P·F·B CORPORATION

Insulating Building Products

Q1

First Quarter Report 2005

P·F·B CORPORATION

PRESIDENT'S LETTER TO SHAREHOLDERS

Revenues of $13,323,000 during the three months ended March 31, 2005 reflect an improvement of $6,006,000 or 82.1% compared to revenues of $7,317,000 during the first quarter in 2004. Net income for the quarter was $8,000 as compared with net income of $35,000 in the comparative quarter of fiscal 2004. Basic and diluted earnings per common share reduced from $0.01 in the comparative quarter of fiscal 2004 to $Nil in the current quarter based on the basic and diluted weighted average number of common shares outstanding in each of the respective periods.

The dramatic increase in revenues for the quarter reflects higher sales volumes and higher selling prices in the core Plasti-Fab business as well as the inclusion of Insulspan SIPS and Riverbend revenues resulting from the corporate acquisition completed in the fourth quarter of 2004.

It is uncertain what course raw material prices will take in future as producers relentlessly continue to attempt additional price increases. Current prices for feedstock derivatives continue to be very high relative to historical levels; and with crude oil prices still strong, it is unclear when the upward momentum in raw material costs will abate.

In January 2005, the land and building which houses Plasti-Fab's Ajax manufacturing facility was acquired.

Our principal focus this year will be to continue to consolidate the structural insulating panel businesses acquired last year with our other operations. During the first quarter of fiscal 2005, we were pleased that we were able to maintain gross profits comparable to those of the comparative quarter in light of the rising raw material costs and the rigors of acquisition consolidation. Further reductions in marketing, selling and administration costs is our focus to enable the realization of synergies brought from the acquisitions.

We are committed to strengthening our marketing support of our dealer networks across our entire distribution channels.

Much has been said in the press about the strong housing markets in Canada and the United States. Certainly the important changing population demographics and the stimulus of low mortgage interest rates are contributing to the strong markets for these products. We continue to be optimistic for the future of our products in these markets. Foreign exchange rate fluctuations of the Canadian and United States dollars and continued high raw material costs; however, present uncertain risks to our operations.

Respectfully submitted on behalf of the Board of Directors.

C. Alan Smith

President and Chief Executive Officer

May 2, 2005

P·F·B CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS 2005 FIRST QUARTER RESULTS

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 20, 2005, 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 the price of raw materials; foreign exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors.

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 Management and Assessment section of the MD&A included in the Annual Report for 2004.

FINANCIAL HIGHLIGHTS (unaudited)

	Three months ended March 31	
	2005	2004
Sales	$ 13,323	$ 7,317
Gross profit	2,834	1,790
Loss before interest investment, income and taxes [1]	(300)	(102)
Net income	8	35
Funds provided from operations [2]	271	344
Earnings per share:		
Basic	0.00	0.01
Diluted	0.00	0.01

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

[1] Loss before interest, investment income and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses less foreign exchange loss (gain)

[2] Funds provided from operations is a non-GAAP measure and is defined as cash flow from operations before changes in non-cash working capital and unrealized foreign exchange gains or losses relating to non-cash working capital

FINANCIAL RESULTS ANALYSIS

The following results of operations 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, 2004.

SALES

PFB's consolidated net sales for the first quarter of fiscal 2005 increased by $6,006,000 from $7,317,000 to reach $13,323,000. Consolidated sales revenues in the first quarter of fiscal 2005 include sales revenues of Insulspan Incorporated and Insulspan Corporation (collectively referred to as "Insulspan") which were not present in the first quarter of fiscal 2004. Insulspan's business is chiefly in the United States with sales denominated in U.S. dollars which are translated into Canadian dollars on a periodic basis for inclusion in consolidated net sales. A summary of the sales by segment in the quarter's ended March 31, expressed in Canadian dollars, are as outlined in the following table:

	2005	2004	% change
Canada	$ 9,885,000	$ 7,272,000	35.9%
United States	3,410,000	45,000	7477.7%
Other	28,000	-	-
Total	$ 13,323,000	$ 7,317,000	82.1%

Plasti-Fab's sales revenues in all regions were higher in the current quarter as compared with those reported in the comparative quarter, continuing the trend established in the most recent three quarters of fiscal 2004. Selling price increases, introduced periodically throughout 2004 to mitigate raw material cost increases, contributed to higher reported sales revenues in the current quarter. Additionally, the volatility and shifting dynamics in the petrochemical industry positively influenced Plasti-Fab's sales volumes in its Eastern Canada regions as availability of some competitor products was restricted.

Sales volume growth in the Advantage ICF product line was achieved in the current quarter as compared to sales volumes in the comparative quarter.

