

P·F·B
CORPORATION

Insulating Building Products

Q3

Third Quarter Report 2005



PRESIDENT'S LETTER TO SHAREHOLDERS

The third quarter operating results continued to follow the strong up-trend that began earlier in the year.

Net income for the three months ended September 30, 2005, was \$2,527,000, \$0.40 per share, compared to net income of \$706,000, \$0.12 per share, in the comparative period of 2004. Sales were \$24,025,000 in the third quarter of 2005 as compared to \$15,390,000 in the third quarter of 2004, an increase in sales of \$8,635,000 or 56.1%.

Net income for the nine months ended September 30, 2005 was \$4,111,000, \$0.65 per share, as compared to net income of \$1,164,000, \$0.20 per share in the comparative nine months of 2004. Sales for the nine month ended September 30, 2005 were \$58,204,000 as compared to \$34,330,000 in the nine month period ended September 30, 2004, an increase in sales of \$23,874,000 or 69.5%.

Consolidated results in 2005 and comparative figures for the 2004 periods include the results of EnerGreen Structural Insulated Panel Company Inc. from April 30, 2004, and Riverbend Timber Framing Inc., from October 1, 2004.

The robust construction materials market continues to create strong demand from building owners for our energy-efficient insulating building products as a result of high energy costs. Additionally, a shortage of skilled labor on jobsites has provided motivation for builders to use our ready-to-assemble building systems.

Accordingly, this market has been positive for our financial results combined with a variety of operational factors including: higher sales volumes across our entire product lines; higher selling prices; and the inclusion of operating results from corporate acquisitions made last year. Our balance sheet remains strong with a working capital balance of \$12,042,000.

Raw material prices remain volatile. The combined effects of Hurricane Katrina and Hurricane Rita have created uncertainty in the pricing of our raw material supply chain. Volumes continue to be in ample supply at this time. Price differentials with imported supplies could create an arbitrage that should ensure supplies will be available to us at reasonable prices for the balance of the year. Our focus continues to be the matching of raw material costs and selling prices to maintain margins where possible. All our facilities continue to operate at high levels of capacity and future capacity additions are being planned to be available in 2006.

In July 2005, the Board of Directors approved a revision to the Corporation's dividend policy that inaugurates a quarterly dividend of \$0.06 per common share that was paid on August 31, 2005 to shareholders of record on August 15, 2005. This policy replaces the previous annual dividend policy. The next quarterly dividend will be paid on November 30, 2005 to shareholders of record on November 16, 2005.

Respectfully submitted on behalf of the Board of Directors.



C. Alan Smith

President and Chief Executive Officer
October 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS 2005 THIRD 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 October 26, 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 September 30		Nine months ended September 30	
	2005	2004	2005	2004
Sales	\$ 24,025	\$ 15,390	\$ 58,204	\$ 34,330
Gross profit	7,588	3,779	16,520	8,520
Income before other expenses, interest, investment income and taxes ¹	3,927	1,525	6,187	2,138
Net income	2,527	706	4,111	1,164
Funds provided from operations ²	3,034	1,195	5,710	2,415
Earnings per share:				
Basic	0.40	0.12	0.65	0.20
Diluted	0.40	0.12	0.65	0.20

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

¹ Income before other expenses, interest, investment income and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses and unrealized foreign exchange gains and losses.

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.

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.

Insulspan Corporation, previously EnerGreen Structural Insulated Panel Company Inc., was acquired on April 30, 2004 and the results of its operations have been consolidated since that date. Insulspan Incorporated, a United States subsidiary of PFB, acquired Riverbend Timber Framing, Inc. effective October 1, 2004 and the results of its operations have been consolidated since that date. Accordingly, comparative figures for the corresponding periods are affected by the timing of the acquisitions.

Results from the United States subsidiary's operations are translated into Canadian dollars using the temporal method on a periodic basis for inclusion in the consolidated results.

SALES

Consolidated net sales for the third quarter ended September 30, 2005 were \$24,025,000, an increase of \$8,635,000 or 56.1% as compared with \$15,390,000 for the corresponding quarter in 2004.

