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, 2017 and December 31, 2016. Unless otherwise indicated, the terms "Imaflex", "Company", "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, 2017 and 2016.

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 17, 2018. 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.

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, among 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 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 foregoing 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 17, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

lmaflex 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 lmaflex. 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. lmaflex and lmaflex USA specialize in the manufacturing and sale of custom-made polyethylene films and bags, along with non-metalized agricultural films. Canguard specializes in the manufacturing and sale of polyethylene garbage bags, while Canslit specializes in the metallization of plastic film. We believe that our manufacturing presence in both Canada and the United States provides a competitive advantage in terms of logistics, currency, manufacturing flexibility and cost leadership.

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

GROWTH STRATEGY

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

Management believes the following initiatives will contribute to Imaflex’s long term growth.

Strengthen 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®. Our crop protections films are mulch films surface coated with either metallic aluminum or chemical/biological active substances aimed to protect plants from disease transmitting insects, to limit the growth of soil borne pests and weeds and/or to accelerate the growth and yield of plants.

Shine N’ Ripe XL

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

GROWTH STRATEGY (continued)

Grow the Agriculture Business (continued)

Shine N' Ripe XL's unique ability to reflect 85% of solar ultraviolet (UV) light repels the ACP and hence helps prevent HLB infestation in young citrus trees. In addition, Shine N' Ripe XL significantly increases tree growth and yields 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. As well, Shine N' Ripe XL's proprietary anti-corrosion coating has 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.

ADVASEAL®

Today, agricultural films are used in the growing of fresh fruits and vegetables worldwide to cover the soil after it is treated with fumigants - volatile and toxic pesticides - and herbicide sprays, which are essential for providing a pest and weed free (disinfested) soil for the undisturbed growth of new crop seedlings. ADVASEAL®, which is currently under development, simplifies the soil disinfestation process, making it safer, more environmentally-friendly and cost effective by releasing modern non-volatile crop protection products under controlled conditions from a coated plastic mulch, replacing the need for spraying. The underlying technology is patent protected in the top 20 major vegetable and fruit producing countries worldwide until 2032.

The catalyst to activate the release of chemicals from ADVASEAL® is water. When the film is applied to the moist soil, the active ingredients are released. This simplifies the chemical spray application currently being used by growers.

ADVASEAL® is safe to transport, store and handle and its application is emission-free, eliminating the risk of inhalation and environmental damage present with the spray drift of fumigants and herbicides under current agricultural practices. In addition to being environmentally friendly, management estimates that ADVASEAL® will provide significant savings to growers depending on the crop. ADVASEAL® permits the precise application of a low dose of crop protection products, improving crop quality and yields. Management estimates that ADVASEAL® will reduce the chemicals required by up to 95% and eliminate many of the costly works steps currently being used. Collectively, this puts lmaflex in a good position to capture market share 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. In addition to building out our core flexible packaging product portfolio, we will also concentrate on introducing new proprietary technologies, in order to offer solutions that are more cost effective and environmentally-friendly than traditional methods. 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 capital 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 $28 billion. Although this market is highly fragmented and commoditized in terms of pricing, there are niches within the larger space that offer the opportunity for increased profitability. In 2017, Imaflex was ranked in the top 100 North American film and sheet manufacturers by sales.

MARKET OVERVIEW (continued)

The total addressable global agriculture mulch film market, excluding silage and green house films, is valued at approximately US $3.5 billion. The Company has and continues to develop innovative and proprietary solutions for this important market. Going forward, Imaflex hopes to capture a much larger share of the agriculture film market due to its next generation crop protection and yield enhancement products, Shine N' Ripe XL and ADVASEAL®. Management believes the value of the global addressable market for an active ingredient release film like ADVASEAL will be much larger than that for traditional mulch films. In the US 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 working in its favour. Sustainability and intelligent farming are becoming increasingly important.

COMPETITIVE ENVIRONMENT

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

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

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

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

EMPLOYEES AND CORPORATE OFFICE

Imaflex currently employs approximately 250 people in North America and our corporate head office is 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 manufacturers for certain activities in order to meet all production deadlines and ensuring the best service to our customers.

