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Proven Product Solutions

P•F•B CORPORATION

THIRD QUARTER REPORT

2002

P•F•B
CORPORATION

President's Report to Shareholders

During the three months ended September 30, 2002 revenues were \$12,259,000 compared with \$12,236,000 during the comparative quarter in 2001. Net Earnings for the third quarter were \$1,247,000 (\$0.23 per common share) compared with \$1,414,000 (\$0.25 per common share) in 2001.

The nine months ended September 30, 2002 produced slightly reduced sales and earnings figures over the comparative prior year period. Net earnings for the nine months were \$2,449,000 compared to \$2,582,000 in the 2001 comparative period while revenues aggregated \$29,665,000 compared to \$30,782,000 in 2001. Net earnings were \$0.44 per common share, compared with \$0.46 per common share for the comparative nine months period in 2001.

We continue to be challenged by rising raw material costs and the inability to pass all increases that we are experiencing through to our customers as higher prices for our products. The continued weakness of the Canadian dollar against the US counterpart is unhelpful as the majority of our raw material purchases are priced in the American currency. The chemical sector of the economy continues to be characterised by higher raw material prices as a result of the war premium included in crude oil prices and despite signs that the general economy is struggling to maintain its growth rate.

Our proprietary insulating concrete forming systems and our proprietary structural insulated panel systems continue to show improvement in sales over performance experienced last year; however, the insulating concrete forming system distribution company in which we hold a significant interest experienced losses in the quarter.

In the third quarter we continued our strong capital development program that commenced earlier this year. This program includes construction and development activities to increase production capacity at the PFB polymerization plant and at a Plasti-Fab moulding plant located in Alberta. Additionally, a major initiative to upgrade the Company's computer systems and infrastructure, scheduled for completion later this year, continues as expected.

We continue to report, as a matter of complete disclosure of current developments, a "Contingent Liability" in a footnote to our balance sheet. This is a result of an approach by the purchaser of our Morval Division (in March 2000) for a payment under certain clauses of the agreement relating to the sale. Although no legal action has been taken, management is investigating the circumstances of the claim and is engaged in ongoing discussions with the purchaser.

We value the continued support of our customers, our employees, and our shareholders.

Respectfully submitted on behalf of the Board of Directors.

C. Alan Smith

President

October 24, 2002

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Sales	\$ 12,259	\$ 12,236	\$ 29,665	\$ 30,782
Earnings before interest and taxes	\$ 1,905	\$ 2,054	\$ 3,629	\$ 3,529
Net earnings	\$ 1,247	\$ 1,414	\$ 2,449	\$ 2,582
Cash flow from operations	\$ 1,615	\$ 1,845	\$ 3,283	\$ 3,880
Earnings per share	\$ 0.23	\$ 0.25	\$ 0.44	\$ 0.46

Note: All figures in \$000's except earnings per share

Management's Discussion and Analysis of 2002 Third 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

Sales revenues for the third quarter of 2002 were marginally higher than in the prior year period. Sales in our Western Canadian markets in the current period strengthened in line with our expectations due to a number of large construction projects coming on stream in the period which had originally been scheduled to begin in the previous quarter. Sales in our Eastern Canadian markets were marginally stronger than recorded in the same quarter in 2001 despite the ongoing market uncertainties and competitive forces in this region. Sales revenues in the nine-month period were 3.6% lower than in the corresponding nine-months in 2001.

Margins

Gross profit in the current quarter expressed as a percentage of sales was 29.1% and is slightly weaker than the 31.0% reported in the prior year period. This deterioration is predominantly due to higher raw material prices adversely impacting the total cost of our products. Manufacturing labour and overhead costs in the quarter were also higher than in the comparative quarter due to the effect of slightly lower volume throughput. Hardened market conditions restricted opportunities for raising selling prices to mitigate cost increases. In addition, the value of the Canadian dollar in relation to its U.S. counterpart depreciated by approximately 4.7% during the period. This trend reversed the gains observed during the second quarter and further contributed to diluting the gross profit ratio. In the nine-month period, gross profit expressed as a percentage of sales was 28.7% compared to 27.4% reported last year. In the current year to date period, materials costs are lower than the comparative figure for 2001 due to lower raw materials pricing that we experienced in the early part of this year.