The Insulspan businesses are also affected by seasonality issues common to the construction industry in North America. Sales of Insulspan SIPS and Riverbend timber framing packages were consistent with our expectations in the current quarter.

In fiscal 2004, we introduced a marketing campaign for the Highest*Performing!* BUILDING SYSTEM™. The Highest*Performing!* BUILDING SYSTEM comprises Insulspan SIP and Advantage ICF building systems combined together as roof, wall and floor components to create a completely insulated building envelope. We plan to further exploit this marketing initiative in fiscal 2005 to promote sales growth in these product lines across North America.

GROSS PROFIT

Consolidated gross profit increased from $1,790,000 in the first quarter of fiscal 2004 to

$2,834,000 in the current quarter, an increase of $1,044,000 as a result of the growth in sales revenues. Consolidated gross profit, expressed as a percentage of sales, averaged 21.3% in the first quarter of fiscal 2005, a decline from 24.5% reported in the comparative quarter. The year-on-year weakening in our gross profit ratio can mainly be attributed to the net effect of rising raw materials costs which have not been fully recovered by higher selling prices. Selling prices of all product lines are regularly reviewed and increased when it is feasible to do so. Further selling price increases are planned to take effect in the second quarter of fiscal 2005.

In the fourth quarter of fiscal 2004, we experienced a welcomed softening in raw material prices which, unfortunately, did not continue on into fiscal 2005. In the current quarter, we again encountered rising prices for styrene, which have returned to all-time highs levels.

The first quarter in our fiscal year is typically the slowest quarter for product shipments and, accordingly, is reflected in lower than average equipment utilization in many of our facilities, particularly in the months of January and February. This situation adversely impacts our reported gross profit ratio in the first quarter. In March of this year, production volumes began increasing as work-in-process feedstock is built ahead of the main selling season. On the strength of higher anticipated sales volumes in fiscal 2005, we expect to realize a benefit from lower unit costs of manufacturing.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses in aggregate amounted to $3,121,000 in the current quarter as compared to $1,876,000 in the comparative quarter in fiscal 2004, an increase of $1,245,000 or 66.4%.

Selling and marketing costs amounted to $2,220,000 or 16.7% of consolidated net sales in the current quarter as compared to $1,309,000 or 17.9% of consolidated net sales in the first quarter of fiscal 2004. The increase of $911,000 is primarily due to the cost of sales personnel and related selling and marketing costs arising from including the Insulspan companies in our consolidated results in the current quarter. The Insulspan companies were not part of PFB's consolidated results in the first quarter of fiscal 2004.

Our participation in trade and home shows across North America during the current quarter was higher than in previous years, as we proceed with an aggressive plan of promoting the attributes of our leading brands of insulating building products. Part of our marketing communications messages at these shows included the Highest*Performing!* BUILDING SYSTEM.

Administrative costs amounted to $901,000 or 6.8% of sales in the current quarter as compared to $567,000 or 7.7% of sales in the first quarter of fiscal 2004. The increase of $334,000 is primarily due to the cost of additional administrative personnel and related administrative costs in the Insulspan businesses.

We continue to pursue opportunities for optimizing our cost structures and we anticipate that the ratio of selling and administrative expense to sales will continue to improve.

FOREIGN EXCHANGE LOSS

During the first quarter of fiscal 2005, PFB recorded a foreign exchange loss of $13,000 as compared to a foreign exchange loss of $16,000 in the comparative quarter of fiscal 2004. The net foreign exchange loss in the current quarter consists of a combination of realized and unrealized gains and losses resulting from translating U.S. denominated monetary and non-monetary assets and liabilities into Canadian dollars.

INTEREST AND INVESTMENT INCOME

Interest earned on cash and cash equivalents in the first quarter of fiscal 2005 amounted to $11,000 which was offset by interest expenses paid on long-term debt amounting to $32,000, for net interest expense of $21,000 as compared with interest income of $36,000 in the comparative quarter of fiscal 2004. Cash and cash equivalent balances were generally lower throughout the first quarter than in the comparative quarter and PFB had no interest expenses on long-term debt in the comparative quarter.

Investment income and the gain realized on the sale of marketable securities amounted to $290,000 in the current quarter and comprised as follows:

	2005	2004
Distributions received in quarter	$ 7,000	$ 16,000
Net gain on sale of securities	283,000	97,000
Total	$ 290,000	$113,000

PFB divested its investment in oil and gas income trust related marketable securities in the current quarter realizing a net gain on sale of $283,000. The decision to divest was based on a perception that a significant risk existed for market price devaluation of the securities held, speculation of an increase in interest rates, and the need for cash to fund increases in inventories and receivables

INCOME TAXES

An income tax recovery of $39,000 was recorded in the first quarter of fiscal 2005 as compared to an income tax expense of $12,000 recorded in the comparative quarter of fiscal 2004.

