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Proven Product Solutions

P•F•B CORPORATION

FIRST QUARTER REPORT

2002

P•F•B
CORPORATION

President's Report to Shareholders

Revenues of \$7,363,000 in the first quarter are reduced compared to \$7,968,000 in 2001 as a result of lower construction activity during the winter months.

Despite the reduction in revenues, operational results for the first quarter ended March 31, 2002 showed continued improvement with earnings before income tax expense and equity investment increasing to \$348,000 from \$332,000 in the 2001 comparative period.

Net Earnings of \$48,000 (\$0.01 per share), compared to \$188,126 (\$0.03 per share) in the comparative 2001 period, are diluted by two events. Firstly, as a result of reassessment, a one-time revision of \$179,000 was charged to the income tax provision.

The second event arises from a transaction on January 22, 2002 in which PFB Corporation ("PFB") invested \$750,000 through the purchase of 7.5 million units of Roxi Capital Corp. ("Roxi"). The transaction was consummated at a price of 10 cents per unit constituting 41.5 per cent of the outstanding common shares of Roxi. A unit of Roxi consists of one treasury common share and one share purchase warrant which can be exercised for one treasury common share at a price of 10 cents per share prior to the expiry date of January 21, 2004. Roxi owns the Advantage Wallsystems brand of insulating concrete forming system. An accounting charge of \$42,000 against PFB's net earnings represents our 41.5% equity in the net accounting losses experienced by Roxi during the period.

On March 21, 2002, PFB paid its shareholders the regular annual dividend of \$0.15 per common share plus a special dividend of \$0.05 for a combined payment of \$0.20 per share. The financial condition of the company remains very strong with working capital of \$11,359,000 and no long-term debt. Management is confident that financial resources are adequate to support capital expenditures necessary to maintain the strong growth trend.

There are indications that raw material prices might increase during 2002 from the abnormally low prices experienced in most of 2001. Despite a sudden increase during the month of April, resulting from the unscheduled shutdown of several chemical plants, the normal pricing cycle is expected to resume and reflect historical levels for the balance of the year, unless supply is interrupted due to international tensions.

Management remains cautious that the economy in North America is fragile and, accordingly, our long range planning remains conservative. Nevertheless we are proceeding on schedule with capacity expansion in our western market regions later this year. Our order book continues generally firm and we, at this time, expect continued growth in all markets during the year.

Our focus continues to be to provide our customers quality products with the highest levels of customer service through the expertise of our employees.

Respectfully submitted on behalf of the Board of Directors.

C. Alan Smith

President

May 3, 2002

Three Months Ended March 31

	2002	2001
Sales	\$ 7,363,000	\$ 7,968,000
Earning before interest and taxes	223,000	141,000
Net earnings	48,000	188,000
Cash flow from operations	338,000	590,000
Earnings per share	\$ 0.01	\$ 0.03

Management's Discussion and Analysis of 2002 First Quarter Results

The following should be read in conjunction with PFB Corporation's unaudited financial statements contained herein, along with Management's Discussion and Analysis and financial statements contained in the Annual Report for the year ended December 31, 2001.

RESULTS OF OPERATIONS

Sales

In the first quarter of 2002, sales were 7.6% lower than in the prior year period. The shortfall is attributed to a significant slowdown in product shipments in the month of March due to inclement weather restricting construction activity. In addition, there were fewer shipping days available than in the corresponding quarter last year. Shipments in April have resumed at levels in line with our expectations.

Margins

Gross profit expressed as a percentage of sales extended to 23.2% and compared favourably to the 20.4% reported in the prior year period. This improvement is reflective of yearend purchases of raw materials at spot prices. However, since the start of 2002, raw material prices have increased.

Selling and Administrative Expenses

Selling and administrative expenses were relatively unchanged from the prior year quarter.