Consolidated net sales for the nine months ended September 30, 2005 were \$58,204,000, an increase of \$23,874,000 or 69.5% as compared to \$34,330,000 for the corresponding nine months in 2004.

A summary of sales by segment expressed in Canadian dollars for the three and nine month periods ended September 30 are as outlined in the following table:

	Three months ended September 30, 2005			Nine months ended September 30, 2005		
	2005	2004	% change	2005	2004	% change
Canada	\$ 18,557,000	\$ 14,041,000	32.2%	\$ 43,005,000	\$ 32,485,000	32.4%
United States	5,468,000	1,228,000	345.3%	15,170,000	1,631,000	830.1%
Other	-	121,000	-	29,000	214,000	-86.5%
Total	\$ 24,025,000	\$ 15,390,000	56.1%	\$ 58,204,000	\$ 34,330,000	69.5%

Increased sales revenues in the third quarter and for the nine month period continue to reflect improved sales volumes and year-over-year selling price increases. Growth in the sales of our insulating building systems was a major contributor to the overall increase in sales.

Plasti-Fab is active in institutional, commercial and industrial (ICI) markets and is benefiting from the favourable ICI market conditions in Canada. On a regional basis, the strong economy in Western Canada is positively impacting the construction market resulting in higher demand for our insulating building products.

GROSS PROFIT

Consolidated gross profit was \$7,588,000 in the current quarter as compared with \$3,779,000 in the comparative quarter of fiscal 2004, an increase of \$3,809,000 or 100.1%. Gross profit expressed as a percentage of sales averaged 31.6% in the current quarter up from 24.6% in the comparative quarter of fiscal 2004.

Consolidated gross profit in the nine month period ended September 30, 2005 was \$16,520,000 or 28.4% of sales as compared with \$8,520,000 or 24.8% of sales reported in the nine months ended September 30, 2004.

Raw materials pricing continued to exhibit volatile swings during the current quarter. A slight softening in raw materials prices occurred as we headed into the current quarter which was followed by a return to higher pricing at the end of the quarter, similar to trends we experienced earlier in the year. The emerging effects of hurricanes along the Gulf Coast has cast uncertainty over short-term raw materials pricing and availability during the fourth quarter of the year.

Timing differences between the selling prices of our products and short term aberrations in raw materials costs coincided with our busiest time of year and the resulting benefit was reflected in the quality of our reported gross profit. Technology driven improvements implemented in our operations have also had a positive impact on gross profit as did higher production volumes which favourably impacted the unit cost of manufacturing in many of our facilities.

SELLING AND ADMINISTRATION

Selling and administrative expenses in aggregate were \$3,765,000 or 15.7% of sales in the current quarter as compared to \$2,228,000 or 14.5% of sales in the third quarter of fiscal 2004. After nine months, selling and administrative expenses were \$10,402,000 or 17.9% of sales as compared to \$6,356,000 or 18.5% in the comparative nine month period in fiscal 2004.

We have continued to invest in marketing communications programs and other initiatives designed to develop the brands acquired in fiscal 2004. Additional specialist personnel have been recruited in the current quarter to support anticipated future sales growth of our insulating building products.

We continue to pursue opportunities for optimizing our cost structures.

UNREALIZED FOREIGN EXCHANGE GAIN

In the third quarter of fiscal 2005, the Canadian dollar increased in value by 5.1% relative to the U.S. dollar. The strengthening of the Canadian dollar resulted in an unrealized foreign exchange gain of \$104,000 in the current quarter as compared with an unrealized loss of \$26,000 in the comparative quarter. The current quarter's unrealized gain reversed unrealized losses reported in the previous six months to give a cumulative net unrealized gain of \$69,000 after nine months. In the nine month period of 2004 we reported an unrealized loss of \$26,000.

