87 thousand in 2021) and \$332 thousand for the first nine months of 2022 (\$313 thousand in 2021). Although higher interest rates have impacted Imaflex's variable rate loans outstanding, the Company has successfully reduced overall debt levels year-over-year, resulting in minimal impact to finance costs.

(\$ thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Foreign exchange (gains)/losses	(\$1,369)	(\$580)	(\$1,720)	\$97

Due to the appreciation of the US dollar against the Canadian dollar, Imaflex recorded a foreign exchange gain of \$1.4 million in the current quarter, versus a \$0.6 million gain in 2021, resulting in a \$0.8 million favourable year-over-year variance. For 2022 year-to-date, Imaflex had a foreign exchange gain of \$1.7 million, versus a loss of \$0.1 million in 2021, resulting in a \$1.8 million favourable 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,	
	2022	2021	2022	2021
Income taxes	\$510	\$288	\$1,431	\$1,038
As a % of income before taxes	14.0%	9.4%	14.2%	13.4%

Income taxes were \$0.5 million or 14.0% of income before taxes for the third quarter of 2022, versus \$0.3 million and 9.4% respectively in the corresponding prior-year period. For 2022 year-to-date, income taxes stood at \$1.4 million or 14.2% of income before taxes, versus \$1.0 million and 13.4%, respectively in 2021. The Corporation's statutory tax rate is currently 26.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (continued)

(\$ thousands, except per share data)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net income	\$3,123	\$2,774	\$8,625	\$6,725
Basic earnings per share	\$0.06	\$0.05	\$0.17	\$0.13
Diluted earnings per share	\$0.06	\$0.05	\$0.17	\$0.13

Net income was \$3.1 million for the current quarter, up 12.6% from \$2.8 million in the prior year. The year-over-year increase was largely due to foreign exchange gains and Imaflex's continued move towards the sale of higher value products. This allowed the Company to maintain comparable year-over-year gross profit levels, despite the lower sales base and higher selling and administrative expenses.

For the first nine months of 2022, net income came in at \$8.6 million, up 28.3% from \$6.7 million in 2021. The increase was largely due to foreign exchange gains and the larger gross profit, partially offset by 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):

	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Revenues	26,569	32,123	31,064	25,707	29,459	27,391	24,920	21,940
Net income	3,123	3,419	2,083	1,640	2,774	1,999	1,952	1,679
Earnings per share								
Basic	0.060	0.066	0.040	0.032	0.055	0.040	0.039	0.034
Diluted	0.060	0.066	0.040	0.032	0.054	0.039	0.038	0.033

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, 2022 vs. December 31, 2021

Working capital stood at \$23.3 million as at September 30, 2022, down \$1.1 million from \$24.4 million as at December 31, 2021. The year-over-year decrease was largely due to a lower cash balance and reduced inventories, partially offset by lower bank indebtedness and long-term debt (current portion). During the third quarter of 2022, Imaflex continued to invest in the future, making \$2.3 million of additional payments largely towards the previously announced capital asset purchases, which included new extrusion equipment, a metallizer and other ancillary flexible packaging equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

Cash Flows from Operating Activities

Net cash flows generated by operating activities before movements in working capital and taxes paid stood at \$3.5 million for the current quarter, essentially unchanged from 2021. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$5.5 million, up notably from \$3.6 million in the corresponding prior-year period. The increase over 2021 was driven by movements in trade and other receivables, with receivables decreasing in the current quarter versus an increase in 2021. This was partially offset by movements in inventories, with Imaflex recording a lower decrease in inventories in the current quarter versus 2021. In turn, the Company recorded a reduction in trade & other payables during the current quarter versus a slight increase in the corresponding prior year quarter.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at \$11.9 million, up from \$10.8 million in the corresponding prior-year period. Growth was largely driven by the higher profit in 2022, partially offset by movements in foreign exchange. Including movements in working capital and taxes paid, net cash generated by operating activities stood at \$12.5 million, up significantly from \$6.6 million in 2021. The increase was due to movements in trade & other receivables and inventories, partially offset by movements in trade and other payables.

