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, 2023 and 2022. 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, 2023 and 2022.

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 25, 2024. 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.sedarplus.ca.

CRITICAL ACCOUNTING POLICIES

The Company's material accounting policies, including the Company's accounting policies under IFRS, are disclosed in note 2, *Summary of material accounting policies* of the audited consolidated financial statements for the years ended December 31, 2023 and 2022.

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 COVID, 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

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 April 25, 2024.

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 Inc.). 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.

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® (EPA approval pending). 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 the opportunity for increased profitability. In 2023, Imaflex was once again ranked in the top 100 North American film and sheet manufacturers by sales.

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. 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

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®. As is typical with the EPA's review process, no specific decision timeline has been provided. Although the EPA's review is taking longer than expected, Imaflex 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 264 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.

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 COVID 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 driven demand and geopolitical events resulted in resin demand outstripping supplies as market participants looked to secure stock in an already tight market. This resulted in a higher resin pricing environment for much of 2020 and into 2021.

During 2022 and the first half of 2023 prices remained relatively stable overall with price increases, equally offset by subsequent decreases. However, in the latter half of 2023 and into 2024 pricing trended upwards, largely due to production cuts by manufacturers to maintain pricing and a strengthening in the resin export market. For the remainder of 2024 pricing is expected to lean towards the upside as resin manufacturers try to put through price increases.

In general, pricing fluctuations largely relate to suppliers curtailing production levels, a moderate return of the export market, weather related events and geopolitical issues. Over the longer term, North American resin production is expected to increase which should have a positive impact on pricing. However, global events and any production issues could put additional pressure on resin supplies and pricing.

Imaflex has no long-term customer contracts and consequently it can adjust product pricing as resin costs change. This said, there is usually a 30-day lag between a resin price increase and when our customer product pricing can be revised. To the contrary, resin price decreases are normally passed along to the customer immediately.

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 of seizing 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 if the expected crop yields do not materialize.

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

FLUCTUATIONS IN OPERATING RESULTS

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

EXPOSURE TO INTEREST RATE FLUCTUATIONS

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

ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

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

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

FOREIGN EXCHANGE FLUCTUATIONS

Some of the Company's sales and expenses, as well as accounts receivable and payable, are denominated in US dollars. A portion of the revenue stream in US dollars acts as a natural hedge to cover US denominated expenses. Imaflex can also borrow funds on its line of credit in US dollars. The Company has increased its debt in US dollars in order to obtain additional revenues in US dollars. As this additional U.S. business fully materializes, the Company's exposure to foreign 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 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,**	
	2023	2022	**2023**	2022
Net income	**($1,007)**	$ 500	**$ 509**	$ 9,125
Plus:				
Income taxes	**(1)**	484	**305**	1,915
Finance costs	**213**	117	**594**	449
Depreciation and amortization	**1,453**	1,038	**4,608**	4,131
EBITDA[1]	**$ 658**	$ 2,139	**$ 6,016**	$ 15,620
Basic EBITDA per share[2]	**$ 0.01**	$ 0.04	**$ 0.12**	$ 0.30
Diluted EBITDA per share[2]	**$ 0.01**	$ 0.04	**$ 0.12**	$ 0.30

(1) Basic weighted average number of shares outstanding of 52,023,420 for the quarter and 51,905,349 for the year ended December 31, 2023. This compares to basic weighted average number of shares outstanding of 51,738,637 for the quarter and 51,700,418 for the year ended December 31, 2022. Diluted weighted average number of shares outstanding is 52,065,464 for the quarter (51,996,330 in 2022) and 52,041,945 for fiscal 2023 (51,906,884 in 2022).

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.

RECLASSIFICATION OF EXPENSES

The Company has reclassified certain expenses for 2023 and 2022 to better reflect the nature of these costs. These changes have no impact on the company's net income.