Equity in Net Losses of Significantly Influenced Company

In January, PFB invested \$750,000 in the shares of Roxi Capital Corp. ("Roxi"). The investment constitutes 41.5% of the outstanding common shares of Roxi and PFB's first quarter results include a proportional share of Roxi's net losses arising from the date of investment, in accordance with the equity method of reporting. January to March is traditionally a low activity period for Roxi, which markets, through its wholly owned subsidiary (Advantage Wallsystems Inc.), a patented insulating concrete forming system.

Interest and Investment Income

Interest income of \$33,000 was earned on cash balances held with banks and on short-term investments. Investment income on marketable securities amounted to \$92,000 and included an amount of \$61,000 resulting from a change in estimate of returns on marketable securities attributable to repayment of capital and income.

Income Taxes

Income tax expense includes the tax provision on first quarter earnings (\$148,000), a draw down of the future income tax liability (a credit of

\$68,000), and a one-time revision to income tax expenses amounting to \$179,000 and based on reassessment.

Net Earnings

Net earnings after tax were \$48,000 (\$0.01 per share) compared to \$188,000 (\$0.03 per share) in the same quarter last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations amounted to \$338,000 (\$0.06 per share) compared to \$590,000 (\$0.10 per share) in the prior year period. Non-cash working capital increased by \$2,211,000 since year-end due mainly to a reduction in current liabilities. The normal monthly income tax installments are typically disproportionate to earnings in the first quarter. Customer receivables decreased by \$364,000 since yearend as a result of lower reported sales revenues. Conversely, inventories increased by \$821,000, partly due to the slower than anticipated shipments in March, and partly due to planned increases in feedstock necessary to support higher selling activity in subsequent quarters.

Purchases of capital assets amounted to \$199,000 and related primarily to maintenance of existing assets. Disposals of redundant equipment realised \$21,000.

In January, PFB invested \$750,000 in Roxi Capital Corp (see Note 2).

In March, an ordinary dividend of \$0.15 per share and a special dividend of \$0.05 per share were paid to shareholders of record for an aggregate amount of \$1,117,000. Under the Normal Course Issuer Bid program, 53,700 common shares were repurchased for cancellation for an aggregate amount of \$251,000. At March 31, 2002 the closing market price of PFB's common shares traded on the Toronto Stock Exchange was \$5.50 per share.

Cash and cash equivalents at the end of the period amounted to \$4,938,000.

OUTLOOK

Entering quarter two, order intake and quoting activity remains buoyant and consistent with expectations. As alluded to previously, higher priced raw materials may adversely influence gross margins later in the year unless market conditions enable recovery of cost increases through higher selling prices to our customers. However, our early indications suggest that competition may be intensifying in the short term. A continuing weak Canadian dollar against its U.S. counterpart may compound the pressure on raw materials prices.

FORWARD LOOKING STATEMENTS

Certain statements in this Interim Report and Management's Discussion and Analysis constitute forward-looking statements. These include statements about management's expectations, beliefs, intentions or strategies for the future. All forward-looking statements reflect management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements of PFB to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions include but are not limited to: general economic conditions; actions by government authorities; actions by regulatory authorities; changes in raw materials prices, changes in foreign exchange and interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather.

Stephen P.Hardy

Vice President and
Financial Officer





Statements of Operations

Three months ended March 31		
In thousands of dollars (unaudited)	2002	2001
Sales	\$ 7,363	\$ 7,968
Cost of goods sold	5,653	6,345
Gross profit	1,710	1,623
Selling and administrative expenses	1,487	1,482
Earnings before interest and taxes	223	141
Interest income	33	107
Investment income	92	84
	348	332
Income tax expense	(258)	(144)
	90	188
Equity in net losses of significantly influenced company (Note 2)	(42)	-
Net earnings	\$ 48	\$ 188
Earnings per common share – basic:		
Net earnings for the period	\$ 0.01	\$ 0.03
Earnings per common share – diluted:		
Net earnings for the period	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding	5,623,983	5,642,191