NON-IFRS FINANCIAL MEASURES

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

Reconciliation of EBITDA to net income:

($ thousands, except per share data)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Net income	**$ 761**	$ 161	**$ 3,762**	$ 408
Plus:				
Income taxes	**225**	213	**1,386**	589
Finance costs	**154**	136	**572**	549
Depreciation and amortization	**617**	561	**2,091**	2,001
EBITDA	**$ 1,757**	$ 1,071	**$ 7,811**	$ 3,547
Basic EBITDA per share *	**$ 0.04**	$ 0.02	**$ 0.16**	$ 0.07
Diluted EBITDA per share *	**$ 0.03**	$ 0.02	**$ 0.15**	$ 0.07

*Basic weighted average number of shares outstanding of 49,744,072 for the quarter ended December 31, 2017 (49,738,637 in 2016) and 49,740,007 for the year ended December 31, 2017 (49,697,653 in 2016). Diluted weighted average number of shares outstanding of 51,185,931 for the quarter ended December 31, 2017 (49,784,681 in 2016) and 51,023,356 for the year ended December 31, 2017 (49,724,435 in 2016).

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.

RISK FACTORS

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

The market the Company competes in has historically shown resiliency and growth even at the worst economic times. The Company's customers operate predominantly in the food packaging and agriculture markets. This fact, coupled with the expanding product lines and reliance on newer and faster equipment, should help it 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 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; 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

RISK FACTORS (continued)

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

The polyethylene and the plastics market in general was affected by a tightening of supply beginning in August 2017 when major storms began hitting the southern USA. This impacted both the quantity of material available and the price at which it was sold. During the following months several price increases ensued, before stabilizing in November and retreating marginally in December 2017. To offset the higher input costs, Imaflex introduced some increases in the selling price of extruded film and printed bags, although going into December 2017 – January 2018 some customer price reductions occurred as markets continued to stabilize and commodity prices dropped. Currently, the Company does not expect price fluctuations in resin to have a material impact on 2018 results.

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 ensures us 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

Some products produced at our Victoriaville and Thomasville facilities are subject to seasonality as a result of the plant's partial manufacturing focus on the production of agriculture film for fruit and vegetable growers. Customer demand in this end-market peaks twice yearly. Inventory is managed in a way to optimize cash flow, while remaining able to react to any market opportunities that present themselves. However, because 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 the film into a finished product for their end-customers, Imaflex's exposure to product liability is low. Imaflex is not exposed to liability for personal injury or death arising from negligence in the manufacturing of the films either.

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

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

FLUCTUATIONS IN OPERATING RESULTS

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales. This is due to many factors, including and not limited to: competitive conditions in the businesses in which the Company participates;

FLUCTUATIONS IN OPERATING RESULTS (continued)

general economic conditions and normal business uncertainty; product mix; fluctuations in foreign currency exchange rates; the availability and costs of raw materials; changes in the Company's relationship with its suppliers; planned plant shutdowns for preventative maintenance affecting production levels; and interest rate fluctuations and other changes in borrowing costs.

EXPOSURE TO INTEREST RATE FLUCTUATIONS

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

ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

Imaflex's core operational management team has been stable over the past years 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 the Company has grown, it has also strengthened its team with the addition of individuals having a variety of competencies, be it 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. We are confident that we can retain and, if need be, attract qualified individuals that will contribute to our on-going goal of building shareholder value.

FOREIGN EXCHANGE FLUCTUATIONS

A portion 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 expenses denominated in US dollars. The Company also has the possibility of borrowing amounts on its line of credit in US dollars. The Company has increased its debt in US dollars to obtain additional revenue streams in US dollars. When this additional 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.

RESULTS OF OPERATIONS

During the fourth quarter and fiscal 2017, market fundamentals were strong, resulting in significant year-over-year increases in both sales and profitability. Growth was driven by strength in the core flexible packaging business, the ramp-up of citrus film sales, along with tight cost controls and operational efficiencies across the business.

($ thousands)	**Three months ended**		**Years ended**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Sales	**$21,395**	$18,943	**$88,297**	$73,513

RESULTS OF OPERATIONS (continued)

Quarterly sales increased by $2.5 million or 12.9% over the prior year, largely due to a favourable change in product mix, including $1.5 million of revenues for Shine N' Ripe XL and higher sales of converted (printed) products. Once again, growth was seen across the business and in all geographies.

