

# Q1

First Quarter Report 2004



**P·F·B**  
CORPORATION

## PRESIDENT'S LETTER TO SHAREHOLDERS

For the first quarter ended March 31, 2004, net earnings of PFB Corporation were \$35,000 (earnings per share of \$0.01) as compared to a loss of \$(528,000) (loss per share of \$(0.10)) in the first quarter of 2003. Earnings in the comparative quarter of 2003 were adversely impacted by a number of non-recurring charges which totalled \$520,000. Operating results for the first quarter of 2004 are comparable with the adjusted operating results of the first period in 2003 after excluding the non-recurring charges.

Sales of our expanded polystyrene rigid insulation products were \$7,317,000 compared with \$7,614,000 reported in the first quarter of 2003. Gross profit was stronger in the current quarter as compared to the first quarter in 2003, attributed to raw material costs, benefits from the favourable Canadian dollar foreign exchange rate, higher sales of Advantage ICF products, and lower manufacturing costs. We continue to experience growing demand for our existing Advantage ICF products and we are launching new additions to this product line in the second quarter in response to customer demand in the commercial construction sector.

Raw material prices were adversely higher during the first quarter. We have entered into a number of forward foreign exchange purchase contracts to minimize our exposure to the recently weakening Canadian dollar.

On March 30, 2004, PFB paid a regular dividend of \$0.15 per common share plus a special dividend of \$0.07 per common share for a combined dividend of \$0.22 per share. The financial condition of the Corporation remains very strong with working capital of \$11,204,000 and no long-term debt.

In March 2004, we announced that we had entered into two separate letters of intent to purchase two Structural Insulated Panel manufacturers. The acquisition of EnerGreen Structural Insulated Panel Company Inc., of AlderGrove, British Columbia, is expected to close at the end of April. The acquisition of the Insulspan Group, of Blissfield, MI, USA, is still subject to a due diligence review that is continuing.

Our order book is generally firm and, at this time, we are expecting growth in our main markets during the current year.

Respectfully submitted on behalf of the Board of Directors.



C. Alan Smith

Chief Executive Officer

April 27, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS 2004 FIRST QUARTER RESULTS

### ABOUT FORWARD LOOKING STATEMENTS

Certain statements in this Interim Report, including this Management's Discussion and Analysis (MD&A), contain forward-looking statements about the objectives of PFB Corporation ("PFB" or the "Corporation") and management's expectations, beliefs, intentions or strategies for the future.

All forward-looking statements reflect management's current views as at April 16, 2004 with respect to future events and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements 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; availability of raw materials; changes in raw materials prices; foreign exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather.

You will find a more detailed assessment of the risks that could cause actual results to materially differ from our current expectations in the Risk Assessment section of the MD&A included in the Annual Report for 2003.

### FINANCIAL HIGHLIGHTS

Three months ended March 31	2004	2003
Sales	\$ 7,317	\$ 7,614
Gross profit	1,782	1,103
Loss before interest and taxes	(102)	(504)
Net income (loss)	35	(528)
Funds provided from operations <sup>1</sup>	344	299
Earnings per share:		
Basic	0.01	(0.10)
Diluted	0.01	(0.10)

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

<sup>1</sup> Funds provided by operations is a non-GAAP measure and is defined as cash flow from operations before changes in non-cash working capital

## RESULTS OF OPERATIONS

The following should be read in conjunction with PFB's unaudited interim consolidated financial statements contained herein, along with the MD&A and the audited consolidated financial statements contained in PFB's Annual Report for the year ended December 31, 2003.

### SALES

Sales revenues of \$7,317,000 in the first quarter of 2004 were \$297,000 or 3.9% lower than in the prior year quarter. Sales began the year behind the pace experienced at the start of 2003 but most of the deficiency was recovered in the month of March. The spottiness in sales demand was attributed to lower construction activity typically experienced in the first quarter and influenced by winter weather-related issues.

Sales in British Columbia were stronger in the first quarter than in the comparative quarter in part due to incremental sales of the Advantage ICF product line. Sales on the Prairies and in Eastern Canada were consistent with sales achieved in the comparative quarter of 2003.