Statements of Cash Flows

Three months ended March 31		
In thousands of dollars (unaudited)	2002	2001
OPERATING		
Net earnings from continuing operations	\$ 48	\$ 188
Items not affecting cash flows:		
Depreciation & amortization	398	395
Gain on disposal of capital assets	(21)	-
Marketable securities – change in accounting estimate	(61)	-
Equity in net losses of significantly influenced company	42	-
Future taxes	(68)	7
Cash flow from operations	338	590
Changes in non-cash working capital	(2,211)	(2,364)
Other assets	-	20
	(1,873)	(1,754)
FINANCING		
Dividend paid	(1,117)	(5,078)
Purchase of common shares for cancellation	(251)	-
	(1,368)	(5,078)
INVESTING		
Marketable securities	-	(3,000)
Investment in significantly influenced company	(750)	-
Purchase of capital assets	(199)	(671)
Proceeds from disposal of capital assets	21	-
	(928)	(3,671)
(Decrease) in cash and cash equivalents	(4,169)	(10,503)
Cash and cash equivalents, beginning of the period	9,107	12,493
Cash and cash equivalents, end of the period	\$ 4,938	\$ 1,990
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 935	\$ 2,182

March 31, 2002 and December 31, 2001		
In thousands of dollars (unaudited)	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,938	\$ 9,107
Marketable securities	889	828
Accounts receivable	4,092	4,456
Inventories	3,659	2,838
Prepaid expenses	438	434
	14,016	17,663
Investment in significantly influenced company (Note 2)	708	-
Capital assets	12,451	12,650
	\$ 27,175	\$ 30,313
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,201	\$ 4,354
Income taxes payable	(544)	53
	2,657	4,407
Future income taxes	788	856
	3,445	5,263
SHAREHOLDERS' EQUITY		
Share capital	13,626	13,757
Retained earnings	10,104	11,293
	23,730	25,050
	\$ 27,175	\$ 30,313

Three months ended March 31		
In thousands of dollars (unaudited)	2002	2001
Retained earnings,		
beginning of year	\$ 11,293	\$ 12,855
Net earnings	48	188
Dividends paid	(1,117)	(5,078)
Premium on redemption of common shares (Note 3)	(120)	-
Retained earnings, end of period	\$ 10,104	\$ 7,965

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements and notes hereto should be read in conjunction with the most recent annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. Therefore, the results of operations for the interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of Management, the accompanying unaudited financial statements include all adjustments necessary to present fairly the financial position of the PFB Corporation ("PFB") as of March 31, 2002.

Sales of PFB's products are driven by customer and industrial demand for insulation and building products. In addition to changing economic conditions, the timing of customers' construction projects can be influenced by a number of factors including the prevailing economic climate and weather conditions. Consequently, demand for the Corporation's products is typically stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle.

Cash and cash equivalents consist of cash on hand, balances held with banks, and investments in money market instruments.

2. INVESTMENTS

On January 21, 2002, PFB invested \$750,000 to acquire 7,500,000 units of Roxi Capital Corp. ("Roxi") at a price of \$0.10 per unit by way of a private placement. Each unit consists of one treasury common share and one share purchase warrant which can be exercised for one treasury common share at a price of \$0.10 per share prior to the expiry date of January 21, 2004. The investment constitutes 41.5% of the outstanding common shares of Roxi, a public corporation.

Roxi, through its wholly owned subsidiary Advantage Wallsystems Inc., holds Canadian and American patents for the Advantage Insulating Concrete Forming System. As part of the transaction, PFB and Advantage Wallsystems Inc. have entered into a long-term supply agreement under which PFB's Plasti-Fab Division will be the exclusive manufacturer and supplier of Advantage products.

The net earnings for quarter one include PFB's share of Roxi's net losses since the date of investment and reported using the equity basis. The net loss amounted to \$42,000 and the balance sheet carrying value has been reduced to \$708,000.

3. NORMAL COURSE ISSUER BID

Under the Normal Course Issuer Bid program in the first quarter of 2002, PFB purchased and cancelled 53,700 of its common shares for an aggregate price of \$251,000, of which \$120,000 was charged to retained earnings as a premium on redemption of common shares. PFB may purchase from time to time, no later than August 21, 2002, an additional 222,410 of its common shares at market prices.

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.