Q3

Third Quarter Report 2006

P·F·B CORPORATION

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PRESIDENT'S LETTER TO SHAREHOLDERS

Consolidated net income for the three months ended September 30, 2006 was $2,123,000 or $0.33 per share, compared to net income of $2,527,000 or $0.40 per share reported in the comparative three months of 2005. Sales were $23,640,000 in the third quarter of 2006 as compared to $24,025,000 in the third quarter of 2005, a decrease in sales of $385,000 or 1.6%.

Consolidated net income for the nine months ended September 30, 2006 was $3,693,000, $0.58 per share, as compared to net income of $4,111,000, $0.65 per share in the comparative nine months of 2005. Results for the 2005 comparative period includes a net gain on sale of marketable securities of $283,000 that was not repeated in the 2006 period. Sales for the nine months ended September 30, 2006 were $57,927,000 as compared to $58,204,000 in the nine months ended September 30, 2005, a decrease in sales of $277,000 or 0.5%.

Sales for the nine months are relatively unchanged from the levels experienced in the comparative period in 2005. The construction markets for our products have proven to be erratic with individual month-to-month swings varying widely with sales reported in the equivalent months of the prior year. The market fundamentals experienced at the end of the second quarter still apply in that open orders and backlog continue to be buoyant; however, certain markets have experienced delays in shipping dates. Eastern markets, which have been generally slower throughout the current year when compared to last year, have shown some signs of strengthening during the early autumn. During August and September, we also experienced strengthening levels of committed orders in our Riverbend product line that should result in improving deliveries in future months and in to next year.

Gross profit margins during the quarter were 30.9%, slightly lower than those of 31.6% during the comparable period in 2005 but marginally higher than the 29.9% experienced in the previous quarter of this year. Raw material costs have moved higher which could result in a squeeze on gross margins in the balance of the year.

Our program of capacity expansion and modernization progressed well throughout the period. We have invested $5,061,000 in these activities during the nine month period and a total of $8,506,000 during the past seven quarters, all financed from internally generated cash flow. We are currently planning additional expansion for next year.

The Board of Directors has approved the payment of a regular quarterly dividend of $0.06 per common share. The dividend will be paid on November 30, 2006, to shareholders of record on November 16, 2006.

Respectfully submitted on behalf of the Board of Directors.

C. Alan Smith

President and Chief Executive Officer
October 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
2006 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, 2006, 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 2005.

FINANCIAL HIGHLIGHTS (unaudited)

	Three months ended September 30		Nine months ended September 30	
	2006	2005	**2006**	2005
Sales	**$ 23,640**	$ 24,025	**$ 57,927**	$ 58,204
Gross profit	**7,296**	7,588	**16,604**	16,520
Income before interest, investment income and taxes[1]	**3,374**	3,927	**5,789**	6,187
Net income	**2,123**	2,527	**3,693**	4,111
Funds provided from operations[2]	**2,986**	3,034	**5,546**	5,710
Earnings per share:				
Basic	**0.33**	0.40	**0.58**	0.65
Diluted	**0.33**	0.40	**0.58**	0.65

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

1 Income before interest, investment income and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses and adjustments for unrealized foreign exchange gains/losses and gains on the sale of assets.

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 and 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, 2005.

The results from the United States subsidiary's operations are translated into Canadian dollars using the temporal method for inclusion in the consolidated financial results.

SALES

Consolidated net sales for the third quarter ended September 30, 2006 were $23,640,000, a decrease of $385,000 or 1.6% as compared with sales of $24,025,000 reported in the third quarter of fiscal 2005.

Consolidated net sales for the nine months ended September 30, 2006 were $57,927,000, a decrease of $277,000 or 0.5% as compared with sales of $58,204,000 for the corresponding nine months in 2005.

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

	Three months ended September 30			Nine months ended September 30		
	2006	2005	% change	**2006**	2005	% change
Canada	**$ 18,003,000**	$ 18,557,000	-3.0%	**$ 43,927,000**	$ 43,005,000	2.1%
United States	**5,557,000**	5,468,000	1.6%	**13,920,000**	15,170,000	-8.2%
Other	**80,000**	-	-%	**80,000**	29,000	175.9%
Total	**$ 23,640,000**	$ 24,025,000	-1.6%	**$ 57,927,000**	$ 58,204,000	-0.5%

Sales in the third quarter of 2006 ended marginally lower than in the comparative quarter of 2005. The decreases were attributed to a continuing trend of deferred shipments of confirmed orders and other factors influencing the general cyclical nature of the construction industry, which we experienced in the previous quarter.