For the year ended December 31, 2017, the Company recorded revenues of $88.3 million, up $14.8 million or 20.1%. Growth was driven by volume increases and product mix. Notably, Imaflex benefited from the new source of revenues provided by Shine N' Ripe XL, which accounted for $6.4 million or 7.2% of sales for the year.

($ thousands)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Gross profit before amortization of production equipment	**$3,468**	$2,538	**$15,767**	$10,186
Gross profit margin before amortization of production equipment	**16.2%**	13.4%	**17.9%**	13.9%
Amortization of production equipment	**459**	552	**1,774**	1,772
Gross profit	**$3,009**	$1,986	**$13,993**	$8,414
Gross profit margin	**14.1%**	10.5%	**15.8%**	11.4%

The Company's quarterly gross profit before the amortization of production equipment increased by $0.9 million or 36.6% over 2016. Additionally, the associated gross margin improved by 280 basis points, growing from 13.4% in 2016 to 16.2% in 2017. The improvement was largely due to higher sales volumes and better operating leverage as the additional sales volumes were achieved without a material impact on fixed manufacturing costs.

Year-over year, amortization of production equipment expenses remained relatively stable, decreasing by $0.1 million in the current quarter. Quarterly gross profit after amortization stood at $3.0 million in the fourth quarter of 2017, up $1.0 million or 51.5% over the prior year. The gross margin after amortization of production equipment increased by 360 basis points over the prior year, coming in at 14.1% for the fourth quarter of 2017 versus 10.5% in 2016.

For the year ended December 31, 2017, the gross profit before the amortization of production equipment strengthened considerably over 2016, growing by $5.6 million or 54.8%. Correspondingly, the associated gross margin increased by 400 basis points year-over-year, coming in at 17.9% for 2017. The improvement was due to the heightened sales volumes seen throughout 2017, on-going expense controls and better operating leverage. Including amortization expenses, which were essentially unchanged versus 2016, the gross profit for fiscal 2017 was $14.0 million, up $5.6 million or 66.3% over 2016. Correspondingly, the associated gross profit margin was up 440 basis points, coming in at 15.8% versus 11.4% in 2016.

($ thousands)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Selling and administrative	**$1,884**	$1,623	**$7,084**	$6,497
As a % of sales	**8.8%**	8.6%	**8.0%**	8.8%

Selling and administrative expenses increased by $0.3 million in the fourth quarter of 2017 versus 2016, in line with higher sales. Despite the higher revenue base, selling and administrative expenses as a percentage of sales remained essentially flat year-over-year, going from 8.6% in the fourth quarter of 2016 to 8.8% in 2017.

RESULTS OF OPERATIONS (continued)

For the year ended December 31, 2017, selling and administrative expenses grew by $0.6 million, in-line with the higher sales levels. However, due to the heightened revenue base and on-going cost controls, they decreased as a percentage of sales, going from 8.8% in 2016 to 8.0% in 2017.

($ thousands)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Finance costs	**$154**	$136	**$572**	$549

Finance costs increased moderately in the fourth quarter of 2017 versus 2016, due to higher interest rates, a new loan received towards the end of the fourth quarter of 2016 and new finance leases obtained during the course of 2017.

For the year ended December 31, 2017, finance costs grew slightly over the prior year as a decrease in long term loans outstanding reduced the impact of higher interest rates and the new financings concluded since the end of the prior-year period.

($ thousands)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Foreign exchange losses/(gains)	**$(39)**	$(162)	**$1,085**	$291

The appreciation of the US dollar versus the Canadian dollar throughout the fourth quarter of 2017 and 2016 resulted in foreign exchange gains of $39 thousand and $162 thousand, respectively. The higher foreign exchange gain in 2016 therefore led to a year-over-year negative impact of $0.1 million.

For the year ended December 31, 2017 and 2016, the depreciation of the US dollar against the Canadian dollar resulted in foreign exchange losses of $1.1 million and $0.3 million, respectively. As a result, the Company realized a negative year-over-year impact of $0.8 million.