The income tax recovery amount in the current quarter relative to income before taxes is influenced by a lower overall tax rate applicable to the capital gain on the sale of marketable securities.

NET INCOME AND EARNINGS PER SHARE

The first quarter of fiscal 2005 was basically a break-even quarter with net income of $8,000 as compared with net income of $35,000 in the comparative quarter of fiscal 2004. This level of reported earnings is not unusual for PFB's first quarter reporting and is reflective of the first fiscal quarter being, typically, the lowest quarter for sales revenues. Accordingly, basic and diluted earnings per common share reduced from $0.01 in the comparative quarter of fiscal 2004 to $0.00 in the current quarter based on the basic and diluted weighted average number of common shares outstanding in each of the respective periods.

In the current quarter, the basic weighted average number of common shares outstanding increased from 5,700,694 in the first quarter of fiscal 2004 to 6,303,373 as at the end of the current quarter. The weighted average number of fully diluted common shares increased from

5,703,819 to 6,303,618 (see Note 7 to the interim unaudited consolidated financial statements). The year-on-year increases in both the basic and fully diluted common shares are mainly attributable to the issuances of shares from treasury to effect the Insulspan acquisitions in fiscal 2004. Of the 800,000 common shares issued to acquire Riverbend Timber Framing Inc. in the fourth quarter of fiscal 2004, 399,999 of those shares remain held in an escrow account as at March 31, 2005, subject to a contingency agreement.

CASH FLOWS AND FINANCIAL CONDITION

CASH FLOWS
PFB ended the first quarter of fiscal 2005 with $827,000 in cash and cash equivalents, a decrease of $4,028,000 from the cash and cash equivalents balance of $4,855,000 as at the end of fiscal 2004.

CASH FLOWS - OPERATING
Funds provided by operations in the current quarter amounted to $271,000, as compared to $344,000 of funds provided from operations in the comparative quarter.

Similarly, non-cash working capital increased by $2,966,000 in the current quarter as compared to an increase of $2,976,000 reported in the comparative quarter, representing a net decrease of $10,000 or 0.3%. The change in non-cash working capital included an unrealized foreign exchange loss of $56,000 arising from translating U.S. dollar denominated non-cash working capital into Canadian dollars.

Current assets decreased by $3,268,000 since December 31, 2004, mainly through a reduction in cash and cash equivalents used primarily to pay down accounts payable and accrued liabilities in the normal course of business and paying the annual dividend in March 2005. As compared to March 31, 2004, current assets increased by $3,268,000 from $14,085,000 to $17,353,000 as at March 31, 2005, influenced by the inclusion of Insulspan’s current assets which were not present in the comparative period. The increase of $3,268,000 in current assets is comprised: accounts receivable increased by $2,678,000 to $7,735,000; inventories increased by $2,485,000 from $5,072,000 to $7,557,000; and combined income taxes recoverable and prepaid expenses increased by $391,000 from $843,000 to $1,234,000.

Current liabilities decreased by $1,380,000 since December 31, 2004, mainly due to the aforementioned reduction in accounts payable and accrued liabilities of $2,782,000. This decrease was partially offset by an increase in customer deposits of $979,000 and an increase in the current portion of long-term debt of $475,000 during the current quarter. Current liabilities increased by $6,424,000 to $9,305,000 as at March 31, 2005 as compared to current liabilities of $2,881,000 at March 31, 2004. The increase was mainly attributable to the impact of the Insulspan acquisitions. Accounts payable and accrued liabilities increased by $2,101,000 from $2,881,000 to $4,982,000 as at March 31, 2005 as compare to as at March 31, 2004. Customer deposits of $3,721,000 and the current portion of long-term debt of $602,000 reported as at March 31, 2005 had no comparative figures as at March 31, 2004.

CASH FLOWS - INVESTING
In the first quarter of fiscal 2005, $909,000 net cash was used for investing which included a down payment of $1,000,000 plus direct costs of $43,000 to purchase land and buildings in

Ajax, Ontario, in January 2005, and $568,000 in other capital expenditures which included purchasing equipment to manufacture new products and increasing production capacity for certain product lines. Cash inflows from investing amounted to $702,000 which arose from the sale of marketable securities plus related repayment of capital distributions received prior to the disposal. In the comparative quarter in fiscal 2004, capital expenditures of $325,000 were significantly lower than expenditures in the current quarter as was the proceeds from the sale of marketable securities and repayment of capital which amounted to $588,000.

