

CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)	March 31, 2004 (Unaudited)
Assets			
Current assets:			
Accounts receivable	\$ 8,733	\$ 8,250	\$ 7,290
Inventories	4,613	6,484	2,543
Prepaid expenses	121	21	125
	13,467	14,755	9,958
Deposits for capital assets	349	232	-
Capital assets	11,282	10,145	11,092
	\$ 25,098	\$ 25,132	\$ 21,050
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ 1,163	\$ 1,672	\$ 1,549
Accounts payable and accrued liabilities	4,747	6,349	3,719
Income taxes payable	578	748	296
Current portion of long-term debt	2,356	2,006	1,751
	8,844	10,775	7,315
Long-term debt	4,449	3,529	5,105
Future income taxes	1,688	1,696	1,683
Shareholders' equity:			
Share capital	1,950	1,947	1,941
Retained earnings	8,167	7,185	5,006
	10,117	9,132	6,947
	\$ 25,098	\$ 25,132	\$ 21,050

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

(in thousands, except per share and share data)	Three months ended	
	March 31, 2005	March 31, 2004
Sales	\$ 11,858	\$ 8,909
Cost of sales	9,191	7,069
Gross profit	2,667	1,840
Expenses:		
Selling and administrative	706	664
Amortization of capital assets	505	504
Interest	104	100
Other	15	23
	1,330	1,291
Income before income taxes	1,337	549
Provision for income taxes	355	141
Net income	982	408
Retained earnings, beginning of period	7,185	4,598
Retained earnings, end of period	\$ 8,167	\$ 5,006
Average number of shares outstanding		
Basic	31,058,335	31,035,002
Diluted	31,153,563	31,110,104
Basic and diluted earnings per share	\$ 0.032	\$ 0.013
Earnings before interest, taxes, depreciation and amortization (EBITDA)		
	\$ 1,946	\$ 1,153
Basic EBITDA per share	\$ 0.063	\$ 0.037
Diluted EBITDA per share	\$ 0.062	\$ 0.037

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended	
	March 31, 2005	March 31, 2004
Cash flows from operating activities:		
Net income	\$ 982	\$ 408
Adjustments for:		
Amortization of capital assets	505	504
Future income taxes	(8)	53
Net change in non-cash operating working capital	(593)	(2,148)
	886	(1,183)
Cash flows from financing activities:		
(Decrease) increase in bank indebtedness	(509)	1,549
Issuance of long-term debt	1,700	-
Repayment of long-term debt	(430)	(463)
Issuance of share capital	3	-
	764	1,086
Cash flows from investing activities:		
Purchase of capital assets	(1,533)	(65)
Increase in deposits for capital assets	(117)	-
	(1,650)	(65)
Net decrease in cash	-	(162)
Cash, beginning of period	-	162
Cash, end of period	\$ -	\$ -
Supplemental cash flow information:		
Interest paid	\$ 105	\$ 100
Income taxes paid	533	140
Additions to capital assets included in accounts payable	215	113
Conversion of deposits for capital assets to capital asset additions	-	41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(For the three months ended March 31, 2005 and 2004)

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 three months ended March 31, 2004 have been reclassified to conform to the current period's presentation.

3. The unaudited financial statements have not been reviewed by KPMG - LLP, the auditors of the Company.

FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

To our shareholders,

The Company reports net income for the three months ended March 31, 2005 of \$982,000, or \$0.032 per share, compared with net income of \$408,000, or \$0.013 per share, for the same period in 2004. The results include those of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc.

Imaflex's extrusion operations generated net income of \$889,000 for the three months ended March 31, 2005 as compared to \$383,000 for the same period in 2004. Canslit's metallizing operations generated net income of \$93,000 for the three months ended March 31, 2005 as compared to \$25,000 for the same period in 2004. The stronger performance was driven by sales growth in the Canadian and US markets, by a continued emphasis on more profitable product segments, and improved manufacturing productivity.

Sales for the three months ended March 31, 2005 totaled \$11,858,000 compared with \$8,909,000 for the same period in 2004. This increase of \$2,949,000 or 33.1% is explained by higher sales volume at Imaflex's operations and sales growth by Canslit, particularly in the US market. Imaflex's sales increased by \$2,303,000 or 31.1% to \$9,712,000. Canslit's sales increased by \$646,000 or 43.6% to \$2,146,000.

Gross profit for the three months ended March 31, 2005 was \$2,667,000 or 22.5% of sales, compared with \$1,840,000 or 20.7% of sales for the same period in 2004. The increase in gross profit margin is due to increased sales volume and to changes in product mix.

Income before income taxes for the three months ended March 31, 2005 was \$1,337,000 as compared to \$549,000 for the same period in 2004. 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 March 31, 2005 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)

Special Dividend

The Board of Directors has declared a special dividend of \$0.01 per Class A common share, which will be paid on May 31, 2005, to shareholders of record at the close of trading on May 20, 2005.

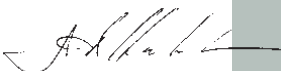
Management Outlook

Imaflex reported another excellent quarter in both sales and profitability. Management continues to counter pressures from the strengthening of the Canadian dollar and Asian competition by improving plant productivity and increasing sales volume through continually seeking higher margin business. Continuous increases in raw material costs from our major suppliers have put demands on the Company's ability to maintain margins and have increased competitive pressures on our sales. The Company expects this pricing pressure to continue through 2005.

Following an extensive study, management has concluded that an excellent opportunity for profitable growth exists through a carefully targeted expansion into the United States. Accordingly, management is currently planning the Company's first manufacturing extrusion facility in the mideastern United States, expected to be partially operational in the third quarter of 2005, with full operations expected by the second quarter of 2006.

Canslit increased its sales and profitability in this latest quarter due to increased demand for its metallized polyethylene products. The sales emphasis on polyethylene based products, rather than on its traditional polyester based products, continues unabated. During this latest quarter Canslit received additional manufacturing equipment expected to be operational in the second quarter of 2005, thereby enabling both Imaflex and Canslit to increase sales and profitability through the remainder 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 agricultural, insulation, photography, aerospace and numerous other industries. Canslit employs approximately 30 people at its manufacturing facility in Victoriaville, Québec.

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March 31, 2005

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Committed to Excellence

