

**CONSOLIDATED BALANCE SHEETS**

(in thousands)	September 30, 2003 (Unaudited)	December 31, 2002 (Audited)
<b>Assets</b>		
Current assets:		
Cash	\$ 225	\$ -
Accounts receivable	5,695	4,631
Inventories	2,389	2,396
Prepaid expenses	40	21
	<b>8,349</b>	7,048
Deposits for capital assets	3	49
Capital assets	11,695	10,039
Long-term investment	113	113
	<b>\$ 20,160</b>	\$ 17,249
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ -	\$ 19
Accounts payable and accrued liabilities	4,579	4,234
Income taxes payable	389	137
Current portion of long-term debt	1,789	1,384
Current portion of obligations under capital leases	-	121
	<b>6,757</b>	5,895
Long-term debt	5,742	4,930
Future income taxes	1,445	1,363
Shareholders' equity:		
Share capital	1,941	1,941
Retained earnings	4,275	3,120
	<b>6,216</b>	5,061
	<b>\$ 20,160</b>	\$ 17,249

**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**  
(Unaudited)

(in thousands, except per share and share data)	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Sales	\$ 7,962	\$ 7,699	\$ 26,894	\$ 21,854
Cost of sales	6,473	6,191	21,716	17,527
Gross profit	1,489	1,508	5,178	4,327
Expenses:				
Selling and administrative	575	600	1,835	1,861
Amortization of capital assets	492	369	1,350	1,055
Interest	92	111	285	291
Other	30	40	82	127
	<b>1,189</b>	1,120	<b>3,552</b>	3,334
Income before income taxes	300	388	1,626	993
Provision for income taxes	87	75	471	326
Net income	213	313	1,155	667
Retained earnings, beginning of period	4,062	2,734	3,120	2,380
Retained earnings, end of period	<b>\$ 4,275</b>	\$ 3,047	<b>\$ 4,275</b>	\$ 3,047
Average number of shares (*) outstanding				
Basic	31,035,002	31,035,002	31,035,002	31,001,669
Diluted	31,074,233	31,035,002	31,048,079	31,011,907
Basic and diluted earnings per share	<b>\$ 0.007</b>	\$ 0.010	<b>\$ 0.037</b>	\$ 0.022
Earnings before interest, taxes, depreciation and amortization (EBITDA)				
	<b>\$ 884</b>	\$ 868	<b>\$ 3,261</b>	\$ 2,339
Basic and diluted EBITDA per share	<b>\$ 0.028</b>	\$ 0.028	<b>\$ 0.105</b>	\$ 0.075

(\*) 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	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Cash flows from operating activities:				
Net income	\$ 213	\$ 313	\$ 1,155	\$ 667
Adjustments for:				
Amortization of capital assets	492	369	1,350	1,055
Future income taxes	13	(16)	82	114
Net change in non-cash operating working capital	2,903	286	(779)	(459)
	<b>3,621</b>	952	<b>1,808</b>	1,377
Cash flows from financing activities:				
Increase (decrease) in bank indebtedness	(2,642)	(310)	(19)	371
Issuance of long-term debt	2,300	-	2,300	1,833
Repayment of long-term debt	(409)	(177)	(1,083)	(459)
Repayment of obligations under capital leases	(82)	(51)	(121)	(160)
Issuance of share capital	-	-	-	18
	<b>(833)</b>	(538)	<b>1,077</b>	1,603
Cash flows from investing activities:				
Purchase of capital assets	(2,563)	(414)	(2,660)	(3,426)
Partial redemption of long-term investment	-	-	-	50
	<b>(2,563)</b>	(414)	<b>(2,660)</b>	(3,376)
Net change in cash	225	-	225	(396)
Cash, beginning of period	-	-	-	396
Cash, end of period	<b>\$ 225</b>	\$ -	<b>\$ 225</b>	\$ -
Supplemental cash flow information:				
Interest paid	\$ 95	\$ 110	\$ 285	\$ 291
Income taxes paid	141	60	141	180
Additions to capital assets included in accounts payable	348	106	348	106

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(For the nine months ended September 30, 2003 and 2002)

**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. 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. Comparative figures:**

Certain comparative figures for the nine months ended September 30, 2002 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, 2003 of \$213,000, or \$0.007 per share, compared with net income of \$313,000, or \$0.010 per share, for the same period in 2002. The results include those of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc.

Imaflex's extrusion operations generated net income of \$243,000 for the three months ended September 30, 2003 as compared to \$191,000 for the same period in 2002. Canslit's metallizing operations incurred a net loss of \$30,000 for the three months ended September 30, 2003 as compared to a net income of \$122,000 for the same period in 2002.

Sales for the three months ended September 30, 2003 totaled \$7,962,000, compared with \$7,699,000 for the same period in 2002, representing an increase of \$263,000 or 3.4%. Imaflex's sales increased by \$406,000 to \$6,368,000, resulting from its increased manufacturing capacity and from selling price increases necessitated by a higher cost of raw materials. Canslit's sales decreased by \$143,000 to \$1,594,000, resulting from lower selling prices due to competitive pressures.

Gross profit for the three months ended September 30, 2003 was \$1,489,000 or 18.7% of sales, compared with \$1,508,000 or 19.6% of sales for the same period in 2002. The decrease in gross profit margin is attributable to higher raw material costs and competitive pressures.

Income before income taxes for the three months ended September 30, 2003 was \$300,000 as compared to \$388,000 for the same period in 2002. The decrease is a direct result of the lower operating results of Canslit.

The income tax provision reflects the taxes on the income generated by Imaflex's operations.

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

### Year-to-date Results

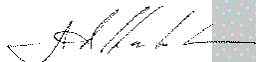
The Company reports net income for the nine months ended September 30, 2003 of \$1,155,000, or \$0.037 per share, compared with net income of \$667,000, or \$0.022 per share, for the same period in 2002. Imaflex's extrusion operations generated net income of \$1,271,000 for the nine months ended September 30, 2003 as compared to \$821,000 for the same period in 2002. Canslit's metallizing operations incurred a net loss of \$116,000 for the nine months ended September 30, 2003 as compared to a net loss of \$154,000 for the same period in 2002.

Sales for the nine months ended September 30, 2003 totaled \$26,894,000, compared with \$21,854,000 for the same period in 2002, an increase of \$5,040,000 or 23.1%, which is explained by the increased capacity resulting from Imaflex's capital expenditures in the first half of 2002, selling price increases necessitated by a significantly higher cost of raw materials, and higher volume at Canslit's metallizing operations. Imaflex's sales increased by \$4,791,000 to \$22,912,000. Canslit's sales increased by \$249,000 to \$3,982,000.

### Management Outlook

In spite of the continued difficulties in the North American economy and continued competitive pressures, Imaflex was able to increase its sales volume and maintain profitability through this recently completed quarter, which has historically been slower than the first half of the year. Imaflex's first co-extrusion line commenced operations in late October 2003. This increased manufacturing capacity will enable Imaflex to enhance growth in both sales and profitability.

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 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 Montréal, Québec. 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, Québec.

For investor information, contact  
**ROBERTO LONGO, CA**  
Corporate Controller  
(514) 935-5710

### IMAFLEX

5710 Notre Dame West  
Montreal, Quebec, Canada H4C 1V2  
Telephone: (514) 935-5710 | Fax: (514) 935-0264  
Email: info@imaflex.com  
Web site: [www.imaflex.com](http://www.imaflex.com)

Design: Imaflex Inc. | 514-935-5710 | www.imaflex.com

QUARTERLY REPORT  
September 30, 2003

**IMAFLEX**  
Committed to Excellence