CASH FLOWS - FINANCING

Total cash flows used in financing activities amounted to $388,000 in the first quarter of fiscal 2005 as compared to $1,167,000 in the comparative quarter. In the current quarter, Plasti-Fab utilized a further $1,000,000 of its long-term credit facility to mainly fund capital expenditure plans. In March 2005, PFB paid an ordinary and a special dividend of $0.15 and $0.07 per common share, respectively, for an aggregate payment of $1,479,000. The total dividend in the current year represented an increase of $223,000 over the total dividend paid in the prior year as a result of the increased number of issued and outstanding shares.

Also in March 2005, a PFB director exercised 25,000 common share stock options at an option price of $4.90 per share for aggregate proceeds of $123,000. The market value of the exercised shares on the exercise date was $5.30 per share. Accordingly, share capital was increased by $10,000 with the offset booked to contributed surplus. By comparison, in the first quarter of fiscal 2004, net proceeds of $97,000 were realized from a private placement of 20,000 common shares.

Under a normal course issuer bid, 2,700 common shares were purchased for cancellation in the current quarter at an average price of $4.90 and a total cost of $13,000. In the comparative quarter of fiscal 2004, 1,700 common shares were purchased for cancellation at an average price of $4.90 and a total cost of $8,000.

FINANCIAL CONDITION

PFB's working capital position decreased by an amount of $1,956,000 during the current quarter, decreasing from $10,004,000 and a current ratio of 1.94 times at December 31, 2004 to $8,048,000 and a current ratio of 1.86 times at March 31, 2005.

During the current quarter, PFB disposed of its entire investment in marketable securities realizing $693,000.

At March 31, 2005, accounts receivable of $7,735,000 was $827,000 lower than $8,562,000 reported at the end of fiscal 2004. The decrease is consistent with seasonally lower sales activity which is normal for this period in our quarterly business cycle.

Inventories increased by $1,508,000 or 24.9% to $7,557,000 in the current quarter as compared to inventories of $6,049,000 as at December 31, 2004. Typically, all of PFB's businesses began building inventories during the latter half of the first quarter to ensure sufficient feedstock is available to offset capacity constraints and meet increasing customer demand in subsequent quarters. Purchases of raw materials were increased during the current quarter to take advantage of lower prices in a rising price market which is reflected in the higher reported inventory values. Typically, raw material purchases are fully paid in 30 days or less.

At March 31, 2005, accounts payable and accrued liabilities of $4,982,000 were $2,782,000 lower than $7,764,000 reported as at December 31, 2004. The decrease is reflective of the timing of purchasing activity during the quarter, and paying out customer rebates and employee incentive programs accrued at the end of fiscal 2004. Sales of the Riverbend brand of 'ready-to-assemble' packages are realized when the packages are actually shipped. However, deposits are collected from customers at various contractual milestones such as design and shop drawings completion. As at March 31, 2005, $3,721,000 of deposits had been received from customers, an increase of $979,000 in the current quarter and representative of a growing book of business.

In fiscal 2004, PFB assumed long-term debt as part of the Insulspan acquisitions and consolidated long-term debt obligations were increased by $2,656,000 in the current quarter. Plasti-Fab obtained a vendor take-back mortgage in the amount of $1,675,000 on the Ontario land and buildings purchase completed in January 2005, in addition to drawing down an additional $1,000,000 of its $5,000,000 non-revolving credit facility. As at March 31, 2005, PFB has $5,064,000 of consolidated long-term debt and contractual obligations. Our Plasti-Fab business maintained an unused revolving credit facility of $5,000,000 at March 31, 2005.

PFB's total assets marginally decreased by an amount of $327,000 or 0.7% from $44,446,000 reported at December 31, 2004 to $44,119,000 as at the end of the current quarter. Shareholders' equity reduced from $31,297,000 at the close of fiscal 2004 to $29,936,000 at the end of the current quarter, a decrease of $1,361,000 and attributable to paying the annual dividend in March 2005. Total assets and shareholders' equity does not include the $2,000,000 attributed to the 399,999 common shares issued as contingent consideration to effect the Riverbend acquisition in fiscal 2004. The value attributed to those shares will be booked to goodwill and share capital when the contingency is met.

PFB's funded debt to invested capital, defined as the aggregate of shareholders' equity and funded debt less cash on hand, increased from 8.3% as at the end of fiscal 2004 to 14.8% as at the end of the current quarter.

OUTLOOK

Our reported annual sales in fiscal 2005 will be significantly higher than reported sales in fiscal 2004 as a result of consolidating a full year of Insulspan sales. Additionally, we are cautiously optimistic that our businesses overall will deliver year-on-year sales growth.