### GROSS PROFIT

Gross profit, expressed as a percentage of sales, averaged 24.4% of sales in the current quarter compared with 14.5% in the prior year quarter. The lower gross profit margin in the prior year quarter was, in part, attributable to high styrene prices, the main raw material used in our production operations. In U.S. dollar terms, styrene pricing was marginally higher in the current quarter than in the comparative quarter in 2003. However, the positive impact of the stronger Canadian dollar exchange rate this year resulted in a lower input price to our production operations.

The product and customer sales mix was also more favourable in the current quarter resulting in stronger margins than we experienced in the same period last year. A major contributor in this regard was higher Advantage ICF sales which are higher margin products.

The comparative quarter included one-time costs associated with ending production at our Calgary facility in February 2003 which amounted to \$229,000 and was attributed to writing down the carrying values of redundant equipment plus dismantling and disposal costs.

A further contributing factor to the enhanced gross profit performance in the current quarter was better labour utilization in our manufacturing plants and lower overhead expenditures. Energy costs and general equipment maintenance costs were both lower in the current quarter and we are now realizing additional savings as a result of the expiry of the lease of the former Calgary production facility.

**SELLING AND ADMINISTRATIVE EXPENSES**

Selling and administrative expenses in aggregate amounted to \$1,884,000 in the current quarter as compared to \$1,607,000 in the first quarter of 2003, an increase of \$277,000 or 17.2%.

Selling and marketing costs amounted to \$1,309,000 or 17.9% of sales in the current quarter as compared to \$1,110,000 or 14.6% of sales in the first quarter of 2003. The year-on-year change is mainly attributable to the annualized effect of adding sales personnel in connection with the acquisition of Advantage Wallsystems Inc. (Advantage) in May 2003. We also intensified our trade show activities across Canada and at selected venues in the United States during the first quarter of 2004 which resulted in higher costs than we spent on equivalent activities in the same period of 2003. Trade shows have proved to be excellent forums for promoting our products and increasing awareness amongst key influencers in the markets we serve.

Administrative costs amounted to \$575,000 or 7.9% of sales in the current quarter as compared to \$497,000 or 6.5% of sales in the first quarter of 2003. Payroll related costs are higher in the current quarter due to the annualized effect of strengthening our accounting and corporate development resources during the second half of fiscal 2003.

It should be noted that the ratios of selling and marketing and administrative expenses to sales revenues are typically at their highest in the first quarter which, historically, is the lowest reported sales revenue quarter in our fiscal cycle. Selling and administrative expenses include significant payroll related costs which are generally recognized to be fixed in nature.

**INTEREST AND INVESTMENT INCOME**

Interest income earned on cash and cash equivalents during the first quarter amounted to \$36,000 as compared to \$24,000 earned in the first quarter of 2003. Cash and cash equivalent balances were higher throughout the current quarter as compared with the comparative quarter of 2003.

Income received in the first quarter on our investment in marketable securities amounted to \$16,000 as compared with \$54,000 received in the first quarter of 2003. In March, we divested 50% of our holdings in oil and gas income trusts generating a capital gain of \$97,000 net of commissions.

For fiscal 2004, we have revised our estimate for the allocation of distributions to 60% repayment of capital and 40% income, based on the historical trends.

**INCOME TAXES**

Income tax expense was \$12,000 or 25.5% of pre-tax income in the current quarter. The decrease in tax rate in the first quarter expressed as a percentage of pre-tax accounting income differs from our normal reported annual tax rate of approximately 38.0% due to the effect of the capital gain of \$97,000 which has a tax inclusion rate of 50%.

### **NET INCOME AND EARNINGS PER SHARE**

Net income after taxes for the first quarter amounted to \$35,000 as compared to a loss of \$528,000 in the corresponding first quarter of fiscal 2003. Basic and diluted earnings per share improved from a negative \$0.10 per share in the first quarter of 2003 to a positive \$0.01 per share in the current quarter. The results in the first quarter of 2003 included one-time costs of \$229,000 for rationalizing our Alberta production facilities and \$211,000 representing our proportionate share of losses reported by Advantage.