RESULTS OF OPERATIONS

Market fundamentals remained challenging throughout 2023, which impacted sales and profitability versus 2022.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Sales	**$23,006**	$21,778	**$93,593**	$111,534

Revenues were $23.0 million for the fourth quarter of 2023, up 5.6% from $21.8 million in 2022. The increase was driven by higher volumes, partially offset by reduced selling prices resulting largely from a competitive pricing environment.

For fiscal 2023 revenues totalled $93.6 million, down 16.1% from the corresponding prior-year period. The year-over-year decrease was driven by lower volumes and product pricing, partially offset by favourable year-over-year movements in foreign exchange.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Gross Profit ($) before amortization of production equipment	**$3,755**	$4,295	**$15,362**	$21,937
Gross Profit before amortization of production equipment (%)	**16.3%**	19.7%	**16.4%**	19.7%
Amortization of production equipment	**1,596**	965	**4,357**	3,891
Gross profit ($)	**$2,159**	$3,330	**$11,005**	$18,047
Gross profit (%)	**9.4%**	15.3%	**11.8%**	16.2%

Gross profit before the amortization of production equipment was $3.8 million (16.3% of sales) for the current quarter, versus $4.3 million (19.7% of sales) in 2022. Gross profit including amortization of production equipment came in at $2.2 million (9.4% of sales) for 2023, versus $3.3 million (15.3% of sales) in the fourth quarter of 2022.

For fiscal 2023, the gross profit before amortization of production equipment was $15.4 million (16.4% of sales) versus $21.9 million (19.7% of sales) in the corresponding prior-year period. Gross profit including amortization of production equipment totalled $11.0 million (11.8% of sales) for fiscal 2023, versus $18.0 million (16.2% of sales) for 2022.

Gross profit for the current quarter was impacted by reduced selling prices due to strong price competition. In addition, certain charges were reclassified from Selling and Administrative Expenses to Cost of Sales, including non-cash depreciation expenses related largely to right of use assets. Similarly, this affected results for fiscal 2023, along with higher labour and training costs related to new equipment purchases and employee hires.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Selling and administrative	**$1,461**	$2,040	**$8,039**	$8,089
As a % of sales	**6.4%**	9.4%	**8.6%**	7.3%

Selling and Administrative expenses were $1.5 million (6.4% of sales) for the current quarter, down from $2.0 million (9.4% of sales) in the fourth quarter of 2022. The decrease largely relates to a one-time 2023 reclassification of depreciation expense for right of use assets to cost of sales.

RESULTS OF OPERATIONS (continued)

For fiscal 2023, Selling and Administration expenses totalled $8.0 million (8.6% of sales), versus $8.1 million (7.3% of sales) in 2022. Results for 2023 were impacted by the aforesaid reclassification, largely offset by new employee hires, salary increases to remain competitive in the market and higher non-cash stock-based compensation expenses. As well, selling expenses as a percentage of sales were impacted by the lower year-over-year sales base seen during the first nine months of 2023.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Finance costs	**$213**	$117	**$594**	$449

Finance costs came in at $0.2 million for the current quarter and $0.6 million for fiscal 2023. This is up from $0.1 million and $0.4 million respectively in 2022. The year-over-year increases for both periods were largely due to higher interest rates and an increase in finance leases associated with new equipment purchases, partially offset by a reduction in long-term debt. Although higher interest rates have impacted Imaflex's variable rate loans outstanding, the Company has also been controlling debt levels to minimize the impact on finance costs.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Write-Off of Obsolete Production Equipment	**$962**	$nil	**$962**	$nil

During the Fourth quarter of 2023, Imaflex recorded a one-time non-cash impairment charge of $1.0 million for obsolete production equipment at its U.S. manufacturing facility.

($ thousands)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Other (gains)/losses	**$532**	$189	**$597**	($1,531)

Imaflex recorded other losses of $0.5 million for the quarter, resulting largely from foreign exchange losses. For fiscal 2023, the Company recorded other losses of $0.6 million, versus a gain of $1.5 million in 2022, resulting in an unfavourable year-over-year variance of $2.1 million. Fiscal 2023 includes foreign exchange losses of $0.6 million, and a loss on capital assets disposal of $0.2 million, partially offset by interest income of $0.2 million. This compares to a foreign exchange gain of $1.5 million in 2022, along with interest income of $41,000.