As we indicated in our 2004 Annual Report, our major concern for fiscal 2005 remains the future course of raw material prices and supply, particularly that of styrene monomer. With oil prices likely remaining volatile, our plans for fiscal 2005 do not anticipate any significant decreases in raw material costs. Accordingly, the quality of our gross profit and earnings in 2005 will be largely influenced by the ability of our businesses to pass on the increased cost of raw materials through higher selling prices. Selling prices of products were increased several times during fiscal 2004 and further increases are planned in 2005. However, it is difficult to predict how customers and competitors may react to our actions.

As we move into the second quarter of fiscal 2005, we expect our Plasti-Fab business to utilize its revolving credit facility to fund non-cash working capital requirements as business demand increases. We expect to restore positive cash balances during the third quarter of the current year, although the exact timing of when this will occur is subject to a range of variables beyond our control.

We are reviewing a number of significant capital expenditure proposals which may receive approval during the year and we continue to pursue opportunities for optimizing our cost structures.

Our cash balances, anticipated future cash flows from operations and approved credit facilities are expected to be sufficient to meet immediate funding requirements at this time.

Stephen P. Hardy

Vice President and Chief Financial Officer

April 20, 2005

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31 In thousands of dollars (unaudited)	2005	2004
Sales	$ 13,323	$ 7,317
Cost of goods sold	10,489	5,527
Gross profit	2,834	1,790
Selling and administrative expenses	3,121	1,876
Foreign exchange loss	13	16
	(300)	(102)
Interest Income (expense)	(21)	36
Investment Income	7	16
Gain on sale of marketable securities	283	97
Income before taxes	(31)	47
Income tax recovery (expense)	39	(12)
Net income	$ 8	$ 35
Earnings per common share - basic [Note 7]	$ 0.00	$ 0.01
Earnings per common share - diluted [Note 7]	$ 0.00	$ 0.01
Weighted average number of common shares outstanding	6,303,373	5,700,694

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31 In thousands of dollars (unaudited)	2005	2004
Cash provided by (used in):		
Operating		
Net Income	$ 8	$ 35
Items not affecting cash flows:		
Depreciation and amortization	744	457
Loss on sale of capital assets	-	4
Gain on sale of marketable securities	(283)	(97)
Future income taxes	(234)	(55)
Unrealized Foreign exchange loss	36	-
	271	344
Changes in non-cash working capital	(2,966)	(2,976)
Unrealized foreign exchange loss relating to non-cash working capital	(56)	-
	(2,751)	(2,632)
Financing		
Increase in long-term debt	1,000	-
Repayment of long-term debt	(28)	-
Dividend paid	(1,479)	(1,256)
Issuance of common shares	123	97
Purchase of common shares for cancellation [Note 8]	(13)	(8)
Unrealized foreign exchange loss relating to financing	9	-
	(388)	(1,167)
Investing		
Purchase of capital assets	(1,611)	(325)
Additions to product development costs	-	(16)
Proceeds on sale of marketable securities	693	559
Repayment of capital on marketable securities	9	29
	(909)	247
Foreign exchange gain on cash held in foreign currency	20	-
Decrease in cash and cash equivalents	(4,028)	(3,552)
Cash and cash equivalents, beginning of the period	4,855	6,204
Cash and cash equivalents, end of the period	$ 827	$ 2,652
Cash paid for interest	$ 32	$ -
Cash paid for taxes	$ 550	$ 424

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CONSOLIDATED BALANCE SHEETS

In thousands of dollars (unaudited)	March 31 2005	March 31 2004	December 31 2004
Assets			
Current assets			
Cash and cash equivilants	$ 827	$ 2,652	$ 4,855
Marketable securities	-	461	419
Accounts receivable	7,735	5,057	8,562
Inventories	7,557	5,072	6,049
Income taxes recoverable	304	328	-
Prepaid expenses	930	515	804
Total current assets	17,353	14,085	20,689
Capital assets	21,774	14,574	19,187
Intangible assets	70	-	78
Goodwill [Note 3]	4,044	661	4,044
Product development costs [Note 4]	411	189	448
Future income tax asset	467	-	-
Total assets	$ 44,119	$ 29,509	$ 44,446
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 4,982	$ 2,881	$ 7,764
Customer deposits	3,721	-	2,742
Income taxes payable	-	-	52
Current portion of long-term debt [Note 5]	602	-	127
	9,305	2,881	10,685
Long-term debt [Note 5]	4,462	-	2,281
Future income taxes	416	281	183
Total liabilities	14,183	3,162	13,149
Contingent liabilities [Note 10]			
Shareholders' Equity			
Share capital [Note 6]	17,257	14,051	17,132
Contributed surplus [Note 6 (c)]	45	55	55
Retained earnings	12,634	12,241	14,110
Total shareholders' equity	29,936	26,347	31,297
Total liabilities and shareholders' equity	$ 44,119	$ 29,509	$ 44,446