Unrealized foreign exchange differences arise from translating U.S. dollar denominated assets and liabilities into Canadian dollars at the financial statement date. Since December 31, 2004, the exchange rate of the Canadian dollar and the U.S. dollar has fluctuated but, overall, the Canadian dollar has strengthened by approximately 3.3% in the nine month period to September 30, 2005.

INTEREST AND INVESTMENTS

Net interest expense in the current quarter was \$76,000 as compared to interest income of \$2,000 in the third quarter of fiscal 2004. On a year-to-date basis, net interest expense was \$147,000 as compared to interest income of \$50,000 in the first nine months of fiscal 2004.

In the comparative nine month period of fiscal 2004, PFB had no long-term debt and, accordingly, paid no interest expense.

PFB disposed of its remaining investment in marketable securities in March 2005 resulting in a net gain of \$283,000 as compared to a net gain of \$97,000 arising on the sale of marketable securities in fiscal 2004.

INCOME TAX EXPENSE

Income tax expense for the current quarter was \$1,324,000 representing 34.4% of income before taxes as compared to income tax expense of \$468,000 representing 39.9% of income before taxes in the third quarter of fiscal 2004. On a year-to-date basis income tax expense was \$2,219,000 or 35.1% of income before taxes as compared to \$793,000 or 40.5% of income before taxes in fiscal 2004.

NET INCOME AND EARNINGS PER SHARE

In the three months ended September 30, 2005, net income was \$2,527,000 (\$0.40 per share) as compared with \$706,000 (\$0.12 per share) in the comparative quarter, an increase of \$1,821,000 or 258%. In the nine month period ended September 30, 2005, net income was \$4,111,000 (\$0.65 per share) as compared to \$1,164,000 (\$0.20 per share) in the comparative nine month period representing an increase of \$2,947,000 or 253%.

The weighted average number of common shares outstanding after nine months was 6,315,883 as compared with 5,816,237 in the comparative period of fiscal 2004, an increase of 8.6%. The weighted average number of fully diluted common shares outstanding after nine months was 6,320,499 as compared with 5,818,883 in the comparative period of fiscal 2004, an increase of 8.6%.

The year-on-year increase in both the basic and fully diluted common shares is mainly attributable to the issuances of treasury shares to effect the two business 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 are held in an escrow account subject to a contingent earnings agreement.

CASH FLOWS AND FINANCIAL CONDITION

CASH FLOWS

The Corporation ended the third quarter of the current year with \$5,471,000 in cash and cash equivalents, an increase of \$616,000 from the cash and cash equivalents balance of \$4,855,000 reported at December 31, 2004.

Consolidated cash flows for the three and nine months ended September 30, 2005 and 2004 were as follows:

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Operating activities:				
Cash flow provided by operations	\$ 3,034,000	\$ 1,195,000	\$ 5,710,000	\$ 2,415,000
Net changes on non-cash working capital	1,553,000	(945,000)	(2,258,000)	(4,342,000)
	4,587,000	250,000	3,452,000	(1,927,000)
Financing activities	(512,000)	(2,000)	(913,000)	(1,169,000)
Investing activities	(589,000)	(471,000)	(1,882,000)	(1,471,000)
Effect of exchange rate change on cash	(44,000)	(45,000)	(41,000)	(45,000)
Increase (decrease) in cash and cash equivalents	\$ 3,442,000	\$ (268,000)	\$ 616,000	\$ (4,612,000)

CASH FLOWS - OPERATING

In the current quarter, cash flow provided by operating activities was \$4,587,000, which was \$4,337,000 higher than cash flow of \$250,000 provided by operating activities in the comparative quarter of 2004. In the nine months ended September 30, 2005, cash flow provided by operating activities was \$3,452,000, an increase of \$5,379,000 over the comparative nine month period. At September 30, 2005, the non-cash working capital components of our balance sheet are reflective of the increased raw material costs absorbed and the increased selling prices obtained over the last twelve months.

Net income increased by \$1,821,000 from \$706,000 in the third quarter of 2004 to \$2,527,000 in the current quarter. Non-cash related depreciation and amortization expenses increased by \$189,000 in the current quarter as compared with the comparative quarter of 2004.

