

CONSOLIDATED BALANCE SHEETS

(in thousands)	September 30, 2004 (Unaudited)	December 31, 2003 (Audited)	September 30, 2003 (Unaudited)
Assets			
Current assets:			
Cash	\$ -	\$ 162	\$ 225
Accounts receivable	7,892	6,667	5,695
Inventories	2,378	2,583	2,389
Prepaid expenses	42	11	40
	10,312	9,423	8,349
Deposits for capital assets	337	41	3
Capital assets	10,288	11,465	11,695
Long-term investment	-	-	113
	\$ 20,937	\$ 20,929	\$ 20,160
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ 1,145	\$ -	\$ -
Accounts payable and accrued liabilities	3,625	5,102	4,579
Income taxes payable	431	339	389
Current portion of long-term debt	1,726	1,784	1,789
	6,927	7,225	6,757
Long-term debt	4,238	5,535	5,742
Future income taxes	1,704	1,630	1,445
Shareholders' equity:			
Share capital	1,947	1,941	1,941
Retained earnings	6,121	4,598	4,275
	8,068	6,539	6,216
	\$ 20,937	\$ 20,929	\$ 20,160

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

(in thousands, except per share and share data)	Three months ended September 30, 2004		Nine months ended September 30, 2004	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Sales	\$ 9,959	\$ 7,962	\$28,515	\$ 26,894
Cost of sales	7,881	6,473	22,467	21,716
Gross profit	2,078	1,489	6,048	5,178
Expenses:				
Selling and administrative	767	575	2,164	1,835
Amortization of capital assets	485	492	1,487	1,350
Interest	84	92	276	285
Other	27	30	69	82
	1,363	1,189	3,996	3,552
Income before income taxes	715	300	2,052	1,626
Provision for income taxes	189	87	529	471
Net income	526	213	1,523	1,155
Retained earnings, beginning of period	5,595	4,062	4,598	3,120
Retained earnings, end of period	\$ 6,121	\$ 4,275	\$ 6,121	\$ 4,275
Average number of shares (*) outstanding				
Basic	31,055,002	31,035,002	31,043,891	31,035,002
Diluted	31,114,024	31,074,233	31,111,899	31,048,079
Basic and diluted earnings per share	\$ 0.017	\$ 0.007	\$ 0.049	\$ 0.037
Earnings before interest, taxes, depreciation and amortization (EBITDA)				
	\$ 1,284	\$ 884	\$ 3,815	\$ 3,261
Basic and diluted EBITDA per share	\$ 0.041	\$ 0.028	\$ 0.123	\$ 0.105

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended September 30, 2004		Nine months ended September 30, 2004	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Cash flows from operating activities:				
Net income	\$ 526	\$ 213	\$ 1,523	\$ 1,155
Adjustments for:				
Amortization of capital assets	485	492	1,487	1,350
Future income taxes	28	13	74	82
Net change in non-cash operating working capital	(396)	2,903	(2,412)	(779)
	643	3,621	672	1,808
Cash flows from financing activities:				
Increase (decrease) in bank indebtedness	184	(2,642)	1,145	(19)
Issuance of long-term debt	-	2,300	-	2,300
Repayment of long-term debt	(427)	(409)	(1,355)	(1,083)
Repayment of obligations under capital leases	-	(82)	-	(121)
Issuance of share capital	-	-	6	-
	(243)	(833)	(204)	1,077
Cash flows from investing activities:				
Purchase of capital assets	(63)	(2,563)	(334)	(2,660)
Increase in deposits for capital assets	(337)	-	(296)	-
	(400)	(2,563)	(630)	(2,660)
Net change in cash	-	225	(162)	225
Cash, beginning of period	-	-	162	-
Cash, end of period	\$ -	\$ 225	\$ -	\$ 225
Supplemental cash flow information:				
Interest paid	\$ 84	\$ 95	\$ 275	\$ 285
Income taxes paid	82	141	387	141
Additions to capital assets included in accounts payable	64	348	64	348

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(For the nine months ended September 30, 2004 and 2003)

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, 2003 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, 2004 of \$526,000, or \$0.017 per share, compared with net income of \$213,000, or \$0.007 per share, for the same period in 2003. The results include those of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc.

Imaflex's extrusion operations generated net income of \$507,000 for the three months ended September 30, 2004 as compared to \$243,000 for the same period in 2003. Canslit's metallizing operations generated net income of \$19,000 for the three months ended September 30, 2004 as compared to a net loss of \$30,000 for the same period in 2003. The overall improvement is due to a change in product mix towards more profitable product segments and continued sales growth in the US market.

Sales for the three months ended September 30, 2004 totaled \$9,959,000 compared with \$7,962,000 for the same period in 2003. This increase of \$1,997,000 or 25.1% is explained by the increased sales volume at Imaflex's operations resulting from increases in both manufacturing capacity and demand. Imaflex's sales increased by \$1,683,000 or 26.4% to \$8,051,000. Canslit's sales increased by \$314,000 or 19.7% to \$1,908,000.

Gross profit for the three months ended September 30, 2004 was \$2,078,000 or 20.9% of sales, compared with \$1,489,000 or 18.7% of sales for the same period in 2003. The increase in gross profit margin is due to an increased sales volume and to changes in product mix.

Selling and administrative expenses for the three months ended September 30, 2004 were \$767,000 or 7.7% of sales, compared with \$575,000 or 7.2% of sales for the same period in 2003, primarily as a result of Canslit's higher profile in the US market, which required increased selling efforts.

Income before income taxes for the three months ended September 30, 2004 was \$715,000 as compared to \$300,000 for the same period in 2003. The significant increase is a direct result of the higher sales volume and the enhanced gross profit.

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, 2004 was offset by losses incurred in prior periods which are being

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

recognized in the income tax provision at the time Canslit generates income.

Year-to-date Results

The Company reports net income for the nine months ended September 30, 2004 of \$1,523,000, or \$0.049 per share, compared with net income of \$1,155,000, or \$0.037 per share, for the same period in 2003. Imaflex's extrusion operations generated net income of \$1,423,000 for the nine months ended September 30, 2004 as compared to \$1,271,000 for the same period in 2003. Canslit's metallizing operations generated net income of \$100,000 for the nine months ended September 30, 2004 as compared to a net loss of \$116,000 for the same period in 2003. The overall improvement is due to a change in product mix towards more profitable product segments and continued sales growth in the US market.

Sales for the nine months ended September 30, 2004 totaled \$28,515,000 compared with \$26,894,000 for the same period in 2003, an increase of \$1,621,000 or 6.0%. Imaflex's sales increased by \$448,000 to \$23,360,000. Canslit's sales increased by \$1,173,000 to \$5,155,000.

Management Outlook

Imaflex continued to generate solid profitability during the third quarter of 2004 as a result of its continued push into more profitable product segments. Competitive pressures from the strengthening of the Canadian dollar and increased Asian competition continue to be an impediment in its industry sector.

Canslit continued its sales growth during the third quarter of 2004. In order to meet its customers' needs and enter new markets, Canslit has arranged for delivery of additional manufacturing equipment, which is expected to be operational in the second quarter of 2005.

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 70 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 30 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

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QUARTERLY REPORT
September 30, 2004

IMAFLEX
Committed to Excellence