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CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three months ended March 31 In thousands of dollars (unaudited)	2005	2004
Retained earnings, beginning of period	$ 14,110	$ 13,521
Adjustment for change in accounting policy [Note 2 (c)]	-	(55)
Retained earnings, beginning of period, as restated	14,110	13,466
Net income	8	35
Dividends paid	(1,479)	(1,256)
Premium on redemption of common shares [Note 8]	(5)	(4)
Retained earnings, end of period	$ 12,634	$ 12,241

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

March 31, 2005

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.

The principal business activity of PFB is manufacturing insulated building products from expanded polystyrene materials and marketing these products in North America and Japan. These integrated product lines are marketed under Plasti-Fab, Insulspan and Riverbend brand names and trade marks.

The Corporation owns three wholly-owned operating subsidiaries: Plasti-Fab Ltd. ("Plasti-Fab"), Insulspan Incorporated and Insulspan Corporation (collectively referred to as "Insulspan"). These subsidiaries operate manufacturing facilities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the State of Michigan, USA.

The sales activities of all of our own-manufactured and branded products are conducted by sales representatives, independent sales agents, and registered dealers and distributors in Canada, the United States and Japan.

2. ACCOUNTING POLICIES

(a) Basis of Presentation

The interim consolidated financial statements of PFB have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of PFB and its direct and indirect, wholly-owned operating subsidiaries, Plasti-Fab Ltd., Insulspan Corporation, and Insulspan Incorporated. 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, 2004. 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 these consolidated financial statements 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 consolidated financial position and consolidated results of operations of PFB as of and for the three month period ended March 31, 2005.

Sales of PFB'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 PFB's products is typically stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle.

Intangible assets with a finite life are amortized over their estimated life. Acquired customer lists (see Note 3 (b)) are being amortized over a period of three years. Intangible assets with indefinite lives are tested for impairment at least annually and when events or changes in circumstances indicate that their carrying values may be impaired.

(c) Changes in Accounting Policies

On January 1, 2004, the Corporation adopted the Canadian Institute of Chartered Accountants accounting pronouncement for stock-based compensation. The new accounting pronouncement requires PFB to recognize compensation expense in each reporting period based on the fair value of the stock options granted during that period. PFB 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, PFB'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 were effective for the fiscal year beginning January 1, 2004, and PFB's hedging program complies with the requirements of EIC-128. Accordingly, the adoption of the new recommendations in 2004 did not have a material impact on PFB's consolidated financial statements.

3. BUSINESS ACQUISITIONS

(a) EnerGreen Structural Insulated Panel Company Inc.

On April 30, 2004, PFB acquired all of the issued and outstanding shares of EnerGreen Structural Insulated Panel Company Inc. for total consideration of $1,623,000. The consideration consisted of $500,000 in cash and 200,000 common shares of PFB Corporation issued at $5.50 per share, plus $23,000 of acquisition costs. The issued common shares are held in escrow with 50,000 shares to be released on each of the following dates: July 31, 2004, October 31, 2004, January 31, 2005, and April 30, 2005.

EnerGreen is located in Aldergrove, British Columbia, Canada, and manufactures Structural Insulated Panels (SIPs) for Canadian, U.S., and international markets, including Japan.

The financial results of EnerGreen have been consolidated in the financial results of PFB from the effective date. The acquisition is accounted for using the purchase method and the following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash paid	$ 500,000
Acquisition costs	23,000
Total cash consideration	523,000
Issuance of common shares	1,100,000
	$ 1,623,000

Capital assets	$ 1,000,000
Intangible assets	256,000
Goodwill	423,000
Future income tax liability	(56,000)
	$ 1,623,000

Intangible assets consisted of registered trade marks $156,000 and customer lists $100,000. Goodwill is not deductible for income tax purposes and the fair value attributed to customer lists is being amortized over 3 years.

In the fourth quarter of fiscal 2004, EnerGreen changed its name to Insulspan Corporation. Additionally, following the acquisition of Riverbend and the Insulspan SIPS brand of structural insulated panels (see Note 3(b) below), PFB determined that all future manufacturing and marketing activities of structural insulated panels will be consolidated under the industry-leading Insulspan SIPS brand. Accordingly, the $156,000 fair value attributed to the EnerGreen trade name was written off during the fourth quarter of fiscal 2004 and the resulting non-cash charge to earnings was reported under other expenses.

(b) Riverbend Timber Framing, Inc.

