

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-month periods and years ended December 31, 2019 and 2018. Unless otherwise indicated, the terms "Imaflex", "Company", "Corporation", "we", "our", and "us" all refer to Imaflex Inc., together with its divisions Canguard Packaging and Canslit, along with its wholly owned subsidiary, Imaflex USA Inc. All intercompany balances and transactions have been eliminated on consolidation.

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

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 April 16, 2020. 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, 2019 and 2018.

IFRS 16, Leases

Effective January 1, 2019, Imaflex adopted IFRS 16, Leases, ("IFRS 16") as described in note 2.18 to the audited consolidated financial statements for the year ended December 31, 2019 and 2018. Under IFRS 16, which replaces IAS 17, lessees are required to account for leases on their balance sheet by recognizing a "right of use" asset and a lease liability, essentially removing the distinction between an operating and finance lease. Certain exemptions exist for short-term leases and leases of low value assets. Imaflex applied the modified retrospective method of application and as such, **comparative prior-year information has not been restated.**

FORWARD LOOKING STATEMENTS

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

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

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FORWARD LOOKING STATEMENTS (continued)

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

We caution our readers that the previous list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on information available as of April 16, 2020.

COMPANY OVERVIEW

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

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

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

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

GROWTH STRATEGY

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

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GROWTH STRATEGY (continued)

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

Strengthen and Grow the Core

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

Grow the Agriculture Business

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

Shine N' Ripe XL – Citrus Film

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

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

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

Imaflex is dedicated to the film's success given the proven benefits it offers growers worldwide in crop protection, tree growth and yield enhancement. This said, uncertainties on the timing of its buildout exist as the take-up rate to date has been lower than expected.

ADVASEAL®

Today, agricultural films are used in the growing of fresh fruits and vegetables worldwide to cover soil treated with fumigants – volatile and toxic pesticides 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 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 original U.S. Environmental Protection Agency (EPA) approved ADVASEAL® (ADVASEAL® HSM) 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 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

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GROWTH STRATEGY (continued)

Grow the Agriculture Business (continued)

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. The underlying technology is patent-protected in the top 20 major vegetable and fruit producing countries worldwide until 2028.

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, which should improve crop quality and yields. 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 teams use the fields in which they have core-competencies in order to identify innovative improvements and solutions where chemicals and polymers can offer added-value.

Maintain Efficiency of Equipment

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

MARKET OVERVIEW

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

The total addressable global agriculture mulch film market, excluding silage and green house films, is valued at approximately US \$3.5 billion. The Company has and continues to develop innovative and proprietary solutions for this important market. Going forward, Imaflex hopes to capture a much larger share of the agriculture film market due to its advanced crop protection and yield enhancement products, 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.

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ADVASEAL® COMMERCIALIZATION

Imaflex successfully completed the design of a new coating line, customized specifically for the cost effective production of ADVASEAL®. In addition, the Company sourced all the active ingredients (herbicide, nematicide and fungicides) to be coated on the film.

In order to obtain sufficient quantities of ADVASEAL® film for field trials, the Company also worked closely with FUJIFILM Manufacturing U.S.A. Inc. (FUJIFILM) on the development of the coating process for the active ingredient mixture. In February 2020, Imaflex obtained sufficient quantities of ADVASEAL and subsequently commenced an Efficacy Field Trial. The trial is evaluating ADVASEAL®'s ability to release its crop protection products into the soil and achieve soil disinfection, prior to planting tomato seedlings. Concurrently, the trial is monitoring plant growth, yield and quality, compared to a crop grown under the current best Florida grower standard for fresh tomato production using fumigants. The tomato plant was chosen as a model crop, because it is one of the most widely grown vegetables in the world. Furthermore, if high yields can be achieved using ADVASEAL® with tomato plants, it can likely be used to produce high yields for most other fruits and vegetables that require pre-plant soil disinfection 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. Full trial results, including plant growth, yield and quality for both the ADVASEAL® test crop and grower reference will be released once the growing season is complete and the independent report is available.