Strong economic conditions persist in Western Canada, creating a positive impact on the construction market and demand for our products. The backlog in confirmed orders in this region supports our views that deferred shipments are mainly being driven by shortages of labour and backlogs in supplies of other construction materials affecting job site time schedules. Confirmed orders for our products in Western Canada have remained high which is encouraging for anticipated customer demand in the fourth quarter.

The demand for Advantage ICF products continues to increase and we experienced sales growth in the current quarter compared to a year ago. New production capacity for the product line was fully commissioned early in the current quarter which enabled us to satisfy demand for the product and rebuild market confidence following the capacity constraints experienced in the previous quarter.

We have experienced a significant weakening in some markets for our products in Eastern Canada in both the current quarter and current year. However, as we move into the fourth quarter, the order book for Eastern Canada has improved which is expected to provide a much stronger finish to the year than originally anticipated in this region. In fiscal 2005, raw material supply disruptions affected competing products which provided a marketing opportunity in one sector of our business in that year. In the current year, those raw material supply pressures have abated.

Sales in the United States in the current quarter were ahead of sales reported in the comparative quarter of 2005, but sales in the cumulative nine month period remain below sales reported in the corresponding period in 2005. Despite a very strong and growing order book for our Riverbend Timber Framing and Insulspan SIPS building systems, customer delivery schedules have moved out which is not untypical for custom residential applications. We are optimistic of increased sales in the fourth quarter for these products.

GROSS PROFIT
Consolidated gross profit in the current quarter was $7,296,000 as compared with $7,588,000 in the comparative quarter of fiscal 2005, a decrease of $292,000 or 3.8%. Gross profit expressed as a percentage of sales declined slightly from 31.6% in the comparative quarter of 2005 to 30.9% in the current.

Consolidated gross profit in the nine month period ended September 30, 2006, was $16,604,000 as compared with $16,520,000 in the comparative nine months of fiscal 2005, an increase of $84,000 or 0.5%. Gross profit expressed as a percentage of sales in the first nine months of 2006 was 28.7%, a small increase over the ratio of 28.4% reported in the comparative nine month period in 2005.

As the current year has progressed, we have absorbed rising input costs for styrene monomer of a significant magnitude. Entering the fourth quarter, styrene prices have continued to rise as a result of supply shortages causing price spikes of a certain feedstock used to make styrene. The effects of higher raw materials costs resulted in some margin erosion towards the end of the current quarter and this is expected to intensify in the immediate short term. A softening in the price of oriented strand board, used to manufacture Insulspan SIPS, helped improve margins in our SIP operations and provide some relief on margins overall.

Further improvements in equipment utilization were realized in the current quarter as many of our operations reached seasonal peak capacity. Recent new equipment additions have enabled productivity increases and reduced unit costs of manufacturing. We continue to pursue technology driven manufacturing improvements and capacity expansion programs in a number of our facilities.

SELLING AND ADMINISTRATION
Selling and administrative expenses in aggregate were $3,918,000 or 16.6% of consolidated net sales in the current quarter as compared to $3,765,000 or 15.7% of sales in the third quarter of fiscal 2005. On a year-to-date basis, selling and administrative expenses were $10,912,000 or 18.8% of consolidated net sales as compared to $10,404,000 or 17.9% of sales in the comparative year.

Selling and marketing costs amounted to $2,718,000 or 11.5% of consolidated net sales in the current quarter as compared to $2,532,000 or 10.5% of sales in the third quarter of fiscal 2005. We have reorganized and strengthened our Insulspan and Riverbend sales operations which have increased the cost base of our selling operations and better positions us to capitalize on market growth opportunities. Our marketing communications programs have continued as planned for 2006.

Administrative costs amounted to $1,200,000 or 5.1% of consolidated net sales in the current quarter as compared to $1,233,000 or 5.1% of sales in the comparative quarter. We continue to pursue opportunities for aligning and optimising our cost structures.