Current assets have increased by \$7,786,000 to \$24,942,000 at September 30, 2005 from \$17,156,000 at September 30, 2004, as a result of increases in cash and cash equivalents, accounts receivable, and inventories. Accounts receivable balances increased by \$2,452,000 or 24.6%, reflective of higher sales volumes and higher average selling prices. The number of average day's sales outstanding in accounts receivables is lower in the current year than in the prior year. Inventories have increased by \$1,874,000 or 40.7% year-over-year as a result of carrying increased levels of raw materials to support the growth in sales activity, plus the inclusion of Riverbend inventories acquired in the fourth quarter of 2004. Inventories actually reduced by \$2,106,000 or 24.5% during the current quarter which is a normal trend in the third quarter of our seasonal cycle.

Current liabilities have increased \$7,246,000 to \$12,900,000 at September 30, 2005 from \$5,654,000 at September 30, 2004, as a result of the following increases: \$1,026,000 in accounts payable and accrued liabilities; \$3,973,000 in customer deposits placed to secure custom orders; \$1,620,000 in income taxes payable; and \$627,000 in the current portion of long-term debt. In some product lines, cash is collected from customers at various contractual milestones before products are manufactured and shipped. The increase in income taxes payable is attributed to improved net income in the current fiscal year. The Corporation had no long-term debt at September 30, 2004.

CASH FLOWS - FINANCING

During the current quarter cash of \$49,000 was used to repay long-term debt whereas the Corporation had no long term debt in the comparative quarter of 2004. In July 2005, the board of directors announced a change to the Corporation's dividend policy. Commencing in August 2005, the annual regular and special dividend of \$0.22 per common share, paid in March each year, was replaced with a quarterly dividend of \$0.06 per common share (\$0.24 per common share annualized). Accordingly, the first quarterly dividend payment was paid on August 31, 2005, and amounted to \$404,000.

CASH FLOWS - INVESTING

Cash used in investing activities in the current quarter was \$589,000 as compared to \$471,000 in the comparative quarter of 2004, mostly attributed to the purchase of capital assets. Capital expenditures in the current quarter were focussed on specific increases in production capacity and amounted to \$555,000 as compared to capital expenditures of \$483,000 in the third quarter of fiscal 2004. In addition, \$34,000 of product development costs was capitalized in the current quarter.

FINANCIAL CONDITION

The working capital of the Corporation increased by an amount of \$2,016,000 in the current quarter, increasing from \$10,026,000 and a current ratio of 1.90 times at June 30, 2005 to \$12,042,000 and a current ratio of 1.93 times at September 30, 2005

At September 30, 2005, the carrying amount of long-term debt was \$4,996,000 and the Corporation had an unused revolving credit facility of \$5,000,000.

Total assets increased to \$51,293,000 at September 30, 2005 from \$47,516,000 reported at June 30, 2005. Shareholders' equity increased to \$33,679,000 from \$31,556,000 during the current quarter. The increase in shareholders' equity includes net income for the current quarter of \$2,527,000 less the quarterly dividend payment of \$404,000. Total assets and shareholders' equity at September 30, 2005 does not include \$2,000,000 attributed to 399,999 common shares issued as contingent consideration to effect a corporate acquisition in fourth quarter of fiscal 2004. The value attributed to those shares will be booked to goodwill and share capital, respectively, when the contingency is met.

At September 30, 2005, cash on hand of \$5,471,000 exceeds funded debt of \$4,996,000.

OUTLOOK

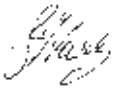
The effects of hurricanes Katrina and Rita on the Corporation's businesses, and the business of our competitors, in the short to medium-term, is difficult to determine. We expect volatility in supplies of oil and gas derivative products which could adversely impact our raw materials supplies through higher prices, shortages, or a combination of both. During the month of October, raw materials prices have increased moderately.

Our order book remains strong going into the fourth quarter of 2005.