Given the positive interim results, the Corporation intends to continue its pre-registration meetings with the EPA and will meet them to discuss results and next steps for the timely registration of ADVASEAL® as a new pesticide. The will include discussions on the design of a trial to determine the exact timing for the complete release of each active ingredient used with ADVASEAL®. This is required to show compliance with the pre-harvest interval legally established by the EPA for each pesticide used, which is essentially the wait time between ADVASEAL®'s application on the soil and when a crop can first be harvested for safe human consumption.

Management believes the trials and pesticide registration process will be positive as the generic active ingredients to be used with ADVASEAL are effectively used by growers today. As well, the Company previously received EPA approval of its herbicidal active ingredient release film, ADVASEAL® HSM.

COMPETITIVE ENVIRONMENT

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

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

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

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

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COMPETITIVE ENVIRONMENT (continued)

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

OUTSOURCING

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

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

RISK FACTORS

The Company is involved in a competitive industry and marketplace in which there are a number of participants. To accommodate and effectively manage future growth, 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: 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

Given the current geopolitical events surrounding oil, the impact of COVID-19 and expected capacity increases from new plants coming on stream, Imaflex expects resin prices to remain flat to down for the immediate future. However, any unexpected supply chain disruptions would give reason for resin producers to raise prices further. Since Imaflex does not have major long-term contracts with its customers, resin price fluctuations are typically passed along to them.

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LOSS OF BUSINESS FROM A SIGNIFICANT CUSTOMER

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

COMPETITION FROM OTHER COMPANIES

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

SEASONALITY OF OPERATIONS

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

EXPOSURE TO PRODUCT LIABILITY

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

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

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

FLUCTUATIONS IN OPERATING RESULTS

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales. This is due to many factors, including and not limited to: competitive conditions in the businesses in which 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, including those seen in recent quarters, may affect the Company's future cost of borrowing. However, management is currently not hedging its interest rate exposure and expects this exposure to lessen as the outstanding balance on its long-term borrowings decreases.

MANAGEMENT DISCUSSION AND ANALYSIS

ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

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

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

FOREIGN EXCHANGE FLUCTUATIONS

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

ENVIRONMENTAL HAZARDS

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

NON-IFRS FINANCIAL MEASURES

The Company's management uses a non-IFRS financial measure in this MD&A, namely EBITDA, to assess its performance. EBITDA is determined as "Earnings before interest, taxes, depreciation and amortization". The reader may refer to the 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 December 31,		Years ended December 31,	
	2019	2018	2019	2018
Net income	303	\$ 556	\$ 1,536	\$ 3,550
Plus:				
Income taxes	79	411	678	1,477
Finance costs	187	170	729	571
Depreciation and amortization	895	657	3,330	2,201
EBITDA ¹	\$ 1,464	\$ 1,794	\$ 6,273	\$ 7,799
Basic EBITDA per share ²	\$ 0.03	\$ 0.04	\$ 0.13	\$ 0.16
Diluted EBITDA per share ²	\$ 0.03	\$ 0.04	\$ 0.12	\$ 0.15

(1) Excluding the impact of IFRS 16 Leases, EBITDA was \$1.2 million for the quarter and \$5.1 million for the year ended December 31, 2019.

(2) Basic weighted average number of shares outstanding of 50,013,637 for the quarter and year ended December 31, 2019. This compares to basic weighted average number of shares outstanding of 50,013,637 for the three-month period ended December 31, 2018 and 49,915,829 for the year ended December 31, 2018. Diluted weighted average number of

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NON-IFRS FINANCIAL MEASURES (continued)

shares outstanding of 50,563,269 for the quarter ended December 31, 2019 (51,031,396 in 2018) and 50,684,870 for the year ended December 31, 2019 (51,067,300 in 2018).

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

RESULTS OF OPERATIONS

During 2019, Imaflex continued to attract and retain customers, albeit at lower than historical sales prices, due to a competitive pricing environment and decreased resin costs. Revenues, profitability and cash flows were respectable versus 2018, particularly given the impact of currency fluctuations on 2019 profitability compared to the prior year.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Sales	\$18,740	\$22,472	\$81,071	\$86,332

Revenues were \$18.7 million for the fourth quarter of 2019, down 16.6% from \$22.5 million in 2018. The decrease largely reflects the impact on product pricing resulting from competitive pressures and lower resin prices. As well, sales of the Corporation's high margin citrus film were \$nil for the current quarter, versus \$1.4 million in 2018. Excluding citrus film sales, revenues were down 11.1% versus 2018.