UNREALIZED FOREIGN EXCHANGE GAINS/LOSSES

Unrealized foreign exchange differences arise from two sources: the translation of U.S. dollar denominated assets and liabilities held by Canadian-based operations into Canadian dollars; and from translating the assets and liabilities of USA-based operations into Canadian dollars at the financial statement date. In the current quarter, the Canadian dollar traded a little weaker against the U.S. dollar overall which resulted in a small net unrealized foreign exchange gain of $6,000 as compared to an unrealized foreign exchange gain of $104,000 reported in the comparative quarter of fiscal 2005. In the first nine months of fiscal 2006, unrealized foreign exchange gains amounted to $76,000, comparable to the unrealized foreign exchange gain of $69,000 reported in the comparative nine month period.

INTEREST AND INVESTMENTS

Interest expenses on long-term debt exceeded interest income on cash and short-term investments by an amount of $30,000 in the current quarter which was $46,000 lower than net interest expense of $76,000 reported in the comparative quarter of 2005. The improvement is attributed to generally higher cash and short-term investment balances in the current quarter along with higher rates of interest. In the nine months ended September 30, 2006, net interest expense of $53,000 was $94,000 lower than net interest expense of $147,000 reported in the comparative nine months of 2005.

We have not held investments in marketable securities in the current year. In the first quarter of fiscal 2005, all marketable securities were sold realizing a net gain on sale of $283,000 plus investment income of $7,000 earned in the period prior to sale.

INCOME TAX EXPENSE

Income tax expense in the current quarter was $1,221,000 representing 36.5% of pre-tax income as compared to an income tax expense of $1,324,000 representing 34.4% of pre-tax income in the comparative quarter of 2005. In the nine month period ended September 30, 2006, income tax expense was $2,043,000 representing 35.6% of pre-tax income as compared to an income tax expense of $2,219,000 or 35.1% of pre-tax income in the nine months ended September 30, 2005. The weighted average federal and provincial tax rates have reduced slightly in the current year and the effective tax rates are positively influenced by unrealized foreign exchange gains which are without a tax basis.

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NET INCOME AND EARNINGS PER SHARE

Net income in the current quarter was $2,123,000 or $0.33 per share as compared with net income of $2,527,000 or $0.40 per share in the third quarter of 2005, a decrease of $404,000 or $0.07 per share. Net income in the nine month period ended September 30, 2006, was $3,693,000 or $0.58 per share as compared with net income of $4,111,000 or $0.65 in the nine month period ended September 30, 2005.

The weighted average number of common shares outstanding for the three months ended September 30, 2006 and 2005 and the nine months ended September 30, 2006, was 6,322,036. The comparative weighted average for the nine month ended September 30, 2005, was marginally lower at 6,315,883 shares.

The diluted earnings per share for all periods mentioned were identical to the reported basic earnings per share figures.

LIQUIDITY AND CAPITAL RESOURCES

	Periods ended September 30		Year ended December 31
	2006	2005	2005
Cash and cash equivalents	**$ 5,156,000**	$ 5,471,000	$ 11,293,000
Working capital [1]	**12,052,000**	12,042,000	13,510,000
Total assets	**53,021,000**	51,293,000	54,037,000
Long-term debt	**4,314,000**	4,996,000	4,947,000
Shareholders' equity	**37,473,000**	33,679,000	34,990,000
Current ratio [2]	**2.02 : 1**	1.93 : 1	1.93 : 1

1 Working capital is a non-GAAP measure and is defined as current assets less current liabilities.
2 Current ratio is a non-GAAP measure and is defined as the ratio of current assets to current liabilities.

FINANCIAL CONDITION

During the current quarter, our cash and cash equivalents balances increased by $2,280,000 to close at $5,156,000 slightly lower than $5,471,000 reported as at September 30, 2006. Our working capital position since the start of the current year has reduced from $13,510,000 at December 31, 2005, to $12,052,000 as at September 30, 2006. The current ratio has improved from 1.93:1 at the end of fiscal 2005 to 2.02:1 as at September 30, 2006.

Part of the reduction in working capital in the current year is attributed to a significantly increased capital expenditure program which is nearing completion. Current assets were $4,228,000 lower at the end of the current quarter as compared to the beginning of the year as cash was used to fund both the capital expenditure programs and regular quarterly dividend payments.