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 December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Income taxes	**($1)**	$483	**$305**	$1,914
As a % of income before taxes	**0.1%**	49.1%	**37.4%**	17.3%

Income taxes were essentially nil for the current quarter due to the Company's loss of $1.0 million before income taxes. This compares to $0.5 million of taxes (49.1% of income before taxes) in the fourth quarter of 2022. For fiscal 2023, Income taxes were $0.3 million (37.4% of income before taxes), down from $1.9 million (17.3% of income before taxes) in 2022. The Corporation's statutory tax rate is currently 26.5%.

RESULTS OF OPERATIONS (continued)

($ thousands, except per share data)	Three months ended December 31,		Years ended December 31,	
	2023	2022	**2023**	2022
Net income/(Loss)	**($1,007)**	$500	**$509**	$9,125
Basic earnings per share	**($0.02)**	$0.01	**$0.01**	$0.18
Diluted earnings per share	**($0.02)**	$0.01	**$0.01**	$0.18

The Company recorded a net loss of $1.0 million for the fourth quarter of 2023, down from net income of $0.5 million in 2022. The year-over-year decrease was driven by the lower 2023 gross profit, the write-off of obsolete production equipment, and movements in foreign exchange.

For fiscal 2023, net income stood at $0.5 million, down from $9.1 million in the corresponding period of 2022. The decrease from 2022 was due to the same factors outlined for the quarter.

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):

	Q4/23	**Q3/23**	**Q2/23**	**Q1/23**	**Q4/22**	**Q3/22**	**Q2/22**	**Q1/22**
Revenues	**23,006**	22,858	24,494	23,236	21,778	26,569	32,123	31,064
Net income	**(1,007)**	155	438	923	500	3,123	3,419	2,083
Earnings/(Loss) per share								
Basic	**(0.019)**	0.003	0.008	0.018	0.010	0.060	0.066	0.040
Diluted	**(0.019)**	0.003	0.008	0.018	0.010	0.060	0.066	0.040

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

December 31, 2023 vs. December 31, 2022

Working capital stood at $14.0 million as at December 31, 2023, down from $20.3 million at the end of 2022. The year-over-year decrease was largely due to a reduction in the cash balance, along with higher trade and other payables, bank indebtedness and lease obligations. This was partially offset by higher income tax receivables, inventories, along with trade and other receivables. During the fourth quarter of 2023 Imaflex continued to invest in the future, making $4.6 million of payments largely towards its previously announced equipment purchases.

LIQUIDITY

Cash Flows from Operating Activities

Net cash flows generated by operating activities, before movements in working capital and taxes paid, stood at $2.3 million for the fourth quarter of 2023, down slightly from $2.4 million in the corresponding quarter of 2022. The lower profits in the current quarter were largely offset by a one time write-off of obsolete production equipment, along with movements in the depreciation and amortization of non-current assets, and foreign exchange. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of $3.1 million for the current quarter versus inflows of $4.8 million in the corresponding prior-year period. The $1.7 million decrease versus 2022 is mainly due to year-over-year movements in trade & other receivables and inventories, partially offset by movements in trade & other payables, prepaid expenses and income taxes paid.

For the year-to-date, cash flows generated by operating activities, before movements in working capital and taxes paid, stood at $7.9 million, versus $14.3 million in the corresponding prior-year period. The decrease versus 2022 is mainly due to the lower profit in 2023, along with movements in income tax expense, partially offset by movements in foreign exchange and the write-off of obsolete production equipment. Including movements in working capital and taxes paid, the Company recorded net cash inflows by operating activities of $5.4 million in fiscal 2023, down from $17.3 million in the corresponding prior-year period. The decrease is due to the aforementioned factors along with movements in trade & other receivables, and inventories, partially offset by movements in trade and other payables, and income taxes paid.