Effective October 28, 2004, a newly-formed and wholly-owned subsidiary of PFB registered in the United States, Insulspan Incorporated, acquired 100% of the common shares of Riverbend Timber Framing, Inc. ("Riverbend"), a Michigan, USA, company that manufactures structural insulated panels and timber frame structural members. Insulspan Incorporated also purchased the land and buildings of Riverbend for USD $1,566,000. On November 5, 2004, Riverbend was merged with Insulspan Incorporated.

PFB issued 800,000 common shares on October 28, 2004 to effect the acquisition and the value of each common share issued was determined based on the average market price of PFB's common shares traded on the Toronto Stock Exchange taken over a five-day period before and after the closing of the transaction. The results of the acquired operations have been included in the consolidated financial statements of PFB since October 1, 2004, the effective date of the transaction.

399,999 of the common shares issued by PFB are held in an escrow account and will be released to the vendor at such time as the surviving corporation reports a specific level of accumulated pre-tax income. The equity instruments held in escrow have a value of $2,000,000 which will be recognized when the contingency is met. At that time, share capital and goodwill will be increased by $2,000,000.

Goodwill is not deductible for income tax purposes and the acquisition was accounted for using the purchase method. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on the effective date:

Cash paid	$ 601,000
Acquisition costs	255,000
Total cash consideration	856,000
Issuance of common shares	2,000,000
	$ 2,856,000

Capital assets	$ 3,755,000
Non-capital working capital	(1,820,000)
Long-term debt	(2,059,000)
Goodwill	2,960,000
Future income tax liability	(43,000)
	2,793,000
Cash acquired	63,000
	$ 2,856,000

4. PRODUCT DEVELOPMENT COSTS

In the fourth quarter of fiscal 2004, PFB's wholly-owned subsidiary, Plasti-Fab, completed a major product development initiative at its resin manufacturing facility in Alberta.

The deferred product development costs meet specified criteria related to technology, market and financial feasibility and the aggregate capitalized costs of $448,000 are being amortized over a 3-year period commencing on January 1, 2005. Management continues to expect significant future benefits to be realized from this initiative.

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 cash flows. If it is determined that the carrying value exceeds the recoverable amounts, the net asset is written down to the net recoverable amount.

5. LONG-TERM DEBT

In the first quarter of fiscal 2005, Plasti-Fab drew down an additional $1,000,000 of its $5,000,000 non-revolving term facility with a Canadian bank at an interest rate of 5.9% fixed for a term of 5 years and subject to a 15 year amortization.

In addition, Plasti-Fab completed the purchase of land and buildings located in Ajax, Ontario, on January 27, 2005, which it had previously leased for manufacturing operations. The purchase price was $2,675,000 plus land transfer taxes and legal expenses of $43,000. The purchase transaction consisted of a down payment of $1,000,000 and a vendor-take back mortgage of $1,675,000, payable in four annual installments of $418,750 at an interest rate of 2.7% compounded annually. The mortgage interest rate comprises a gross rate of 9.0% per annum compounded annually less a discount of 6.3% in return for prompt payment of the required principal and interest amounts on the specified due dates. It is PFB's intention to pay the annual principal and interest amounts on the specified due dates. The due date of the first principal and interest payment is January 11, 2006.

The long-term debt position as at March 31 is summarized in the following table:

	March 31 2005	December 31 2004
Non-revolving term facility - 5.90% fixed for 5-year term	$ 1,000,000	$ -
Non-revolving term facility - 5.65% fixed for 5-year term	989,000	1,000,000
Mortgage note – floating rate	1,281,000	1,282,000
Vendor-take back mortgage – 2.70% fixed for four years	1,675,000	-
Capital leases	119,000	126,000
	5,064,000	2,408,000
Current portion	(602,000)	(127,000)
	$ 4,462,000	$ 2,281,000

The fair value of long-term debt obligations as at March 31, 2005 is $5,211,000.

6. SHARE CAPITAL

(a) Authorized

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, 2005		Twelve months ended December 31, 2004	
	Shares	Amount	Shares	Amount
Balance, beginning of year	6,699,735	$ 17,132,000	5,688,435	$ 13,958,000
Issued as for the acquisition of EnerGreen [Note 3(a)]	-	-	200,000	1,100,000
Issued for the acquisition of Riverbend [Note 3(b)]	-	-	400,001	2,000,000
Issued for the acquisition of Riverbend and held in escrow [Note 3(c)]	-	-	399,999	-
Issued as a result of a private placement	-	-	20,000	100,000
Less: share issue costs	-	-	-	(3,000)
Issued as a result of the exercise of stock options	25,000	133,000	-	-
Cancellation of repurchased shares [Note 8]	(2,700)	(8,000)	(8,700)	(23,000)
Balance, end of period	6,722,035	$ 17,257,000	6,699,735	$ 17,132,000

(c) Stock-Based Compensation Plan

A director of PFB exercised 25,000 stock options on March 9, 2005, at an exercise price of $4.90 per common share. The market value of PFB shares on the exercise date was $5.30. Accordingly, an amount of $10,000 has been reclassed from the contributed surplus account to the share capital account.

