

CONSOLIDATED BALANCE SHEETS

(in thousands)	September 30, 2002 (Unaudited)	December 31, 2001 (Audited)
Assets		
Current assets:		
Cash	\$ -	\$ 396
Accounts receivable	5,228	4,684
Inventories	2,281	1,816
Prepaid expenses	55	18
	7,564	6,914
Deposits for capital assets	20	576
Capital assets	10,483	7,981
Long-term investment	113	163
	\$ 18,180	\$ 15,634
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 371	\$ -
Accounts payable and accrued liabilities	4,906	4,767
Income taxes payable	212	189
Current portion of long-term debt	1,342	748
Current portion of obligations under capital leases	308	347
	7,139	6,051
Long-term debt	4,770	3,990
Obligations under capital leases	-	121
Future income taxes	1,283	1,169
Shareholders' equity:		
Share capital	1,941	1,923
Retained earnings	3,047	2,380
	4,988	4,303
	\$ 18,180	\$ 15,634

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

(in thousands, except per share and share data)	Three months ended		Nine months ended	
	Sept. 30, 2002	Oct. 31, 2001	Sept. 30, 2002	Oct. 31, 2001
Sales	\$ 7,699	\$ 6,868	\$ 21,854	\$ 19,920
Cost of sales	6,191	5,519	17,527	16,117
Gross profit	1,508	1,349	4,327	3,803
Expenses:				
Selling and administrative	600	754	1,861	2,008
Amortization of capital assets	369	332	1,055	907
Interest	111	104	291	298
Other	40	34	127	89
	1,120	1,224	3,334	3,302
Income before restructuring charge and income taxes	388	125	993	501
Restructuring charge	-	-	-	350
Income before income taxes	388	125	993	151
Provision for income taxes	75	85	326	275
Net income (loss)	313	40	667	(124)
Retained earnings, beginning of period	2,734	2,145	2,380	2,309
Retained earnings, end of period	\$ 3,047	\$ 2,185	\$ 3,047	\$ 2,185
Average number of shares (*) outstanding				
Basic	31,035,002	30,915,002	31,001,669	30,831,669
Diluted	31,035,002	30,972,933	31,011,907	30,898,312
Basic and diluted earnings per share	\$ 0.010	\$ 0.001	\$ 0.022	\$ (0.004)
Earnings before interest, taxes depreciation and amortization (EBITDA)	\$ 868	\$ 561	\$ 2,339	\$ 1,356
Basic and diluted EBITDA per share	\$ 0.028	\$ 0.018	\$ 0.075	\$ 0.044

(*) Class A voting and Class B Series 1 non-voting shares

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended		Nine months ended	
	Sept. 30, 2002	Oct. 31, 2001	Sept. 30, 2002	Oct. 31, 2001
Cash flows from operating activities:				
Net income (loss)	\$ 313	\$ 40	\$ 667	\$ (124)
Adjustments for:				
Amortization of capital assets	369	332	1055	907
Future income taxes	(16)	16	114	55
Net change in non-cash operating working capital	286	326	(459)	-
	952	714	1,377	838
Cash flows from financing activities:				
Increase (decrease) in bank indebtedness	(310)	(579)	371	55
Issuance of long-term debt	-	1,000	1,833	1,000
Repayment of long-term debt	(177)	(192)	(459)	(444)
Repayment of obligations under capital leases	(51)	(56)	(160)	(164)
Issuance of share capital	-	-	18	113
	(538)	173	1,603	560
Cash flows from investing activities:				
Decrease (increase) in deposits for capital assets	258	(747)	556	(938)
Purchase of capital assets	(672)	(140)	(3,982)	(416)
Partial redemption of long-term investment	-	-	50	-
Acquisition of business, net of cash	(414)	(887)	(3,376)	(1,398)
Net change in cash	-	-	(396)	-
Cash, beginning of period	-	-	396	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -
Supplemental cash flow information:				
Interest paid	\$ 110	\$ 106	\$ 291	\$ 210
Income taxes paid	60	65	180	317
Additions to capital assets included in accounts payable	79	(55)	425	(110)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(For the nine months ended September 30, 2002 and October 31, 2001)

1. Significant accounting policies:

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. (GAAP) The same accounting policies as described in the Company's latest Annual Report have been used, with the exception of the new accounting policy described in note 2. However, these consolidated financial statements do not include all disclosures required under GAAP and accordingly should be read in connection with the consolidated financial statements and notes thereto included in the Company's latest Annual Report.

2. Change in accounting policy:

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3870, "Stock-based Compensation and Other Stock-based Payments." This new section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It applies to transactions in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. Section 3870 encourages companies to apply the fair value based method of accounting to all employee stock-based compensation plans, but requires them to do so only for specific types of stock-based payments, of which the Company has none. Thus, this new standard has been applied prospectively.

Although enterprises are encouraged to apply the fair value based method of accounting to all awards, the new standard allows for no compensation cost to be recorded on the grant of stock options to employees. Therefore, the Company has elected to continue its existing policy of settlement accounting for its stock option plan. Under this policy, consideration paid by employees on the exercise of stock options or the purchase of stock is credited to share capital. Additional information regarding the stock option plan is presented in Note 12 of the Company's financial statements, included in the Company's latest Annual Report.

During the nine months ended September 30, 2002, the Company granted 20,000 options. Had the Company used the fair value based accounting method (the Black-Scholes model) to measure compensation, pro forma net income and pro forma basic and diluted earnings per share for the nine months ended September 30, 2002, would have been \$666,000 and \$0.021, respectively. As permitted by the new recommendations, pro forma amounts exclude the effect of awards granted prior to January 1, 2002.