In the first nine months of the current year, accounts receivable and inventory balances have increased in line with the seasonal trading cycle. Current liabilities at the end of the current period are lower than they were at the beginning of the year. Accounts payable and accrued liability balances have decreased by $910,000 and income taxes payable have reduced by $2,316,000. The decrease in income taxes payable is attributed to settling the 2005 taxes payable in the first quarter and from making higher monthly tax instalments throughout the current year compared to in the previous year.

At September 30, 2006, the carrying amount of long-term debt was $4,314,000, a reduction of $53,000 in the current quarter and a reduction of $633,000 in the first nine months. The cumulative reduction in long-term debt in the current year has included the first payment of four annual principal payments of $419,000 on a vendor-take back mortgage.

Total assets decreased to $53,021,000 at September 30, 2006, down from $54,037,000 reported at December 31, 2005. This trend is not unusual at this point in our fiscal cycle.

Total assets and shareholders' equity at September 30, 2006, does not include $2,000,000 attributed to 399,999 common shares issued as contingent consideration as part of the corporate acquisition completed in the 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.

CASH FLOWS

PFB ended the third quarter of the current year with $5,156,000 in cash and cash equivalents, a decrease of $6,137,000 from the cash and cash equivalents balance of $11,293,000 reported at December 31, 2005. Cash at the end of the current quarter was comparable to cash of $5,471,000 at September 30, 2005.

Consolidated cash flows for the three and nine months ended September 30, 2006 and 2005 were as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2006	2005	**2006**	2005
Operating activities:				
Cash provided by operations	**$ 2,986,000**	$ 3,034,000	**$ 5,546,000**	$ 5,710,000
Net changes on non-cash working capital and unrealized foreign exchange gains (losses) relating to non-cash working capital	**863,000**	1,553,000	**(5,090,000)**	(2,258,000)
	3,849,000	4,587,000	**456,000**	3,452,000
Financing activities	**(453,000)**	(512,000)	**(1,843,000)**	(913,000)
Investing activities	**(1,115,000)**	(589,000)	**(4,730,000)**	(1,882,000)
Effect of exchange rate change on cash	**(1,000)**	(44,000)	**(20,000)**	(41,000)
Increase (decrease) in cash and cash equivalents	**$ 2,280,000**	$ 3,442,000	**$ (6,137,000)**	$ 616,000

CASH FLOWS - OPERATING
In the current quarter, cash provided by operating activities was $2,986,000, which was $48,000 lower than cash provided by operating activities of $3,034,000 in the third quarter of 2005. Net income in the current quarter was $404,000 or 16.0% lower than net income in the prior year's quarter. Higher future income tax recoveries and unrealized foreign exchange gains contributed to higher cash flows from operations in the third quarter of fiscal 2005. Depreciation and amortization expense in the current quarter was $190,000 higher than in the comparable quarter of 2005 and is a reflection of recently completed capital projects which are now being depreciated.

In the current quarter, non-cash working capital (net of the unrealized foreign exchange gains) decreased by $863,000, $690,000 lower than the net decrease of $1,553,000 in the comparative quarter of 2005, This change was mainly attributed to a significant decrease in inventory values in the third quarter of 2005.

CASH FLOWS - FINANCING
There were no increases in long-term debt financing in the current quarter.

In the current quarter, cash of $55,000 was used to repay long-term debt as compared to $49,000 in the third quarter of 2005. In the first nine months of 2006, $584,000 was used to repay long-term debt as compared to $124,000 in the comparative nine months of 2005.

A regular quarterly dividend of $0.06 per common share was paid at the end of periods ending February, May, and August 2006, in the total aggregate amount of $1,210,000 for all three payments. By comparison, PFB paid annual dividends in the total aggregate amount of $1,883,000 in the first nine months of fiscal 2005. The year-on-year variance in the aggregate dividend payments is attributed to the timing of when PFB revised its dividend policy switching from annual to quarterly payments. Dividend payments have increased by 9% as a result of the change in policy.