Fiscal 2019 sales totaled \$81.1 million, down 6.1% from \$86.3 million in the prior year. The decrease from 2018 was mainly due to the same variables outlined for the quarter, partially offset by favourable movements in foreign exchange. Citrus film sales totaled \$0.9 million in 2019, down from \$2.8 million in 2018. Excluding citrus film sales, revenues were down 4.0% year-over-year.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Gross Profit (\$) before amortization of production equipment	\$3,449	\$2,361	\$14,008	\$12,684
Gross Profit before amortization of production equipment (%)	18.4%	10.5%	17.3%	14.7%
Amortization of production equipment	802	589	3,056	1,920
Gross profit (\$)	\$2,647	\$1,772	\$10,952	\$10,764
Gross profit (%)	14.1%	7.9%	13.5%	12.5%

Gross profit before the amortization of production equipment was \$3.4 million or 18.4% of sales in the fourth quarter of 2019, up from \$2.4 million and 10.5% of sales in 2018. Similarly, the quarterly gross profit including amortization of production equipment, was up year-over-year, coming in at \$2.6 million or 14.1% of sales for the current quarter, versus \$1.8 million and 7.9% of sales in the fourth quarter of 2018. In the fourth quarter of 2018, the gross profit before and after amortization of production equipment, was particularly 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

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RESULTS OF OPERATIONS (Continued)

inventory previously purchased when resin prices were higher. As well, the 2019 quarterly gross margin benefited from a year-over-year decrease in certain variable costs, such as transportation.

For fiscal 2019, the gross profit before amortization of production equipment was \$14.0 million or 17.3% of sales, up from \$12.7 million or 14.7% of sales in 2018. The corresponding gross profit including amortization expenses was \$11.0 million or 13.5% of sales, versus \$10.8 million and 12.5% of sales in 2018. The year-over-year improvement before and after amortization of production equipment is largely attributable to the aforementioned quarterly variance explanation relating to resin pricing.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Selling and administrative	\$1,676	\$1,490	\$7,042	\$6,493
As a % of sales	8.9%	6.6%	8.7%	7.5%

Selling and administrative expenses were \$1.7 million or 8.9% of sales in the fourth quarter of 2019, up from \$1.5 million and 6.6% of sales in 2018. Fiscal 2019 expenses came in at \$7.0 million or 8.7% of sales, compared to \$6.5 million and 7.5% of sales in the corresponding prior-year period. The year-over-year increases for the quarter and year-to-date were mainly driven by an expanded sales team to stimulate demand for Imaflex's products and new production equipment, namely the five layer extruder.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Finance costs	\$187	\$170	\$729	\$571

Finance costs were \$187 thousand for the current quarter, versus \$170 thousand in 2018. For fiscal 2019, finance costs totaled \$729 thousand, up from \$571 thousand in calendar 2018. The aforesaid year-over-year increases were largely due to the incremental interest accretion on lease liabilities resulting from the adoption of IFRS 16 and increases in long term debt associated with major equipment purchases, namely the five layer extruder.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Foreign exchange losses/(gains)	\$374	(\$886)	\$872	(\$1,340)

Due to unfavourable currency fluctuations, Imaflex recorded a foreign exchange loss of \$0.4 million in the fourth quarter of 2019, versus a \$0.9 million gain in 2018. This resulted in a negative \$1.3 million year-over-year variance.

For fiscal 2019, the Corporation similarly recorded a foreign exchange loss, versus a gain in 2018, resulting in a \$2.2 million negative year-over-year variance. The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (Continued)

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Income taxes	\$79	\$411	\$678	\$1,477
As a % of income before taxes	20.7%	42.5%	30.6%	29.4%

Fourth quarter 2019 income tax expenses were \$0.1 million or 20.7% of income before taxes. This compares to \$0.4 million and 42.5% respectively in 2018.

For fiscal 2019, income taxes totaled \$0.7 million, down from \$1.5 million in 2018, reflecting the lower profitability in the current year. Income taxes as a percentage of income before taxes was 30.6% for calendar 2019, up slightly from 29.4% in 2018. The Corporation's statutory tax rate is currently 26.6%.