We expect our cash balances to increase in the fourth quarter as our accounts receivables balances, which usually peak in the third quarter, are reduced by collections. Seasonally lower sales in our fourth quarter also typically influence our year end accounts receivables balance.

We are formulating capital spending programs for fiscal 2006 and the remainder of this year which will include upgrading and expanding key production capacity and divesting of surplus assets.

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
October 26, 2005

CONSOLIDATED STATEMENTS OF OPERATIONS

Nine months ended September 30
In thousands of dollars (unaudited)

	2005	2004
Sales	\$ 58,204	\$ 34,330
Cost of goods sold	41,684	25,810
Gross profit	16,520	8,520
Selling and administrative expenses	10,402	6,356
Unrealized foreign exchange (gain) loss	(69)	26
	6,187	2,138
Other expenses	-	(362)
Interest income (expense), net	(147)	50
Investment income	7	34
Gain on sale of marketable securities	283	97
Income before taxes	6,330	1,957
Income taxes	(2,219)	(793)
Net income	\$ 4,111	\$ 1,164
Earnings per common share – basic [Note 8]	\$ 0.65	\$ 0.20
Earnings per common share – diluted [Note 8]	\$ 0.65	\$ 0.20
Weighted average number of common shares outstanding	6,315,883	5,816,237

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30
In thousands of dollars (unaudited)

	2005	2004
Cash provided by (used in):		
Operating		
Net income	\$ 4,111	\$ 1,164
Items not affecting cash flows:		
Depreciation and amortization	2,193	1,448
(Gain) loss on sale of capital assets	(2)	4
Gain on sale of marketable securities	(283)	(97)
Stock based compensation	44	-
Future income taxes	(284)	(130)
Unrealized foreign exchange (gain) loss	(69)	26
	5,710	2,415
Changes in non-cash working capital	(2,341)	(4,361)
Unrealized foreign exchange gain relating to non-cash working capital	83	19
	3,452	(1,927)
Financing		
Increase in long-term debt	1,000	-
Repayment of long-term debt	(124)	-
Dividend paid	(1,883)	(1,256)
Issuance of common shares	123	97
Purchase of common shares for cancellation [Note 9]	(13)	(10)
Unrealized foreign exchange loss relating to financing	(16)	-
	(913)	(1,169)
Investing		
Purchase of capital assets	(2,552)	(1,526)
Proceeds from sale of capital assets	2	-
Additions to product development costs	(34)	(37)
Business acquisition [Note 3]	-	(523)
Proceeds on sale of marketable securities	693	559
Repayment of capital on marketable securities	9	56
	(1,882)	(1,471)
Foreign exchange loss on cash held in foreign currency	(41)	(45)
Increase (decrease) in cash and cash equivalents	616	(4,612)
Cash and cash equivalents, beginning of the period	4,855	6,204
Cash and cash equivalents, end of the period	\$ 5,471	\$ 1,592
Cash paid for interest	\$ 139	\$ -
Cash paid for taxes	\$ 939	\$ 965

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended September 30
In thousands of dollars (unaudited)

	2005	2004
Sales	\$ 24,025	\$ 15,390
Cost of goods sold	16,437	11,611
Gross profit	7,588	3,779
Selling and administrative expenses	3,765	2,228
Unrealized foreign exchange (gain) loss	(104)	26
	3,927	1,525
Other expenses	-	(362)
Interest income (expense), net	(76)	2
Investment income	-	9
Income before taxes	3,851	1,174
Income taxes	(1,324)	(468)
Net income	\$ 2,527	\$ 706
Earnings per common share – basic [Note 8]	\$ 0.40	\$ 0.12
Earnings per common share – diluted [Note 8]	\$ 0.40	\$ 0.12
Weighted average number of common shares outstanding	6,322,036	5,906,226

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended September 30
In thousands of dollars (unaudited)