Selling and Administrative Expenses

Selling and administrative expenses were \$77,000 lower in the current quarter than in the same quarter in 2001 and \$11,000 lower than in the nine-month period compared to last year. The decrease in costs in the current quarter is as a result of slightly lower payroll costs and general expenditures in sales and marketing.

Equity in Net Losses of Roxi Capital Corp. ("Roxi")

The third quarter results include a proportionate share of Roxi's net losses for the same period amounting to \$37,000 and reported in accordance with the equity method of reporting. The inclusion of the third quarter losses eliminated the aggregate \$18,000 of income reported for the first two quarters of this fiscal year. As the investment in Roxi was completed in January 2002 there are no comparative figures for 2001. Roxi continues to experience growing year-on-year demand for its patented insulating concrete forming system and has recently taken action to lower its overhead.

Interest and Investment Income

Interest income of \$18,000 (\$35,000 in 2001) was earned in the current quarter on cash balances held with banks and on short-term investments. Cash and short-term deposits increased during the quarter although the rate of return generated is well below the returns experienced last year due to generally lower interest rates.

Investment income from marketable securities in the current quarter amounted to \$61,000 (\$127,000 in 2001). The yield on these investments remains very attractive in the prevailing climate of low interest rates. However, current yields are lower than realised in the prior year. The cost base of marketable securities continues to be adjusted to reflect an estimate of 25% of the monthly distributions assumed to be return of capital.

Income Taxes

Income tax expense in the current quarter amounted to \$700,000 (\$848,000 in 2001) and included a credit of \$49,000 (debit of \$43,000 in 2001) relating to the draw down of the future income tax liability. Income tax expense in the nine-month period amounted to \$1,489,000 (\$1,593,000 in 2001) and included a credit of \$181,000 (debit of \$82,000 in 2001) relating to the draw down of the future income tax liability.

Net Earnings

Net earnings after tax in the current quarter were \$1,247,000 (\$0.23 per share) compared to \$1,414,000 (\$0.25 per share) in the corresponding quarter last year. Net earnings in the nine-month period were \$2,449,000 (\$0.44 per share) compared to \$2,582,000 (\$0.46 per share) in the nine-month period in 2001.

Liquidity and Capital Resources

PFB's balance sheet strengthened during the quarter as a result of positive operating cash flows of \$1,615,000 (\$1,845,000 in 2001). Third quarter operating cash flow is reflective of lower gross profit and investment income dollars than in the comparative quarter.

Non-cash working capital reduced by \$2,181,000 in the quarter due mainly to a \$1,789,000 increase in accounts payable and accrued liabilities. This increase arose due to timing issues concerning the purchase of raw materials and capital spending.

Accounts receivable increased by \$232,000 in the current quarter due to increased sales revenues. Receivable days outstanding remain consistent with our expectations. As is normal at this time of year, inventories decreased by \$373,000 in the current quarter as sales demand exceeded production output. Income taxes receivable reduced by \$124,000 during the current quarter.

Purchases of capital assets in the current quarter amounted to \$1,598,000 bringing the total for capital asset purchases in the current year to \$2,388,000. During quarter three, work continued on the capacity expansion in our Western manufacturing facilities, which has a total expected cost of \$2,800,000. Work is on track to be completed during the

fourth quarter. Also in the current quarter, a major project commenced to upgrade our enterprise-wide computer infrastructure, hardware and software. Total cost of this project is approximately \$480,000 and will be completed by the fiscal yearend. A third major project recently begun is a development initiative in our EPS resin manufacturing facility. Approximately \$150,000 will be spent on this initiative this year with a further \$350,000 expected to be spent in the next fiscal year (see Note 3 to the financial statements).

The Normal Course Issuer Bid ("NCIB") program, originally approved in August 2001, was renewed in August 2002 to run concurrently for a further twelve-month period that will end on August 21, 2003. No Common Shares were purchased under the NCIB during the current quarter. The total number of Common Shares purchased for cancellation in the nine-month period amounts to 85,900 for an aggregate price of \$431,000.

PFB increased its investment in marketable securities during the third quarter by \$513,000. The marketable securities have a yield of approximately 17%.

Cash and cash equivalents at the end of the period amounted to \$4,955,000.