Cash Flows from Investing Activities

During the third quarter of 2022, Imaflex contributed \$2.3 million largely towards capital assets, up from \$0.5 million in 2021. The higher outflows went largely towards the major equipment purchases announced in Q2 2022, including new extrusion equipment, a metallizer and other ancillary flexible packaging equipment. These investments further enhance the Company's production capacity and capabilities in order to heighten sales and profitability.

For the first nine months of 2022, capital investments totaled \$9.9 million, up significantly from \$1.7 million in 2021. The increase was due to the same factors outlined for the quarter. 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 outflows from financing activities of \$2.0 million for the current quarter, compared to cash inflows of \$0.5 million in 2021. The variance mainly reflects higher cash outflows in the current quarter relating to a decrease in the Corporation's revolving line of credit. In addition, in the third quarter of 2021 Imaflex generated \$0.6 million of additional funds due to the issuance of share capital (nil in 2022).

For 2022 year-to-date, the Corporation recorded net cash outflows from financing activities of \$4.2 million, versus outflows of \$24.0 thousand in 2021. The higher outflows in 2022 largely result from payments to decrease bank indebtedness (revolving line of credit) in the current year, versus an increase in bank indebtedness in the prior year. In addition, 2021 was positively impacted by cash inflows resulting from the aforementioned issuance of share capital (\$75 thousand for 2022 year-to-date).

CONTRACTUAL OBLIGATIONS

The contractual obligations as at September 30, 2022 were as follows:

(\$ thousands)	Payments due by period			
	Total	Less than 1 year	1 to 5 years	After 5 years
Long-term debt	\$ 4,267	\$ 2,043	\$ 2,224	\$ -
Bank indebtedness	825	825	-	-
Leases	2,644	1,082	1,562	-
Total contractual obligations	\$ 7,736	\$ 3,950	\$ 3,786	\$ -

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL OBLIGATIONS (continued)

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, 2022.

CAPITAL RESOURCES

The Company's \$12 million operating line of credit, which is secured by trade receivables and inventories, bears interest at the Canadian prime rate. As at September 30, 2022, Imaflex had used \$0.8 million on its line of credit (versus \$2.5 million on December 31, 2021) and had cash of \$6.8 million (\$8.5 million as at December 31, 2021). Working capital stood at \$23.3 million at the end of the current quarter, versus \$24.4 million on December 31, 2021. 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, 2022 and 2021. 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, 2021 and 2020.

(\$ thousands)		Three months ended		Nine months ended	
		September 30,		September 30,	
		2022	2021	2022	2021
Professional fees and key management personnel services	(a)	\$ 44	\$ 36	\$ 132	\$ 115
Rent	(b)	\$ 288	\$ 284	\$ 859	\$ 850
Remuneration	(c)	\$ 304	\$ 261	\$ 866	\$ 789

(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, 2021 and 2020 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, 2022, the Company was not using any swap, forward or hedge accounting and there were no warrants outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS (continued)

As at September 30, 2022, 800,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.957 of which 575,000 were exercisable.

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.

MANAGEMENT OUTLOOK

Although the COVID outbreak at our Montréal plant continued into the fourth quarter, it is now under control and the plant has returned to normal operations. In addition, an independent lab has already confirmed the functionality of a product redesign requested by a large client in the third quarter of 2022 and customer trials are commencing. The Corporation fully expects net income to surpass the record level achieved in calendar 2021. Moving ahead, our new equipment purchases begin arriving in the coming months, further enhancing our capabilities and capacity. Moreover, our solid balance sheet and strong cash flows provide the financial flexibility to continue to invest in high return initiatives.

OUTSTANDING SHARE DATA

As at September 30, 2022, the Company had 51,738,637 common shares outstanding, up from 51,638,637 shares outstanding as at December 31, 2021. 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, 2022

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