	2005	2004
Cash provided by (used in):		
Operating		
Net income	\$ 2,527	\$ 706
Items not affecting cash flows:		
Depreciation and amortization	707	518
Future income taxes	(96)	(55)
Unrealized foreign exchange (gain) loss	(104)	26
	3,034	1,195
Changes in non-cash working capital	1,417	(964)
Unrealized foreign exchange gain relating to non-cash working capital	136	19
	4,587	250
Financing		
Repayment of long-term debt	(49)	-
Dividend paid	(404)	-
Purchase of common shares for cancellation	-	(2)
Unrealized foreign exchange loss relating to financing	(59)	-
	(512)	(2)
Investing		
Purchase of capital assets	(555)	(483)
Additions to product development costs	(34)	(2)
Repayment of capital on marketable securities	-	14
	(589)	(471)
Foreign exchange loss on cash held in foreign currency	(44)	(45)
	3,442	(268)
Increase (decrease) in cash and cash equivalents	3,442	(268)
Cash and cash equivalents, beginning of the period	2,029	1,860
Cash and cash equivalents, end of the period	\$ 5,471	\$ 1,592
Cash paid for interest	\$ 52	\$ -
Cash paid for taxes	\$ 121	\$ 267

CONSOLIDATED BALANCE SHEETS

In thousands of dollars	September 2005	September 2004	December 2004
	unaudited	unaudited	audited
Assets			
Current assets			
Cash and cash equivalents	\$ 5,471	\$ 1,592	\$ 4,855
Marketable securities	-	434	419
Accounts receivable	12,436	9,984	8,562
Inventories	6,477	4,603	6,049
Income taxes recoverable	-	15	-
Prepaid expenses	558	528	804
Total current assets	24,942	17,156	20,689
Capital assets			
Asset held for sale [Note 4]	507	-	-
Intangible assets	53	242	78
Goodwill [Note 3]	4,044	1,084	4,044
Product development costs [Note 5]	371	210	448
Future income tax asset	446	218	204
Total assets	\$ 51,293	\$ 34,708	\$ 44,650
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 6,680	\$ 5,654	\$ 7,764
Customer deposits	3,973	-	2,742
Income taxes payable	1,620	-	52
Current portion of long-term debt [Note 6]	627	-	127
	12,900	5,654	10,685
Long-term debt [Note 6]	4,369	-	2,281
Future income taxes	345	480	387
Total liabilities	17,614	6,134	13,353
Contingent liabilities [Note 11]			
Shareholders' Equity			
Share capital [Note 7]	17,257	15,150	17,132
Contributed surplus [Note 7 (c)]	89	55	55
Retained earnings	16,333	13,369	14,110
Total shareholders' equity	33,679	28,574	31,297
Total liabilities and shareholders' equity	\$ 51,293	\$ 34,708	\$ 44,650

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Nine months ended September 30
In thousands of dollars (unaudited)

	2005	2004
Retained earnings, beginning of period	\$ 14,110	\$ 13,466
Net income	4,111	1,164
Dividends paid	(1,883)	(1,256)
Premium on redemption of common shares [Note 9]	(5)	(5)
Retained earnings, end of period	\$ 16,333	\$ 13,369

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 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. 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.

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 periods presented 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 and nine month periods ended September 30, 2005 and 2004.

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 (a)) 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.

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
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Total cash consideration		523,000
Issuance of common shares		1,100,000
<hr/>		
	\$	1,623,000
<hr/>		
Capital assets	\$	1,000,000
Intangible assets		256,000
Goodwill		423,000
Future income tax liability		(56,000)
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	\$	1,623,000
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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 from Riverbend Investments LLC for USD \$1,566,000. On November 5, 2004, Riverbend was merged with Insulspan Incorporated. The owner of Riverbend and Riverbend Investments LLC became a director of PFB (see Note 12).

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.