CASH FLOWS - INVESTING
Cash used in investing activities in the current quarter was $1,115,000 as compared to $589,000 in the comparative quarter of 2005. In the first nine months of the current year, cash used in investing activities amounted to $4,730,000 as compared to $1,882,000 in the corresponding nine months of 2005. The significant increases in the current year are attributed to major capital expenditure programs directed at production capacity expansions in a number of our facilities. Most of these programs were completed in the third quarter. A property sale in the first quarter of the current year realized $542,000. Additionally, $211,000 was incurred on product development costs in the first nine months of 2006 as compared to $34,000 in the first nine months of 2005. The in-process product development projects are expected to be completed by the end of the year.

DISCLOSURE CONTROLS AND PROCEDURES

As at September 30, 2006, PFB's management routinely evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that PFB's disclosure controls and procedures are effective.

UPDATES TO RISK MANAGEMENT AND ASSESSMENT

PFB's risk management and assessment can be found in the Annual MD&A for fiscal 2005. The only significant change to the risks identified in the Annual MD&A for fiscal 2005 is provided below.

HUMAN RESOURCES
PFB's ability to attract and retain qualified employees is an area of risk and uncertainty, particularly as it relates to its Western Canadian operations where labour shortages are becoming severe. In this uncertain climate, PFB mitigates this risk by offering a competitive compensation and benefits package, training, and a positive cultural environment.

TRANSACTIONS WITH RELATED PARTIES

In the three and six month period of fiscal 2006, PFB had transactions with three related parties all of which were approved by PFB's Board of Directors.

The transactions with related parties in the three and six month periods ended June 30, 2006 and 2005 are summarized in the table below. Additional information can be found in PFB's Annual MD&A for fiscal 2005.

		Three months ended September 30		Nine months ended September 30	
Related Party	**Nature of Transaction**	**2006**	2005	**2006**	2005
Aeonian Capital Corporation	Management Services	**$ 25,000**	$ 25,000	**$ 75,000**	$ 75,000
Riverbend Investments, LLC	Property Rental Expenses	**14,000**	15,000	**42,000**	46,000
McCarthy Tetrault LLP	Legal Services	**42,000**	60,000	**111,000**	134,000
Totals		**$ 81,000**	$ 100,000	**$ 228,000**	$ 255,000

OUTLOOK

Based on our current order books, demand for our EPS rigid insulation and insulating building products is expected to remain buoyant into the fourth quarter. Sales demand in our Western markets is expected to suffer unpredictability associated with job site labour shortages and supply backlogs for other construction materials, which may delay scheduled shipments of our products, as has been the experience earlier this year. Consequently, we may see construction activity continue strong into the first quarter of fiscal 2007 if the industry attempts to reduce current backlogs, weather permitting.

The Corporation has taken steps to remain competitive from an employment standpoint.

Raw materials price volatility remains a major concern. The notification of further styrene price increases as we entered the fourth quarter will challenge our ability to maintain gross margins at reported levels. We are endeavouring to pass on cost increases where we are able. Several external forecasts are indicating a probable softening of the Canadian dollar against the U.S. dollar. If these forecasts are correct, then it will have an adverse impact on our raw material input costs and, potentially, reported margins. In October 2006, we contracted to purchase a proportion of our U.S. dollar requirements over the next six months at a blended rate of CAD $1.00 = U.S. $0.8818.

Our current capital expenditure programs, which began in late 2005, will be completed by the end of the fourth quarter. New plans are being developed to increase future production capacity in certain product lines. Product development initiatives are also expected to be completed by the fiscal year end.

Cash and short term investment balances are expected to increase in the fourth quarter after funding the remaining capital expenditure and product development programs and paying a regular quarterly dividend. Our existing cash balances, anticipated future cash flows provided by operations and approved credit facilities, which are currently unused, are expected to be sufficient to meet our immediate funding requirements at this time. The Corporation continues to explore acquisition opportunities for new product lines and production capacity. The scale of any such transaction could lead to seeking new financing alternatives.