($ thousands)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Income taxes	**$225**	$213	**$1,386**	$589
As a % of income before income taxes	**22.8%**	57.0%	**26.9%**	59.1%

Quarterly income tax expenses remained relatively stable year-over-year, coming in at $0.2 million for both periods.

For the year ended December 31, 2017, the income tax expense stood at $1.4 million, up $0.8 million over fiscal 2016. The increase was due to the higher profitability the Company achieved in 2017. Income taxes as a percent of income before taxes was 26.9% for fiscal 2017, in line with the Company's statutory tax rate of 26.8%.

($ thousands, except per share data)	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Net income	**$761**	$161	**$3,762**	$408
Basic earnings per share	**$0.02**	$0.00	**$0.08**	$0.01
Diluted earnings per share	**$0.01**	$0.00	**$0.07**	$0.01

RESULTS OF OPERATIONS (continued)

Year-over-year improvements in profitability continued into the fourth quarter of 2017, with net income growing from $0.2 million in 2016 to $0.8 million in 2017, a 372.7% improvement. The increase continued to be driven by top line sales growth, operational efficiencies and on-going cost controls.

For fiscal 2017, net income increased by $3.4 million or 822.1% over the corresponding prior-year period. The improvement was generated by heightened sales growth throughout 2017, along with on-going operational efficiencies, tight cost controls and higher equipment utilization levels. This was partially offset by higher foreign exchange losses in 2017, following a strengthening of the Canadian dollar versus the US dollar.

Financial Position

December 31, 2017 vs. December 31, 2016

Working capital grew from $6.0 million as at December 31, 2016 to $9.2 million as at December 31, 2017, reflecting year-over-year improvements in the Company's financial position. The higher sales achieved in 2017 led to increases in trade receivables and inventories. Following the major storms in the USA in 2017, important resin purchases were made to ensure adequate inventory levels. Part of this growth was financed through bank indebtedness, which increased by $0.8 million over December 31, 2016. The higher debt was offset by a $1.0 million year-over-year decrease in Trade and Other Payables as the Company is benefiting from better terms by making early payments.

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):

	Q4/17	**Q3/17**	**Q2/17**	**Q1/17**	**Q4/16**	**Q3/16**	**Q2/16**	**Q1/16**
Revenues	**$21,395**	**$20,791**	$24,055	$22,056	$18,943	$16,997	$18,195	$19,378
Net income (loss)	**761**	**556**	1,300	1,145	161	(104)	523	(172)
Earnings (loss) per share Basic and diluted	**0.015**	**0.011**	0.026	0.023	0.003	(0.002)	0.010	(0.003)

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.

LIQUIDITY

Significant improvements in profitability led to a material year-over-year increase in cash flows from operating activities, before movements in working capital and taxes paid, for both the fourth quarter and fiscal 2017. However, in conjunction with the heightened 2017 sales growth and additional operational support required, important investments in working capital were required, which impacted the aforesaid improvement in cash flows from operating activities.

Cash Flows from Operating Activities

Fourth quarter cash flows from operating activities before working capital and taxes were up materially year-over-year, growing from $0.9 million in 2016 to $1.7 million in 2017. The increase largely reflects the heightened profitability achieved in 2017.

LIQUIDITY (continued)

Cash Flows from Operating Activities (continued)

Positive movements in working capital, due to a decrease in trade receivables, resulted in a small incremental cash flow increase of $0.3 million for the fourth quarter of 2017, although this was largely offset by income taxes paid of $0.2 million. In 2016, movements in working capital and taxes paid reduced cash flows by $0.4 million. Net of movements in working capital and taxes, cash generated by operations stood at $1.8 million for the fourth quarter of 2017, and $0.5 million for 2016.

For the year ended December 31, 2017, cash flows before movements in working capital and taxes improved significantly, going from $4.2 million in 2016 to $8.9 million in 2017. However, important investments in working capital following the growth in sales led to cash outflows for working capital of $4.8 million in 2017. This compares to cash inflows of $0.7 million for fiscal 2016, as the Company did not need to make the same type of investments to support operations. Including net changes in working capital and taxes paid of $0.7 million in 2017 and $0.8 million in 2016, the net cash generated by operating activities was $3.3 million in fiscal 2017, compared to $4.1 million in 2016.