In addition, 399,999 of the common shares 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 carrying 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
		<hr/>
Total cash consideration		856,000
Issuance of common shares		2,000,000
		<hr/>
		\$ 2,856,000
<hr/>		
Capital assets	\$	3,755,000
Non-cash working capital		(1,820,000)
Long-term debt		(2,059,000)
Goodwill		2,960,000
Future income tax liability		(43,000)
		<hr/>
		2,793,000
Cash acquired		63,000
		<hr/>
		\$ 2,856,000
<hr/>		

4. ASSETS HELD FOR SALE

Plasti-Fab owns land and buildings with a carrying amount of \$507,000 located in Kitchener, Ontario, which originally housed a manufacturing facility but, more recently, has been used for storage of inventory. The buildings require significant expenditures for renovations and Plasti-Fab has no long-term use for the facility. Discussions have been initiated with a third party who is interested in purchasing the land and buildings and it is expected that a sale can be concluded within nine months.

5. 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 which commenced on January 1, 2005. Management continues to expect significant future benefits to be realized from this initiative.

In the third quarter of fiscal 2005, PFB's Insulspan companies jointly commenced a product development initiative to obtain code approvals for their products and manufacturing locations in both Canada and the USA. The initiative is expected to cost a total of \$170,000 and be completed by the end of the second quarter of fiscal 2006. The code approvals will increase selling opportunities for structural insulating panels by making it easier for designers and architects to incorporate these products in their schemes. The deferred costs will be amortized over a 3-year period commensurate with the validity period of the code approvals. The amortization period will commence when the code approvals are obtained.

The carrying amount of product development costs is as follows:

	September 30 2005	September 30 2004
Balance, beginning of period	\$ 448,000	\$ 173,000
Additions	34,000	37,000
Amortization	(111,000)	-
Balance, end of period	\$ 371,000	\$ 210,000

PFB's policy for product development costs requires the periodic review of the net carrying value of such costs in order to determine whether there has been impairment in the amount based on a reduction in expected cash flows. If it is determined that the carrying value exceeds the recoverable amount, the net asset is written down to the net recoverable amount.

6. 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.

Additionally, in the first quarter of fiscal 2005, Plasti-Fab completed the purchase of land and buildings located in Ajax, Ontario, 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 instalments 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 Plasti-Fab'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.

Long-term debt is as follows:

	September 30 2005	December 31 2004
Non-revolving term facility - 5.90% fixed for 5-year term	\$ 979,000	\$ -
Non-revolving term facility - 5.65% fixed for 5-year term	968,000	1,000,000
Mortgage note - floating rate	1,200,000	1,282,000
Vendor-take back mortgage - 2.70% fixed for four years	1,675,000	-
Capital leases	174,000	126,000
	4,996,000	2,408,000
Current portion	(627,000)	(127,000)
	\$ 4,369,000	\$ 2,281,000

The fair value of long-term debt obligations as at September 30, 2005 is \$5,100,000.

7. 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

	Nine months ended September 30, 2005		Twelve months ended December 31, 2004	
	Shares	Amount	Shares	Amount
Balance, beginning of period	6,699,735	\$17,132,000	5,688,435	\$13,958,000
Issued 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 on the exercise of stock options	25,000	133,000	-	-
Cancellation of repurchased shares [Note 9]	(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

On March 9, 2005, a director of PFB exercised 25,000 stock options at an exercise price of \$4.90 per common share and an amount of \$10,000 has been reclassified from the contributed surplus account to the share capital account.

On June 1, 2005, 25,000 stock options each were granted to two directors at an option price of \$5.30 per common share. Upon grant, the options were fully vested and had a fair value of approximately \$0.88 per option or \$44,000 in aggregate. The aggregate fair value of \$44,000 (2004 - \$Nil) has been reported as compensation expense in the current quarter and an equivalent amount has been credited to contributed surplus.