(\$ thousands, except per share data)	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Net income	\$303	\$556	\$1,536	\$3,550
Basic earnings per share	\$0.01	\$0.01	\$0.03	\$0.07
Diluted earnings per share	\$0.01	\$0.01	\$0.03	\$0.07

The Company recorded net income of \$0.3 million in the fourth quarter of 2019, versus \$0.6 million in the corresponding prior-year quarter. The decrease was largely due to unfavourable movements in foreign exchange and higher 2019 selling and administrative expenses, partially offset by the improved quarterly gross profit.

For calendar 2019, net income stood at \$1.5 million, down from \$3.6 million in the prior year. The decrease was largely due to unfavourable year-over-year movements in foreign exchange and higher 2019 selling and administrative expenses, partially offset by the higher gross profits in 2019 and lower income taxes versus 2018.

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):

	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Revenues	18,740	19,195	21,269	\$21,867	\$22,472	\$21,316	\$21,927	\$20,617
Net income	303	470	205	558	556	594	727	1,673
Earnings per share								
Basic	0.006	0.009	0.004	0.011	0.011	0.012	0.015	0.034
Diluted	0.006	0.009	0.004	0.011	0.011	0.012	0.014	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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

December 31, 2019 vs. December 31, 2018

Working capital stood at \$10.0 million as at December 31, 2019 (\$11.0 million excluding the impact of IFRS 16), compared to \$11.0 million as at December 31, 2018.

LIQUIDITY

Cash Flows from Operating Activities

In the fourth quarter of 2019, net cash generated by operating activities stood at \$2.7 million, up from \$0.6 million in the prior year. The \$2.1 million increase over 2018 was largely due to favourable year-over-year movements in foreign exchange, trade & other receivables and inventories, partially offset by lower profits in the current quarter and a decrease in trade and other payables versus 2018.

For fiscal 2019, net cash generated by operating activities totaled \$9.7 million, up from \$1.1 million in the prior year. The \$8.5 million increase over 2018 was largely driven by favourable year-over-year movements in operating activities (foreign exchange and depreciation and amortization) and working capital (trade & other receivables and inventories), partially offset by lower profits in 2019 and a decrease in trade and other payables versus 2018.

Cash Flows from Investing Activities

During the fourth quarter of 2019, Imaflex contributed \$1.3 million towards capital assets, down slightly from \$1.5 million in 2018. For fiscal year 2019, capital investments totaled \$5.4 million, up from \$3.7 million in the prior year. The year-over-year variances for the quarter and year largely relate to the timing of payments for a new five-layer extruder and other major equipment purchases. These investments were made to further enhance the Company's production capacity and capabilities in order to generate heightened sales and profitability.

Cash Flows from Financing Activities

During the fourth quarter of 2019, the Corporation had cash outflows from financing activities of \$1.9 million, versus \$0.9 million of inflows in the corresponding prior-year period. The year-over-year decrease is largely due to changes in bank indebtedness (reduction in the Company's line of credit versus an increase in 2018), and reimbursements of lease obligations versus 2018, partially offset by movements in long-term debt.

For calendar 2019, Imaflex had \$4.5 million of cash outflows from financing activities, versus \$2.8 million of cash inflows in the prior year. The \$7.3 million year-over-year decrease was mainly driven by changes in bank indebtedness (reduction in the Company's line of credit versus an increase in 2018) and movements in lease obligations, partially offset by an increase in long-term debt versus 2018 resulting from funding for the major equipment projects.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at December 31, 2019 were as follows:

(\$ thousands)	Payments due by period			
	Total	Less than 1 year	1 to 5 years	After 5 years
Long-term debt	\$ 9,130	\$ 2,235	\$ 6,881	\$ 14
Bank indebtedness	4,538	4,538	-	-
Leases*	3,878	1,273	2,587	18
Total contractual obligations	\$ 17,546	\$ 8,046	\$ 9,468	\$ 32

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

These contractual obligations are sensitive to the fluctuation of interest rates. They are based on interest and foreign exchange rates effective as at December 31, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31, 2019, Imaflex was using approximately \$4.5 million on its line of credit (\$8.1 million as at December 31, 2018) and had cash outstanding of \$0.1 million (\$0.3 million as at December 31, 2018). Working capital stood at \$10.0 million as at December 31, 2019 (\$11.0 million excluding the impact of IFRS 16), versus \$11.0 million as at December 31, 2018. The Company controls its financial leverage, ensuring that its borrowings reflect the asset base against which funds are borrowed as well as the profitability that is generated through the operations.