Stephen P. Hardy

Vice President and Chief Financial Officer
October 26, 2006

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CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands of dollars (unaudited)	Three months ended September 30		Six months ended September 30	
	2006	2005	**2006**	2005
Sales	**$ 23,640**	$ 24,025	**$ 57,927**	$ 58,204
Cost of goods sold	**16,344**	16,437	**41,323**	41,684
Gross profit	**7,296**	7,588	**16,604**	16,520
Selling and administrative expenses	**3,918**	3,765	**10,912**	10,404
Loss (gain) on sale of assets	**10**	-	**(21)**	(2)
Unrealized foreign exchange gain	**(6)**	(104)	**(76)**	(69)
	3,374	3,927	**5,789**	6,187
Interest expense	**30**	76	**53**	147
Investment income	**-**	-	**-**	(7)
Gain on sale of marketable securities	**-**	-	**-**	(283)
Income before taxes	**3,344**	3,851	**5,736**	6,330
Income tax expense	**1,221**	1,324	**2,043**	2,219
Net income	**$ 2,123**	$ 2,527	**$ 3,693**	$ 4,111
Earnings per common share – basic [Note 7]	**$ 0.33**	$ 0.40	**$ 0.58**	$ 0.65
Earnings per common share – diluted [Note 7]	**$ 0.33**	$ 0.40	**$ 0.58**	$ 0.65
Weighted average number of common shares outstanding	**6,322,036**	6,322,036	**6,322,036**	6,315,883

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In thousands of dollars (unaudited)	Three months ended September 30		Nine months ended September 30	
	2006	2005	**2006**	2005
Retained earnings, beginning of period	**$ 18,407**	$ 14,210	**$ 17,644**	$ 14,110
Net income	**2,123**	2,527	**3,693**	4,111
Dividends paid	**(403)**	(404)	**(1,210)**	(1,883)
Premium on redemption of common shares [Note 8]	**-**	-	**-**	(5)
Retained earnings, end of period	**$ 20,127**	$ 16,333	**$ 20,127**	$ 16,333

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CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars (unaudited)	Three months ended September 30		Six months ended September 30	
	2006	2005	**2006**	2005
Cash provided by (used in):				
Operating				
Net income	**$ 2,123**	$ 2,527	**$ 3,693**	$ 4,111
Items not affecting cash:				
Depreciation and amortization	**897**	707	**2,348**	2,193
Gain (loss) on sale of assets	**10**	-	**(21)**	(2)
Gain on sale of marketable securities	**-**	-	**-**	(283)
Stock based compensation	**-**	-	**-**	44
Future income taxes	**(38)**	(96)	**(398)**	(284)
Unrealized foreign exchange gain	**(6)**	(104)	**(76)**	(69)
	2,986	3,034	**5,546**	5,710
Changes in non-cash working capital	**859**	1,417	**(5,186)**	(2,341)
Unrealized foreign exchange gain relating to non-cash working capital	**4**	136	**96**	83
	3,849	4,587	**456**	3,452
Financing				
Increase in long-term debt	**-**	-	**-**	1,000
Repayment of long-term debt	**(55)**	(49)	**(584)**	(124)
Dividend paid	**(403)**	(404)	**(1,210)**	(1,883)
Issuance of common shares	**-**	-	**-**	123
Purchase of common shares for cancellation [Note 8]	**-**	-	**-**	(13)
Unrealized foreign exchange gain (loss) relating to financing	**5**	(59)	**(49)**	(16)
	(453)	(512)	**(1,843)**	(913)
Investing				
Purchase of capital assets	**(1,033)**	(555)	**(5,061)**	(2,552)
Additions to product development costs	**(82)**	(34)	**(211)**	(34)
Proceeds on sale of capital assets	**-**	-	**542**	2
Proceeds on sale of marketable securities	**-**	-	**-**	693
Repayment of capital on marketable securities	**-**	-	**-**	9
	(1,115)	(589)	**(4,730)**	(1,882)
Foreign exchange loss on cash held in foreign currency	**(1)**	(44)	**(20)**	(41)
Increase (decrease) in cash and cash equivalents	**2,280**	3,442	**(6,137)**	616
Cash and cash equivalents, beginning of the period	**2,876**	2,029	**11,293**	4,855
Cash and cash equivalents, end of the period	**$ 5,156**	$ 5,471	**$ 5,156**	$ 5,471
Cash paid for interest	**$ 45**	$ 52	**$ 153**	$ 139
Cash paid for taxes	**$ 912**	$ 121	**$ 4,764**	$ 939