Cash Flows from Investing Activities

During the fourth quarter of 2017, the Company invested $0.5 million for capital assets, mainly towards the purchase of a new coextrusion blown film line. This compares to investments of $0.3 million during the fourth quarter of 2016.

In fiscal 2017, the Company made capital investments totaling $2.4 million, compared to $1.5 million in 2016. These investments are aimed at enhancing the Company's production processes and growing its offerings in order to generate additional sales and profitability.

Cash Flows from Financing Activities

During the fourth quarter of 2017, the net cash used in financing activities totaled $1.3 million, largely consisting of a $1.1 million repayment on the Company's line of credit and $0.2 million towards interest paid on borrowings. During the same period in 2016, the net cash used in financing activities totaled $0.4 million, largely due to a $1.0 million decrease in the Company's line of credit, interest payments of $0.1 million, partially offset by a net increase in long-term debt of $0.8 million.

For fiscal 2017, the net cash used in financing activities totaled $0.9 million, largely due to a net decrease in long-term debt totaling $1.0 million, interest payments of $0.6 million, the repayment of finance leases of $0.2 million, partially offset by a $0.8 million increase in the balance outstanding on the Company's line of credit. During the same period in 2016, the Company used $2.6 million of cash in financing activities. This mostly consisted of a $1.9 million decrease in the Company's line of credit, interest payments of $0.5 million, the repayment of finance leases of $0.2 million and a net repayment of long-term debt, totaling $0.1 million.

CONTRACTUAL OBLIGATIONS

The contractual obligations as at December 31, 2017 were as follows:

($ thousands)	Payments due by period			
	Total	Less than 1 year	1 to 5 years	After 5 years
Long-term debt	**$ 4,812**	$ 1,469	$ 3,239	$ 104
Finance leases	**527**	217	310	-
Operating leases	**5,075**	908	2,871	1,296
Bank indebtedness	**5,827**	5,827	-	-
Total contractual obligations	**$ 16,241**	**$ 8,421**	**$ 6,420**	**$ 1,400**

These contractual obligations are sensitive to the fluctuation of interest rates. They are based on interest rates and foreign exchange rates effective as at December 31, 2017.

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 0.75% over the Canadian prime rate. As at December 31, 2017, the Company was using approximately $ 5.8 million on its line of credit ($ 5.1 million as at December 31, 2016). The Company's working capital improved, reaching $9.2 million as at December 31, 2017, compared to $6.0 million as at December 31, 2016. The improvement was mainly due to an increase in trade receivables and inventories following the growth in sales and the tightening in supply of resin. These increases came, with minimal year-over-year growth in the Company's current liabilities. The Company controls its financial leverage, ensuring that its borrowings reflect the asset base against which the funds are borrowed as well as the profitability that is generated through the operations. The Company has sufficient capital to fund its operations and to further grow the business in the near future.

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, 2017 and 2016. For additional information, please refer to note 24, *Related party transactions* of the "Notes to the consolidated financial statements" for the years ended December 31, 2017 and 2016.

($ thousands)		**Three months ended**		**Years ended**	
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Professional fees and key management personnel services	(a)	**$ 78**	$ 108	**$ 284**	$ 284
Rent	(b)	**$ 216**	$ 233	**$ 868**	$ 878
Remuneration	(c)	**$ 256**	$ 398	**$ 1,113**	$ 975

(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 operating lease agreements (see "Contractual Obligations").

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

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in note 2, *Significant accounting policies* of the consolidated financial statements for the years ended December 31, 2017 and 2016. This note explains the Company's accounting policies under IFRS.

FINANCIAL INSTRUMENTS

Please refer to note 21, *Financial instruments* of the consolidated financial statements for the years ended December 31, 2017 and 2016 for disclosure on the Company's financial instruments as well as note 23, *Risk management* for a discussion on the risks the Company is exposed to and how they are managed.

FINANCIAL INSTRUMENTS (continued)

As at December 31, 2017, the Company is not using any swap, forward or hedge accounting and there were no warrants outstanding.

As at December 31, 2017, 2,525,000 options to purchase shares of the Company were outstanding at a weighted average strike price of $0.489 of which 1,937,500 were exercisable. During the fourth quarter of 2017, Imaflex granted 150,000 options to purchase shares of the Company for a period of 5 years at a price of $1.11 per share.