Cash Flows from Investing Activities

During the fourth quarter of 2023, cash used in investing activities totalled $4.6 million, down slightly from $4.7 million in 2022. These investments were largely towards the major equipment purchases announced in the second quarter of 2022, including new extrusion equipment, a metallizer and other ancillary flexible packaging equipment. They further enhance Imaflex's production capacity and capabilities, in line with our goal of heightening sales and profitability.

For fiscal 2023 spending totalled $13.0 million, down from $14.6 million in the corresponding period of 2022. The decrease largely relates to the timing of cash outflows relating to the aforesaid equipment purchases.

Cash Flows from Financing Activities

The Corporation recorded net cash inflows from financing activities of $0.3 million in the fourth quarter of 2023, versus $0.6 million in 2022. The lower year-over-year inflows are primarily due to a smaller increase in bank indebtedness (operating line of credit) versus the fourth quarter of 2022 and higher finance lease repayments during the fourth quarter of 2023.

For fiscal 2023, the Corporation realized net cash inflows from financing activities of $0.9 million, compared with cash outflows of $3.6 million in 2022. The year-over-year variance is mainly due to an increase in lease financing in 2023 (nil in 2022), along with an overall increase in bank indebtedness for the current year, versus a decrease in 2022.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at December 31, 2023 were as follows:

($ thousands)	Payments due by period			
	Total	**Less than 1 year**	**1 to 5 years**	**After 5 years**
Long-term debt	**$ 1,321**	$ 1,321	$ -	$ -
Bank indebtedness	**2,894**	2,894	-	-
Leases	**7,910**	2,127	5,783	-
Total contractual obligations	**$ 12,125**	**$ 6,342**	**$ 5,783**	**$ -**

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 December 31, 2023.

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 December 31, 2023, Imaflex had used $2.9 million on its line of credit (versus $2.4 million on December 31, 2022) and had cash of $0.8 million ($7.5 million as at December 31, 2022). Working capital stood at $14.0 million as at December 31, 2023, versus $20.3 million in the corresponding prior-year period. 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 in the statements of comprehensive income for services received by related parties for the periods ended December 31, 2023 and 2022. 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, 2023 and 2022.

($ thousands)		**Three months ended December 31,**		**Years ended December 31,**	
		2023	**2022**	**2023**	2022
Professional fees and key management personnel services	(a)	**$ 45**	$ 27	**$ 153**	$ 159
Rent	(b)	**$ 327**	$ 293	**$ 1,200**	$ 1,152
Remuneration	(c)	**$ 350**	$ 232	**$ 1,330**	$ 1,098

(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, non-cash stock-based compensation expenses 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, 2023 and 2022 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.

FINANCIAL INSTRUMENTS (continued)

As at December 31, 2023, the Company was not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at December 31, 2023, 500,000 options to purchase shares of the Company were outstanding at a weighted average strike price of $1.162 of which 425,000 were exercisable.

As at December 31, 2022, 800,000 options to purchase shares of the Company were outstanding at a weighted average strike price of $0.957 of which 650,000 were exercisable.

MANAGEMENT OUTLOOK

The past year has presented its challenges, but it has also showcased our commitment to building a stronger Company. The two remaining multi-layer extruder purchases have arrived and will be coming online in the second half of 2024, further expanding our capacity for producing specialty films. In today's highly competitive market, differentiated offerings are a key to success. With a solid foundation, a dedicated team, and a clear vision for the future, Imaflex is poised to capitalize on upcoming opportunities. We are confident that 2024 will see a gradual improvement in profitability, though the pace and magnitude remain uncertain.

OUTSTANDING SHARE DATA

As at December 31, 2023, the Company had 52,088,637 common shares outstanding up from 51,738,637 as at December 31, 2022 due to 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.sedarplus.ca.

(s) Joe Abbandonato
Joe Abbandonato
President and Chief Executive Officer

(s) Robert Therrien
Robert Therrien, CPA, CA
Director of Finance, in my capacity as Chief Financial Officer

April 25, 2024

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