Outlook

As we enter the fourth quarter, product shipments have started out stronger than we originally projected, thereby confirming our earlier beliefs that a number of major construction projects slated to commence in the first half of the year had been deferred. It is unlikely that sales revenues in the fourth quarter will be sufficient for full year sales in fiscal 2002 to reach 2001 levels. Raw materials prices have continued to progressively rise during the first nine-month period, but there are some positive indications that pricing may have peaked. As our key raw material is priced in U.S. Dollars, any recovery in the value of the Canadian Dollar will also provide us with a cost benefit. In response to raw materials cost increases, a number of selling price increases have been instigated in the latter part of the third quarter. The success of this initiative is largely dependent on the reaction of competitive forces in the markets we serve.

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 Chief Financial Officer



Statements of Operations

Nine months ended September 30 In thousands of dollars (unaudited)	2002	2001
Sales	\$ 29,665	\$ 30,782
Cost of goods sold	21,147	22,353
Gross profit	8,518	8,429
Selling and administrative expenses	4,889	4,900
Earnings before interest and taxes	3,629	3,529
Gain on sale of marketable securities	88	46
Interest income	71	172
Investment income	169	428
	3,957	4,175
Income tax expense	(1,489)	(1,593)
	2,468	2,582
Equity in net losses of significantly influenced company (Note 2)	(19)	-
Net earnings	\$ 2,449	\$ 2,582
Earnings per common share - basic: Net income for the period	\$ 0.44	\$ 0.46
Earnings per common share - diluted: Net income for the period	\$ 0.44	\$ 0.46
Weighted average number of common shares outstanding	5,556,050	5,642,088



Statements of Cash Flows

Nine months ended September 30 In thousands of dollars (unaudited)	2002	2001
OPERATING		
Net earnings	\$ 2,449	\$ 2,582
Items not affecting cash flows:		
Depreciation & amortization	1,166	1,262
Gain on sale of capital assets	(21)	-
Gain on sale of marketable securities	(88)	(46)
Marketable securities - change in accounting estimate	(61)	-
Equity in net losses of significantly influenced company	19	-
Future taxes	(181)	82
Cash flow from operations	3,283	3,880
Changes in non-cash working capital	(1,678)	(3,295)
Other assets	-	70
	1,605	655
FINANCING		
Dividend paid	(1,117)	(5,078)
Purchase of common shares for cancellation	(431)	(18)
	(1,548)	(5,096)
INVESTING		
Purchase of capital assets	(2,388)	(1,294)
Proceeds from sale of capital assets	22	-
Additions to development costs	(83)	-
Acquisition of marketable securities	(1,788)	(3,000)
Proceeds on sale of marketable securities	742	2,095
Repayment of capital on marketable securities	36	-
Investment in significantly influenced company	(750)	-
	(4,209)	(2,199)
(Decrease) in cash and cash equivalents	(4,152)	(6,640)
Cash and cash equivalents, beginning of the period	9,107	12,493
Cash and cash equivalents, end of the period	\$ 4,955	\$ 5,853
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 2,457	\$ 3,430



Statements of Operations

Three months ended September 30 In thousands of dollars (unaudited)	2002	2001
Sales	\$ 12,259	\$ 12,236
Cost of goods sold	8,689	8,440
Gross profit	3,570	3,796
Selling and administrative expenses	1,665	1,742
Earnings before interest and taxes	1,905	2,054
Gain on sale of marketable securities	-	46
Interest income	18	35
Investment income	61	127
	1,984	2,262
Income tax expense	(700)	(848)
	1,284	1,414
Equity in net losses of significantly influenced company (Note 2)	(37)	-
Net earnings	\$ 1,247	\$ 1,414
Earnings per common share - basic: Net income for the period	\$ 0.23	\$ 0.25
Earnings per common share - diluted: Net income for the period	\$ 0.23	\$ 0.25
Weighted average number of common shares outstanding	5,537,491	5,641,886