As at December 31, 2016, 2,450,000 options to purchase shares of the Company were outstanding at a weighted average strike price of $ 0.436, of which 937,500 were exercisable and there were no warrants outstanding.

SHINE N’ RIPE XL BUILD-OUT

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

In the first quarter of 2018, the Florida Research Centre for Agricultural Sustainability (FLARES) provided an update on its multi-year trial, once again validating the clear benefits Shine N’ Ripe XL brings over conventional production. Although approximately four years had passed since the FLARES trial first began, trees planted with Shine N’ Ripe XL continued to show less impact from the citrus greening disease (“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 currently the only company with independent, long-term field trials proving that its long-lasting metalized film effectively reduces the early onset of citrus greening, while also accelerating tree growth and increasing yield. Due to these successes and the commencement of new production trials with new growers, Imaflex is confident it will see a further broadening of its customer base and revenue expansion going forward.

ADVASEAL® COMMERCIALIZATION

During 2017, Imaflex successfully completed the trials necessary to identify and design the coating equipment needed to produce ADVASEAL® cost effectively. As for the chemicals, faced with on-going merger and acquisition activity amongst major crop protection firms and the resulting delays in Imaflex’s ability to obtain supply commitments, the Corporation decided to directly source the active ingredients required (fungicides and a nematicide) from the same suppliers in Asia currently selling to the crop protection companies. Imaflex had previously found a herbicide in connection with ADVASEAL® HSM, its herbicidal releasing film. All active ingredients have now been sourced and the registration process with the US Environmental Protection Agency (EPA) has been initiated.

Imaflex is currently seeking a toll manufacturer (coater) capable of providing sufficient quantities of ADVASEAL® film coated with the active ingredients for the efficacy field trials. The studies are also required for the exclusive registration with the EPA as ADVASEAL® is a novel formulation of the generic active ingredients, containing fungicides and a nematicide in addition to a herbicide. The Corporation expects the efficacy trials to commence by the first quarter of 2019.

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

ADVASEAL® COMMERCIALIZATION (continued)

ADVASEAL® is a plastic mulch film that releases an herbicide (HSM) to control weeds, fungicides to control soil borne pathogens, and a nematicide to control nematodes pre-plant for soil disinfestation to replace hazardous fumigants and conventional pesticide spray emissions.

MANAGEMENT OUTLOOK

Business fundamentals continue to be strong, despite some unforeseen delays in the on-going market expansion of Shine N' Ripe XL. Sales of our core flexible packaging products should remain robust in 2018, while Shine N' Ripe XL sales are fully expected to ramp-up in the coming months. This said, some caution is warranted. The major storms in the southeastern USA in late 2017 has hindered 2018 citrus film sales to date, as growers have been focusing their efforts on actively repairing damaged groves. However, the situation remains very fluid. The Corporation is currently in customer discussions and upward revenue expectations could occur at any time. Based on these discussions, new trials underway with growers, and the success of multi-year independent field trials, we are confident there will be further revenue expansion for our citrus film going forward.

OUTSTANDING SHARE DATA

As at December 31, 2017, the Company had 49,863,637 common shares outstanding (49,738,637 as at December 31, 2016).

SUBSEQUENT EVENTS

On March 28, 2018, Imaflex announced that it had obtained a secured loan of up to CDN $3.75 million (the "Loan") to fund the purchase of a new coextrusion blown film line ("extruder").

The Loan is available to Imaflex for a 12-month period, with repayment of principal to commence 13 months after the first advance. The principal is then to be repaid in 60 equal monthly installments. The Loan carries an annual interest rate equal to the Canadian prime lending rate plus 1.75%.

The extruder, which is expected to be operational in the first quarter of 2019, increases the Company's production capacity by approximately four million pounds annually and broadens its extrusion capabilities. Based on customer feedback, the Corporation believes it will run close to capacity, generating additional annualized revenues of approximately CDN $6.0 million.

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

(s) Joe Abbandonato	*(s) Giancarlo Santella*
Joe Abbandonato	Giancarlo Santella, CPA, CA
President and Chief Executive Officer	Corporate Controller

April 17, 2018

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