## **CASH FLOWS AND FINANCIAL CONDITION**

### **CASH FLOWS**

In the first quarter of 2004, funds provided by operations increased by \$45,000 or 15.1% to \$344,000 as compared to funds provided by operations of \$299,000 in the comparative quarter of 2003. Despite reporting a loss in the first quarter of 2003, the impact on funds provided by operations for that time period was less severe as the write down of equipment carrying costs and the equity in the losses of Advantage were both non-cash costs. In the current quarter, non-cash working capital increased by an amount of \$2,976,000 as compared to an increase of \$2,151,000 reported in the comparative quarter of 2003. The increase in non-cash working capital was mainly due to higher raw material inventories and lower accounts payable, which are explained in the financial condition section of this MD&A.

Total cash used in financing activities amounted to \$1,167,000 in the current quarter as compared to \$1,136,000 in the first quarter in 2003. PFB paid an annual dividend of \$1,256,000 in March 2004 representing \$0.22 per common share, made up of a regular dividend of \$0.15 per share and a special dividend of \$0.07 per share. In the current quarter, 1,700 shares were repurchased for cancellation under the normal course issuer bid at an average price of \$4.90 per share for a total cost of approximately \$8,000. In January, PFB completed a private placement of 20,000 common shares to a senior employee for proceeds of \$97,000 net of share issue costs.

In the first quarter, capital expenditures amounted to \$325,000 as compared to \$157,000 in the comparative quarter. Capital purchases included new production moulds to increase our capacity for producing the Advantage ICF product line. The sale of marketable securities realized \$559,000 net of commissions and the cash distributions received from marketable securities in the current quarter attributed to repayment of capital amounted to \$29,000.

At the end of the first quarter, PFB had \$2,652,000 in cash and cash equivalents, an increase of \$869,000 as compared to cash and cash equivalents of \$1,783,000 at the end of the first quarter of fiscal 2003.

**FINANCIAL CONDITION**

PFB's working capital reduced by \$1,067,000 in the first quarter of 2004, decreasing from \$12,271,000 at December 31, 2003 to \$11,204,000. The current ratio improved from 4.20 times at December 31, 2003 to 4.89 times at March 31, 2004.

As previously mentioned, we reduced our investment in marketable securities by 50% in the current quarter from an opening balance of \$952,000 to \$461,000 at March 31, 2004.

Accounts receivable increased by \$207,000 in the current quarter as a result of strong sales in the final month of the quarter. The ageing profile of accounts receivable is consistent with our expectations for this period in our business cycle and no significant bad debts occurred.

Inventories increased by \$1,413,000 in the first quarter due to our planned manufacture of feedstock ahead of the main construction season and our decision to buy styrene supplies ahead of schedule to take advantage of lower pricing in a rising price market.

At March 31, 2004, the accounts payable and accrued liabilities balance of \$2,881,000 was \$925,000 lower than at December 31 2003. A decrease in accounts payable is normal in the first quarter as accrued liabilities for employee incentive programs and customer rebates are paid. Also, invoices for styrene purchases in the first quarter were fully paid prior to March 31, 2004.

Income taxes recoverable amounted to \$328,000, reflective of the fact that our tax instalments in the first quarter, which are based on annual taxable income, are disproportionately higher than the tax expense reported in the first quarter.

PFB continues to have no long-term debt.

Total assets reduced during the quarter from \$31,649,000 to \$29,509,000 and shareholders' equity reduced from \$27,479,000 to \$26,347,000 which was mainly attributed to the dividend of \$1,256,000 paid in March 2004. Share capital increased by an amount of \$93,000 which included a private placement of common shares to a senior Plasti-Fab employee that generated net proceeds of \$97,000.

**OUTLOOK**

We remain cautiously optimistic that we will achieve sales revenue growth in fiscal 2004.

The construction industry in British Columbia is benefiting from greater overall economic activity which is expected to remain buoyant in the lead up to the Winter Olympics in 2010. This climate is expected to create new sales opportunities for Plasti-Fab's suite of rigid insulation products and proprietary building systems. However, competitive pricing pressures in this region have also increased and may intensify further in the months ahead. Sales prospects in our

Prairie regions continue to have a positive outlook and we have re-focused resources in our Eastern markets with the objective of stimulating sales growth which has been absent in the last two fiscal years.