Statements of Cash Flows

Three months ended September 30 In thousands of dollars (unaudited)	2002	2001
OPERATING		
Net earnings	\$ 1,247	\$ 1,414
Items not affecting cash flows:		
Depreciation & amortization	379	434
Loss on sale of capital assets	1	-
Gain on sale of marketable securities	-	(46)
Equity in net losses of significantly influenced company	37	-
Future taxes	(49)	43
Cash flow from operations	1,615	1,845
Changes in non-cash working capital	2,181	953
Other assets	-	20
	3,796	2,818
FINANCING		
Purchase of common shares for cancellation	-	(18)
	-	(18)
INVESTING		
Purchase of capital assets	(1,598)	(230)
Additions to development costs	(83)	-
Acquisition of marketable securities	(513)	-
Proceeds on sale of marketable securities	-	2,095
Repayment of capital on marketable securities	20	-
	(2,174)	1,865
Increase in cash and cash equivalents	1,622	4,665
Cash and cash equivalents, beginning of the period	3,333	1,188
Cash and cash equivalents, end of the period	\$ 4,955	\$ 5,853
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 829	\$ 664



Balance Sheet

September 30, 2002 and December 31, 2001 In thousands of dollars (unaudited)	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,955	\$ 9,107
Marketable securities	1,987	828
Accounts receivable	6,221	4,456
Inventories	3,465	2,838
Prepaid expenses	241	434
	16,869	17,663
Investment in significantly influenced company (Note 2)	731	-
Development costs (Note 3)	83	-
Capital assets	13,871	12,650
	\$ 31,554	\$ 30,313
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,378	\$ 4,354
Income taxes payable	(450)	53
	4,928	4,407
Future income taxes	675	856
	5,603	5,263
SHAREHOLDERS' EQUITY		
Share capital	13,548	13,757
Retained earnings	12,403	11,293
	25,951	25,050
	\$ 31,554	\$ 30,313

Contingent Liabilities (Note 5)



Statements of Retained Earnings

Nine months ended September 30 In thousands of dollars (unaudited)	2002	2001
Retained earnings, beginning of period	\$ 11,293	\$ 12,855
Net earnings	2,449	2,582
Dividends paid	(1,117)	(5,078)
Premium on redemption of common shares (Note 4)	(222)	(4)
Retained earnings, end of period	\$ 12,403	\$ 10,355

September 30, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the accompanying financial statements 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 September 30, 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. 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. entered into a long-term supply agreement under which our Plasti-Fab Division is the exclusive manufacturer and supplier of Advantage products.

The net earnings for the nine-month period include a 41.5% share of Roxi's net earnings since the date of investment, consistent with the equity basis of reporting. PFB's proportional share of Roxi's net loss after nine-months amounted to \$19,000 and, accordingly, the balance sheet carrying value has been reduced to \$731,000.

3. DEVELOPMENT COSTS

Late in the third quarter, PFB commenced a major development initiative at its resin manufacturing facility in Alberta. Expenditures for the project meet the criteria for deferral and amortization under generally accepted accounting principles. Amortization will commence when the project has been completed.

A periodic review of the carrying value of the development costs will be undertaken to determine if there has been impairment in value based on a reduction in expected future cash flows. If it is determined that the carrying value exceeds the recoverable amounts, the net asset shall be written down to the net recoverable amount.

4. NORMAL COURSE ISSUER BID

In the third quarter, PFB has not purchased any Common Shares under the Normal Course Issuer Bid ("NCIB") program. In the nine-month period, PFB has purchased and cancelled 85,900 Common Shares for an aggregate price of \$431,000, of which \$222,000 was charged to retained earnings as a premium on redemption of Common Shares. The total number of Common Shares purchased and cancelled under the NCIB since the program commenced on August 22, 2001 is 104,700 Common Shares for an aggregate price of \$497,046.

In August 2002, PFB announced that it has obtained approval to renew its NCIB program for a further 12-month period. PFB may purchase from time to time, no later than August 21, 2003, an additional 276,875 of its Common Shares at market prices.

5. CONTINGENT LIABILITIES

The Company has received a request from Woodbridge Foam Corporation ("Woodbridge"), the purchaser of the Morval Division in March 2000, for a payment of \$1,700,000 under the representations and warranties clauses of the purchase agreement.

The Company does not agree with the claims being made by Woodbridge and, accordingly, has made no provision in its financial statements. It is not clear if resolution will be possible without litigation.

6. COMPARATIVE FIGURES

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