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CONSOLIDATED BALANCE SHEETS

In thousands of dollars	September 30 2006	September 30 2005	December 31 2005
	unaudited	unaudited	audited
ASSETS			
Current assets			
Cash and cash equivalents	**$ 5,156**	$ 5,471	$ 11,293
Accounts receivable	**11,627**	12,436	9,313
Inventories	**6,378**	6,477	5,962
Assets held for sale [Note 3]	**-**	-	505
Prepaid expenses	**661**	558	977
Total current assets	**23,822**	24,942	28,050
Capital assets	**23,827**	20,930	20,994
Assets held for sale	**-**	507	-
Intangible assets	**19**	53	44
Goodwill	**4,044**	4,044	4,044
Product development costs [Note 4]	**470**	371	370
Future income tax asset	**839**	446	535
Total assets	**$ 53,021**	$ 51,293	$ 54,037
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$ 7,847**	$ 6,680	$ 8,757
Customer deposits	**3,217**	3,973	2,763
Income taxes payable	**61**	1,620	2,377
Current portion of long-term debt [Note 5]	**645**	627	643
	11,770	12,900	14,540
Long-term debt [Note 5]	**3,669**	4,369	4,304
Future income taxes	**109**	345	203
Total liabilities	**15,548**	17,614	19,047
Contingent liabilities [Note 10]			
SHAREHOLDERS' EQUITY			
Share capital [Note 6]	**17,257**	17,257	17,257
Contributed surplus	**89**	89	89
Retained earnings	**20,127**	16,333	17,644
Total shareholders' equity	**37,473**	33,679	34,990
Total liabilities and shareholders' equity	**$ 53,021**	$ 51,293	$ 54,037

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2006

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 the following wholly-owned operating subsidiaries: Plasti-Fab Ltd. ("Plasti-Fab"), Insulspan Incorporated, Insulspan Corporation, and Riverbend Timber Framing 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 all subsidiaries. All of the Corporation's subsidiaries are wholly-owned and are considered to be fully integrated operations. All inter-company accounts and transactions have been eliminated on consolidation.

(b) Significant Accounting Policies

The interim consolidated financial statements and notes thereto 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, 2005. 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. The results of operations for the period shown in these interim 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 PFB's operations as of and for the three and nine month periods ended September 30, 2006.

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 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. ASSETS HELD FOR SALE

In January 2006, Plasti-Fab Ltd. sold redundant land and buildings located in Kitchener, Ontario, which had a carrying amount of $505,000. The proceeds of sale amounted to $535,000 and a gain on sale in the amount of $30,000 has been included in income.

4. PRODUCT DEVELOPMENT COSTS

In the fourth quarter of fiscal 2004, Plasti-Fab completed a major product development initiative at its resin manufacturing facility in Alberta. The deferred product development costs met specified criteria related to technology, market and financial feasibility. On January 1, 2005, PFB began amortizing these costs over a three-year period.

In the third quarter of fiscal 2005, PFB commenced product development initiatives to obtain building code approvals for Insulspan structural insulating panel (SIP) systems and their respective manufacturing locations in Canada and the USA. This initiative is expected to be completed by the end 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 plans. The deferred costs will be amortized over a three-year period commensurate with the validity period of the building code approvals.

The carrying amount of product development costs is as follows:

	Three months ended September 30		Six months ended September 30	
	2006	2005	**2006**	2005
Balance as at beginning of period	**$ 423,000**	$ 374,000	**$ 370,000**	$ 448,000
Additions during period	**82,000**	34,000	**211,000**	34,000
Amortization during period	**(35,000)**	(37,000)	**(111,000)**	(111,000)
Balance as at end of period	**$ 470,000**	$ 371,000	**$ 470,000**	$ 371,000

PFB's policy for product development costs requires the periodic reviews of the carrying values to determine if there has been impairment in the value-based expected future 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

The long-term debt position is summarized in the following table:

	September 30 2006	December 31 2005
Non-revolving term facility - 5.90% fixed for 5-year term	**$ 935,000**	$ 968,000
Non-revolving term facility - 5.65% fixed for 5-year term	**922,000**	957,000
Term loan facility– floating rate	**1,083,000**	1,186,000
Vendor-take back mortgage – 2.70% fixed for 4-year term	**1,256,000**	1,675,000
Capital leases	**118,000**	161,000
	4,314,000	4,947,000
Less current portion	**(645,000)**	(643,000)
	$ 3,669,000	$ 4,304,000

The fair value of long-term debt obligations as at September 30, 2006 is $4,421,000.