EQUIPMENT LEASING FACILITY

In 2018, Imaflex entered into an equipment leasing facility of up to CDN \$10.0 million with a leading global financial institution to fund business expansion. During the third quarter of 2019, all funds borrowed under this lease agreement were transferred to loan agreements, as described under note 15 (f and g) in the accompanying audited consolidated financial statements and related notes. This new equipment allows the Corporation to increase its scale, broaden its capabilities and drive revenue and margin expansion at attractive terms.

PROPOSED TRANSACTION

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

RELATED PARTY TRANSACTIONS

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

The following table reflects the related party transactions recorded for the periods ended December 31, 2019 and 2018. For additional information, please refer to note 22, *Related party transactions* of the "Notes to the consolidated financial statements" for the years ended December 31, 2019 and 2018.

(\$ thousands)		Three months ended December 31,		Years ended December 31,	
		2019	2018	2019	2018
Professional fees and key management personnel services	(a)	\$ (4)	\$ 19	\$ 174	\$ 216
Rent	(b)	\$ 278	\$ 336	\$ 1,112	\$ 975
Remuneration	(c)	\$ 240	\$ 252	\$ 1,116	\$ 1,142

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS

Please refer to note 20, *Financial instruments* of the consolidated financial statements for the years ended December 31, 2019 and 2018 for disclosure on the Company's financial instruments as well as note 21, *Risk management* for a discussion on the risks the Company is exposed to and how they are managed.

As at December 31, 2019, the Company was not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at December 31, 2019, 2,725,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.521 of which 2,587,500 were exercisable.

As at December 31, 2018, 2,625,000 options to purchase shares of the Company were outstanding at a weighted average strike price of \$0.520 of which 2,400,000 were exercisable.

IMPACT OF CORONAVIRUS (COVID-19) – Imaflex considered an essential vendor

To date, Imaflex's three plants in Canada and the U.S.A. have remained open, fully operational and running at normal business levels. The Corporation is considered an essential vendor in both countries due to the important role its products play in protecting and preserving food and consumer products. Presently, all manufacturing facilities have the ability to take on more volume should it be required due to business interruption at another plant or heightened order flow. Furthermore, Imaflex is not experiencing any delays with its suppliers. The Corporation believes it has sufficient capital to fund its operations and grow the business, assuming business levels remain the same. Despite this, Imaflex has and will utilize any available capital payment moratoriums on long term debt payments to maximize cash flows throughout the crisis. We are monitoring developments closely and taking all necessary steps to protect our employees, customers and business. For additional information see note 23, *Subsequent Events*, of the attached consolidated financial statements.

MANAGEMENT OUTLOOK

We continue to operate in a dynamic pricing environment, while resin prices also remain lower than historical levels. This said, our strategy remains the same. We will continue to differentiate ourselves in advanced extrusion and innovative crop protection films, building out our addressable markets with innovative products. With the investments in new production equipment brought online in 2019, most notably the five-layer extruder, we are well positioned to do better in 2020.

Longer term, our next generation agriculture film, ADVASEAL[®], offers some exciting opportunities for growth. We achieved some important milestones in recent months, including positive interim results for our Efficacy Trial. This said, some key milestones remain. If successful, the benefits of ADVASEAL[®] for growers, the environment and shareholders, should justify the wait.

We operate in an ever changing business environment, but we are well positioned to drive profitable growth and are excited about our future potential. We look forward to providing updates on ADVASEAL[®] and our overall business as we progress throughout the year.

OUTSTANDING SHARE DATA

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(s) Joe Abbandonato

Joe Abbandonato
President and Chief Executive Officer

(s) Giancarlo Santella

Giancarlo Santella, CPA, CA
Chief Financial Officer

April 16, 2020

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