Gross profit and net income in subsequent quarters of this fiscal year will be dependent on the price trends of our major raw materials. Styrene prices have been on the upswing since the beginning of the year, a similar trend to that experienced last year which was followed by a decline in prices during the second quarter of 2003. If prices continue to remain higher than normal, we will selectively pass on the cost increases in the form of higher prices to our customers as we are able. In April, we entered into a number of forward foreign exchange contracts through to September 2004 to purchase an aggregate amount of \$2,400,000 U.S. dollars at a blended exchange rate of CAD \$1.00 = U.S. \$0.761. We remain committed to pursuing continuous improvement initiatives in our manufacturing facilities to reduce production costs, which includes prudent capital spending plans.

In 2003, we extended the geographical availability of the Advantage ICF product line by having inventory on-hand at most of our Plasti-Fab locations across Canada. In the second quarter of fiscal 2004, we are launching new additions to the Advantage ICF product line in response to customer demand in the commercial construction sector.

In March 2004, we announced PFB's intention to purchase two Structural Insulated Panel (SIP) manufacturers, the Insulspan Group, based in Blissfield, Michigan, USA, and EnerGreen Structural Insulated Panel Company Inc., based in Aldergrove, British Columbia, Canada. These acquisitions, expected to be completed before the end of the second quarter, will provide us with manufacturing capability for Structural Insulated Panels (SIPs) which we currently do not possess. Lack of production capability has created significant barriers to growing our SIPs business. In addition, outsourcing SIP production restricted our cost competitiveness, our ability to provide value added services, and our ability to meet customer service levels expected in the market place today.

Our solid equity base and debt free balance sheet has helped position us with the financial strength to pursue these acquisitions. Our combined cash balances, unused line of credit, and future expected cash flows from operations are expected to be sufficient to meet all of our funding requirements at this time.



**Stephen P. Hardy**

Vice President and Chief Financial Officer

April 16, 2004

## CONSOLIDATED BALANCE SHEETS

March 31, 2004, March 31, 2003 and December 31, 2003  
In thousands of dollars (unaudited)

	<b>March 2004</b>	March 2003	December 2003
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,652	\$ 1,783	\$ 6,204
Marketable securities	461	1,863	952
Accounts receivable	5,057	4,674	4,850
Inventories	5,072	3,685	3,659
Income taxes recoverable	328	906	-
Prepaid expenses	515	539	440
<b>Total current assets</b>	<b>14,085</b>	13,450	16,105
Investment in significantly influenced company	-	442	-
Capital assets	14,574	14,474	14,710
Goodwill	661	-	661
Product development costs [Note 3]	189	148	173
<b>Total assets</b>	<b>\$ 29,509</b>	\$ 28,514	\$ 31,649
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,881	\$ 3,189	\$ 3,806
Income taxes payable	-	-	28
	<b>2,881</b>	3,189	3,834
Future income taxes	281	701	336
<b>Total liabilities</b>	<b>3,162</b>	3,890	4,170
Contingent liabilities [Note 8]			
<b>Shareholders' Equity</b>			
Share capital [Note 4]	14,051	13,643	13,958
Contributed surplus [Note 2 (c)]	55	-	-
Retained earnings	12,241	10,981	13,521
<b>Total shareholders' equity</b>	<b>26,347</b>	24,624	27,479
<b>Total liabilities and shareholders' equity</b>	<b>\$ 29,509</b>	\$ 28,514	\$ 31,649

## CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31 In thousands of dollars (unaudited)	2004	2003
Sales	\$ 7,317	\$ 7,614
Cost of goods sold	5,535	6,511
Gross profit	1,782	1,103
Selling and administrative expenses	1,884	1,607
	(102)	(504)
Interest income	36	24
Investment income	16	54
Gain on sale of marketable securities	97	-
Income before taxes	47	(426)
Income taxes	(12)	109
Equity in loss of significantly influenced company	-	(211)
Net income (loss)	\$ 35	\$ (528)
Earnings per common share - basic [Note 5]	\$ 0.01	\$ (0.10)
Earnings per common share - diluted [Note 5]	\$ 0.01	\$ (0.10)
Weighted average number of common shares outstanding	5,700,694	5,537,266