7. 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:

		2005		2004
Net income	$	8,000	$	35,000
Weighted average number of common shares outstanding		6,303,373		5,700,694
Shares assumed issued		8,400		25,000
Shares assumed purchased		(8,155)		(21,875)
Adjusted weighted average number of common shares outstanding		6,303,618		5,703,819
Earnings per share:				
Basic	$	0.00	$	0.01
Diluted	$	0.00	$	0.01

8. NORMAL COURSE ISSUER BID

In the first quarter of fiscal 2005, PFB purchased 2,700 (2004 - 1,700) common shares for cancellation under a Normal Course Issuer Bid for an aggregate price of $13,000 (2004 - $8,000), of which $5,000 (2004 - $4,000) was charged to retained earnings.

9. FINANCIAL INSTRUMENTS

In the normal course of its operations, PFB's operating subsidiaries are exposed to changes in the U.S. dollar exchange rate relative to the Canadian dollar on U.S. dollar denominated sales and purchases. PFB's subsidiary companies periodically enter into forward foreign exchange contracts.

At March 31, 2005, Plasti-Fab held one open forward foreign exchange contract to purchase USD $400,000. The forward foreign exchange contract, which has not been recognized in these interim consolidated financial statements, is scheduled for settlement in April 2005 at a contract rate of CAD $1.0000 = USD $0.8035. At March 31, 2005, the forward exchange contract included an unrealized loss of $13,000 which has been recorded in the interim consolidated financial statements under foreign exchange loss with the off-set included in accounts payable and accrued liabilities.

10. CONTINGENT LIABILITIES

(a) Contingent Liabilities
In the normal course of operations, PFB's subsidiaries may occasionally become involved in various claims. While the final outcome with respect to any claims pending at March 31, 2005 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on PFB's consolidated financial position or consolidated results of operations.

(b) Environment
PFB's subsidiaries are subject to various laws, regulations and government policies relating to health and safety, production operations, storage and transportation of goods, disposal and environmental emissions of various substances and materials, and to the protection of the environment in general. It is the opinion of management that PFB's subsidiaries are in compliance with such laws, regulations and government policies in all material respects.

11. RELATED PARTY TRANSACTIONS

In the first quarter of fiscal 2005, Plasti-Fab paid $25,000 (2004 - $25,000) in consultancy fees to Aeonian Capital Corporation which is controlled by C. Alan Smith, President, Chief Executive Officer, and a director of PFB. The consultancy fees are reported under selling and administrative expenses.

In the first quarter of fiscal 2005, Insulspan Incorporated paid Riverbend Investments LLC rent of USD $13,000 (2004 - Nil) on a leased property in the State of Michigan, USA. Riverbend Investments LLC is controlled by Frank B. Baker, President of Insulspan and a director of PFB. The property rental expenses are reported under selling and administrative expenses.

In the first quarter of fiscal 2005, PFB paid $32,000 (2004 - $32,000) for legal services provided by a law firm in which a director of PFB is a partner. The legal services fees are reported under selling and administrative expenses.

All related party transactions have been measured at the exchange amount.

12. SEGMENTED INFORMATION

PFB is organized and managed as a single reportable business which is focused on selling proprietary insulating building products that use expanded polystyrene rigid insulation. All of PFB's direct and indirect subsidiaries in Canada and the United States are wholly-owned and considered to be fully integrated operations.

Selected financial information for the first quarter ended March 31 is as follows:

	2005	2004
Sales		
Canada	$ 9,885,000	$ 7,272,000
United States	3,410,000	45,000
Other	28,000	-
	$ 13,323,000	$ 7,317,000
Capital assets, intangible assets and goodwill		
Canada	$ 19,411,000	$ 15,235,000
United States	6,477,000	-
	$ 25,888,000	$ 15,235,000
Total asset		
Canada	$ 33,761,000	$ 29,509,000
United States	9,971,000	-
	$ 43,732,000	$ 29,509,000

13. COMPARATIVE FIGURES

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

Suite 270, 3015 - 5th Avenue N.E.
Calgary, AB, Canada T2A 6T8

Tel: (403) 569-4300
Fax: (403) 569-4075
Email: mailbox@pfbcorp.com

www.pfbcorp.com