3. Comparative figures:

Certain comparative figures for the nine month period ended October 31, 2001 have been reclassified to conform to the current period's presentation.

FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

To our shareholders,

The Company reports net income for the three months ended September 30, 2002 of \$313,000, or \$0.01 per share, compared with net income of \$40,000, or \$0.001 per share, for the three months ended October 31, 2001. The results include those of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc., which was acquired on March 29, 2001.

In the previous year, Imaflex changed its financial year-end to December 31 from January 31 to harmonize with Canslit's year-end and to facilitate reporting in future years. Accordingly, the results for the third quarter are comprised of the months of July to September 2002. The previous year's third quarter is comprised of the results for the months of August to October 2001.

Imaflex's extrusion operations generated net income of \$191,000 for the three months ended September 30, 2002 as compared to \$209,000 for the three months ended October 31, 2001. Canslit's metallizing operations generated net income of \$122,000 for the three months ended September 30, 2002 as compared to a net loss of \$169,000 for the three months ended October 31, 2001.

Sales for the three months ended September 30, 2002 totaled \$7,699,000, compared with \$6,868,000 for the three months ended October 31, 2001, an increase of \$831,000 or 12.1%. Imaflex's sales increased slightly by \$23,000 to \$5,962,000. The current year's quarterly sales figure includes the month of July, a traditionally slower month. Canslit's sales increased by \$808,000 to \$1,737,000 as a result of stronger sales volume.

Gross profit for the three months ended September 30, 2002 was \$1,508,000 or 19.6% of sales, comparable to \$1,349,000 or 19.6% of sales for the three months ended October 31, 2001.

The income before income taxes for the three months ended September 30, 2002 was \$388,000 as compared to \$125,000 for the three months ended October 31, 2001. The increase of \$263,000 is primarily attributable to an improvement in Canslit's metallizing operations.

The income tax provision reflects the taxes on the income generated by Imaflex's operations. Canslit's income before income tax for the three months ended September 30, 2002 was offset by losses incurred in prior periods which are being recognized in the income tax provision at the time Canslit generates income.

FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER (continued)

Year-to-date Results

The current year-to-date results are comprised of the months of January to September 2002. The previous year-to-date results are comprised of the months of February to October 2001. As Canslit was acquired on March 29, 2001, the current year-to-date results include nine months of its operations, whereas the previous year-to-date results include only seven months of its operations.

Imaflex Inc. reports net income for the nine months ended September 30, 2002 of \$667,000, or \$0.022 per share, compared with a net loss of \$124,000, or \$0.004 per share, for the nine months ended October 31, 2001. The significant improvement is primarily attributable to (1) a reduction in the loss at Canslit's metallizing operations, (2) the inclusion in the previous year of a one-time restructuring charge of \$350,000 and (3) an improvement in Imaflex's extrusion results. Imaflex's extrusion operations generated net income of \$821,000 for the nine months ended September 30, 2002 as compared to \$654,000 for the nine months ended October 31, 2001. Canslit's metallizing operations incurred a net loss of \$154,000 for the nine months ended September 30, 2002 as compared to a net loss of \$778,000 for the seven months ended October 31, 2001.

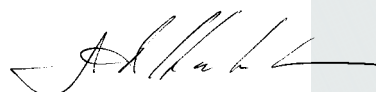
Sales for the nine months ended September 30, 2002 totaled \$21,854,000, compared with \$19,920,000 for the nine months ended October 31, 2001, an increase of \$1,934,000 or 9.7%. Imaflex's sales increased by \$821,000 to \$18,121,000, due to an increase in volume as a result of the expansion of its manufacturing capacity in the first quarter of the current year. Canslit's sales increased by \$1,113,000 to \$3,733,000, primarily attributable to (1) stronger sales volume as a result of the restructuring plan instituted in the previous year and (2) an additional two months of sales during the current year as compared to the previous year, as described above.

Management Outlook

During the recently completed third quarter, management's focus was to increase Canslit's revenue base thereby providing the expected gains needed to achieve profitability. Management's focus continues to be to maintain this momentum in the months ahead.

As a consequence of sluggish market conditions resulting in downward pricing pressures, Imaflex's short term focus is to grow revenues in the export markets.

Sincerely yours,



Joseph Abbandonato
Chairman of the Board, President and Chief Executive Officer

CORPORATE PROFILE

Imaflex Inc. specializes in the manufacture and sale of custom-made polyethylene films suited for various packaging needs of our customers. These packaging films are either used directly by our customers to protect their own products, or used by customers who convert our film products into plain or printed bags of all types and/or into printed roll stock, in their own converting operations, to satisfy their own customer needs. Imaflex employs approximately 85 people in its manufacturing facility, located in Montreal, Quebec. Imaflex recycles 100% of its own waste, the majority in house, thereby enhancing cost efficiency.

Canslit Inc., the wholly owned subsidiary, specializes in the metallization of numerous polymer-based products including polyester, nylon, polypropylene and polyethylene. This is accomplished through the application under vacuum conditions of a fine layer of aluminum vapors to the surface of the polymer-based film. Metallized films are generally used in the packaging of food products. However, these films are also being used in the insulation, photography, aerospace and numerous other industries. Canslit employs approximately 15 people at its manufacturing facility in Victoriaville, Quebec.

For investor information, contact

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QUARTERLY REPORT
September 30, 2002

IMAFLEX
Committed to Excellence