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three months ended March 31 In thousands of dollars (unaudited)	2004	2003
Retained earnings, beginning of period	\$ 13,521	\$ 12,748
Adjustment for change in accounting policy [Note 2 (c)]	(55)	-
Balance at beginning of period, as restated	13,466	12,748
Net income (loss)	35	(528)
Dividends paid	(1,256)	(1,223)
Premium on redemption of common shares [Note 6]	(4)	(16)
Retained earnings, end of period	\$ 12,241	\$ 10,981

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31

In thousands of dollars (unaudited)

	2004	2003
<b>Cash provided by (used in):</b>		
<b>Operating</b>		
Net income (loss)	\$ 35	\$ (528)
Items not affecting cash flows:		
Depreciation and amortization	457	626
(Gain) loss on sale of capital assets	4	(1)
Gain on sale of marketable securities	(97)	-
Equity in loss of significantly influenced company	-	211
Future income taxes	(55)	(9)
	344	299
Changes in non-cash working capital	(2,976)	(2,151)
	(2,632)	(1,852)
<b>Financing</b>		
Dividend paid	(1,256)	(1,223)
Issuance of common shares	97	119
Purchase of common shares for cancellation [Note 6]	(8)	(32)
	(1,167)	(1,136)
<b>Investing</b>		
Purchase of capital assets	(325)	(157)
Proceeds from sale of capital assets	-	1
Additions to product development costs	(16)	(9)
Proceeds on sale of marketable securities	559	-
Repayment of capital on marketable securities	29	26
	247	(139)
<b>Decrease in cash and cash equivalents</b>	<b>(3,552)</b>	<b>(3,127)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>6,204</b>	<b>4,910</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,652</b>	<b>\$ 1,783</b>
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ 424	\$ 511

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2004

### 1. DESCRIPTION OF THE BUSINESS

PFB Corporation ("PFB" or the "Corporation") is incorporated under the Alberta Business Corporations Act and has its headquarters in Calgary, Alberta, Canada.

Its principal business activity is manufacturing, marketing and distributing expanded polystyrene (EPS) insulation products and proprietary building systems through Plasti-Fab Ltd., a wholly-owned subsidiary. Plasti-Fab Ltd. (Plasti-Fab) operates manufacturing and sales facilities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The Plasti-Fab brand of EPS products and proprietary building systems are marketed and distributed to customers nationally across Canada and in the United States.

### 2. ACCOUNTING POLICIES

#### (a) Basis of Presentation

The interim consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of PFB and its wholly-owned subsidiaries, Plasti-Fab Ltd. and 1036750 Alberta Ltd. All inter-company accounts and transactions have been eliminated on consolidation.

#### (b) Significant Accounting Policies

The interim consolidated financial statements and notes hereto should be read in conjunction with the audited consolidated financial statements and the notes thereto in PFB's Annual report for the year ended December 31, 2003. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted from these interim 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 interim consolidated financial statements include all adjustments necessary to present fairly the financial position and results of operations of PFB as of March 31, 2004.

Sales of the Corporation's products are driven by customer and industrial demand for insulation and building products. 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.

(c) **Recent Changes to Accounting Standards**

On January 1, 2004, the Corporation adopted the Canadian Institute of Chartered Accountants accounting pronouncement for stock-based compensation. The new accounting pronouncement requires the Corporation to recognise compensation expense in each reporting period based on the fair value of the stock options granted during that period. The Corporation determines the fair value of each stock option grant using the Black-Scholes option pricing model. As a result of applying this new accounting policy, the Corporation's opening retained earnings have been restated to include the fair value of stock options granted in December 2002.

In December 2001, the AcSB issued AcG-13 "Hedging Relationships", as amended. In June 2002, EIC-128 "Accounting for Trading" Speculative or Non-Hedging Derivative Financial Instruments" was also issued. AcG-13 establishes the criteria for identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. EIC-128 establishes that a freestanding derivative financial instrument that gives rise to a financial asset or financial liability and is entered into for trading or speculative purposes, or that does not qualify for hedge accounting under AcG-13, should be recognized on the balance sheet and measured at fair value, with changes in fair value recognized in current income. Both AcG-13 and EIC-128 will be effective for the fiscal year beginning January 1, 2004, and the Corporation expects its hedging program to comply with the new requirements. Accordingly, the adoption of the new recommendations is not expected to have a material impact on the PFB's consolidated financial statements.