PFB's current outstanding and exercisable stock options as at September 30, 2005 are as follows:

Weighted Average Exercise Price	Number Outstanding and Exercisable at September 30, 2005	Weighted Amount Remaining Contractual Life
\$5.30	50,000	4.70 years

8. 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 September 30:

	2005	2004
Net income	\$ 2,527,000	\$ 706,000
Weighted average number of common shares		
Outstanding	6,322,036	5,906,226
Shares assumed issued	61,600	25,000
Shares assumed purchased	(48,426)	(23,603)
Adjusted weighted average number of common shares outstanding	6,335,210	5,907,623
Earnings per share:		
Basic	\$ 0.40	\$ 0.12
Diluted	\$ 0.40	\$ 0.12

The following table sets forth the reconciliation of basic and diluted earnings per share for the nine months ended September 30:

	2005	2004
Net income	\$ 4,111,000	\$ 1,164,000
Weighted average number of common shares		
Outstanding	6,315,883	5,816,237
Shares assumed issued	33,761	25,000
Shares assumed purchased	(29,145)	(22,354)
Adjusted weighted average number of common shares outstanding	6,320,499	5,818,883
Earnings per share:		
Basic	\$ 0.65	\$ 0.20
Diluted	\$ 0.65	\$ 0.20

9. NORMAL COURSE ISSUER BID

In the third quarter of fiscal 2005, PFB did not purchase any common shares for cancellation under a Normal Course Issuer Bid. In the third quarter of fiscal 2004, PFB purchased 600 common shares for an aggregate price of \$2,000, of which \$1,000 was charged to retained earnings. In the first nine months of fiscal 2005, PFB has purchased 2,700 (2004 - 2,300) common shares for an aggregate price of \$13,000 (2004 - \$10,000), of which \$5,000 (2004 - \$5,000) was charged to retained earnings.

10. 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 September 30, 2005 and 2004, none of PFB's operating subsidiaries held any forward foreign exchange contracts.

11. CONTINGENT LIABILITIES

(a) Contingent Liabilities

In the normal course of operations, PFB's operating subsidiaries may occasionally become involved in various claims. While the final outcome with respect to any claims pending at September 30, 2005 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the PFB's consolidated financial position or consolidated results of operations.

(b) Environment

PFB's operating 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 operating subsidiaries are in compliance with such laws, regulations and government policies in all material respects.

12. RELATED PARTY TRANSACTIONS

In the third quarter of fiscal 2005, Plasti-Fab paid \$25,000 (2004 - \$25,000) in consultancy fees to Aeonian Capital Corporation ("Aeonian") 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. Cumulative consultancy fees paid to Aeonian in fiscal 2005 totalled \$75,000 (2004 - \$75,000).

In the third quarter of fiscal 2005, Insulspan Incorporated paid Riverbend Investments LLC ("Riverbend LLC") rent of USD \$12,000 (2004 - Nil) on a leased property in the State of Michigan, USA. Riverbend LLC is controlled by Frank B. Baker, President of Insulspan and a director of PFB (see Note 3 (b)). The property rental expenses are reported under selling and administrative expenses. Cumulative rent paid to Riverbend LLC in fiscal 2005 has totalled \$38,000 (2004 - \$Nil).

In the third quarter of fiscal 2005, PFB paid \$60,000 (2004 - \$25,000) 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. Cumulative legal fees paid to the law firm in fiscal 2005 total \$134,000 (2004 - \$75,000).

All related party transactions are in the normal course of operations and are measured at their exchange value, which approximates the fair market value as with any third party.

13. 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 three months ended September 30, 2005 is as follows:

	2005	2004
Sales		
Canada	\$ 18,557,000	\$ 14,041,000
United States	5,468,000	1,228,000
Other	-	121,000
	\$ 24,025,000	\$ 15,390,000

Selected financial information as at and for the nine months ended September 30, 2005 is as follows:

	2005	2004
Sales		
Canada	\$ 43,005,000	\$ 32,485,000
United States	15,170,000	1,631,000
Other	29,000	214,000
	\$ 58,204,000	\$ 34,330,000
Capital assets, intangible assets and goodwill		
Canada	\$ 17,580,000	\$ 17,334,000
United States	8,325,000	-
	\$ 25,905,000	\$ 17,334,000
Total assets		
Canada	\$ 39,348,000	\$ 34,708,000
United States	11,945,000	-
	\$ 51,293,000	\$ 34,708,000

14. COMPARATIVE FIGURES

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