**3. PRODUCT DEVELOPMENT COSTS**

PFB's subsidiary, Plasti-Fab, incurred expenditures of \$16,000 (2003 - \$9,000) in the first quarter of 2004 in connection with the major product development initiative at its resin manufacturing facility in Alberta. The project is expected to be completed before the end of fiscal 2004. Management has reviewed the nature of the expenditures and is satisfied that they continue to meet the specified criteria related to technology, market and financial feasibility for deferral and amortization under Canadian generally accepted accounting principles. The aggregate costs of the project will be amortized over a three-year period once the project is completed.

PFB's policy for product development costs requires the periodic review of the carrying value of such costs in order 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 net recoverable amount, the asset will be written down to the net recoverable amount.

**4. SHARE CAPITAL**

**(a) Authorised**

Unlimited number of voting common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value, issuable in series at the discretion of the directors of the Corporation, of which none are outstanding.

**(b) Common Shares Issued**

	Three months ended March 31, 2004		Three months ended March 31, 2003	
	Shares	Amount	Shares	Amount
Balance, beginning of period	5,688,435	\$ 13,958,000	5,534,391	\$ 13,540,000
Issued as a result of the exercise of stock options	-	-	25,000	119,000
Issued as a result of a private placement	20,000	100,000	-	-
Less: share issue costs	-	(3,000)	-	-
Cancellation of repurchased Shares	(1,700)	(4,000)	(6,600)	(16,000)
Balance, end of period	5,706,735	\$ 14,051,000	5,552,791	\$ 13,643,000

**(c) Stock-Based Compensation Plan**

PFB's outstanding and exercisable stock options as at March 31, 2004, relate to options granted to a director in December 2002. Upon grant, these options were fully vested and had a fair value of approximately \$2.20 per option, or \$55,000 in aggregate. See Note 2 (c).

PFB's current outstanding and exercisable stock options as at March 31, 2004 are as follows:

Weighted Average Exercise Price	Number Outstanding and Exercisable at March 31, 2004	Weighted Amount Remaining Contractual Life
\$4.90	25,000	3.75 years

**5. RECONCILIATION OF EARNINGS PER COMMON SHARE**

The following table sets forth the reconciliation of basic and diluted earnings per share for the three months ended March 31.

	2004	2003
Net income (loss)	\$ 35,000	\$ (528,000)
Weighted average number of common shares outstanding	5,700,694	5,537,266
Shares assumed issued	25,000	25,000
Shares assumed purchased	(21,875)	(23,245)
Adjusted weighted average number of common shares outstanding	5,703,819	5,539,021
Earnings per share:		
Basic	\$ 0.01	\$ (0.10)
Diluted	\$ 0.01	\$ (0.10)

**6. NORMAL COURSE ISSUER BID**

In the first quarter, PFB purchased for cancellation 1,700 (2003 - 6,600) common shares under a Normal Course Issuer Bid program for an aggregate price of \$8,000 (2003 - \$32,000), of which \$4,000 (2003 - \$16,000) was charged to retained earnings.

**7. FINANCIAL INSTRUMENTS**

In the normal course of its operations PFB's subsidiary, Plasti-Fab, is exposed to movements in the U.S. dollar exchange rate relative to the Canadian dollar. Plasti-Fab periodically enters into forward foreign exchange contracts. At March 31, 2004, there were no forward foreign exchange contracts in effect.

Subsequent to the end of the first quarter, Plasti-Fab entered into a number of forward foreign exchange contracts with an aggregate value of U.S. \$2,400,000 and a blended exchange rate of CAD \$1.00 = U.S. \$0.761. The monthly foreign exchange contracts run from April to September 2004.

**8. CONTINGENT LIABILITIES**

In November 2002, the Corporation's subsidiary, Plasti-Fab, 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 consolidated financial statements. It is not clear if resolution will be possible without litigation.

In the normal course of operations, the Corporation occasionally becomes involved in various claims. While the final outcome with respect to any claims pending at March 31, 2004 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

**9. RELATED PARTY TRANSACTIONS**

In the first quarter of 2004, PFB paid \$25,000 (2003 - \$25,000) in consultancy fees to Aeonian Capital Corporation.

**10. COMPARATIVE FIGURES**

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



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