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

	Nine months ended September 30, 2006		Twelve months ended December 31, 2005	
	Shares	Amount	Shares	Amount
Balance, beginning of period	**6,722,035**	**$17,257,000**	6,699,735	$17,132,000
Issued on the exercise of stock options	**-**	**-**	25,000	133,000
Cancellation of repurchased shares [Note 8]	**-**	**-**	(2,700)	(8,000)
Balance, end of period	**6,722,035**	**$17,257,000**	6,722,035	$17,257,000

7. RECONCILIATION OF EARNINGS PER COMMON SHARE

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

	Three months ended September 30		Nine months ended September 30	
	2006	**2005**	**2006**	**2005**
Net income	**$ 2,123,000**	$ 2,527,000	**$ 3,693,000**	$ 4,111,000
Weighted average number of common shares outstanding	**6,322,036**	6,322,036	**6,322,036**	6,315,883
Shares assumed issued	**76,400**	61,600	**50,000**	33,761
Shares assumed purchased	**(36,025)**	(48,426)	**(22,420)**	(29,145)
Adjusted weighted average number of common shares outstanding	**6,362,411**	6,335,210	**6,349,616**	6,320,499
Earnings per share:				
Basic	**$ 0.33**	$ 0.40	**$ 0.58**	$ 0.65
Diluted	**$ 0.33**	$ 0.40	**$ 0.58**	$ 0.65

8. NORMAL COURSE ISSUER BID

IIn each of the three month periods ended September 30, 2006 and September 30, 2005 and the nine month period ended September 30, 2006, PFB did not purchase any common shares for cancellation under its Normal Course Issuer Bid. In the nine month period ended September 30, 2005, PFB purchased 2,700 common shares for an aggregate price of $13,000, of which $5,000 was charged to retained earnings. PFB renewed its Normal Course Issuer Bid in August 2006 for an additional 12 month period.

9. FINANCIAL INSTRUMENTS

At September 30, 2006 and 2005, PFB's subsidiaries held no open foreign exchange forward contracts.

In October 2006, Plasti-Fab entered into forward foreign exchange contracts to purchase USD $500,000 each month over a six month period commencing in November 2006 and ending in April 2007. The forward foreign exchange contracts, which have not been recognized in these interim consolidated financial statements, are at a blended contract rate of CAD $1.0000 = USD $0.8818.

10. CONTINGENT LIABILITIES

(a) Contingent Liabilities

In the normal course of operations, PFB and its subsidiaries may occasionally become involved in various claims. While the final outcome with respect to any claims pending 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 and its subsidiaries are in compliance with such laws, regulations and government policies in all material respects.

11. RELATED PARTY TRANSACTIONS

In the three months ended September 30, 2006, Plasti-Fab Ltd., a subsidiary of PFB paid $25,000 (2005 - $25,000) to Aeonian Capital Corporation ("Aeonian") for management services provided by C. Alan Smith, President, Chief Executive Officer, and a director of PFB. The fees for management services are reported under selling and administrative expenses. Cumulative fees for management services paid to Aeonian in the nine month period ended September 30, 2006, have totaled $75,000 (2005 - $75,000).

In the three months ended September 30, 2006, Insulspan, Incorporated ("Insulspan"), a subsidiary of PFB, paid Riverbend Investments LLC ("Riverbend LLC") rent in the amount of USD $12,000 (2005 – USD $12,000) 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. The property rental expenses are reported under selling and administrative expenses. Cumulative rent for the nine month period ended September 30, 2006, has amounted to USD $37,000 (2005 – USD $38,000)

In the three months ended September 30, 2006, PFB paid $42,000 (2005 - $60,000) 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 for the nine month period ended September 30, 2006, amounted to $111,000 (2005 - $134,000).

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 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 is as follows:

	2006	2005
Sales		
Canada	**$ 18,003,000**	$ 18,557,000
United States	**5,557,000**	5,468,000
Other	**80,000**	-
	$ 23,640,000	$ 24,025,000

Selected financial information for the nine months ended September 30 is as follows:

	2006	2005
Sales		
Canada	**$ 43,927,000**	$ 43,005,000
United States	**13,920,000**	15,170,000
Other	**80,000**	29,000
	$ 57,927,000	$ 58,204,000
Capital assets, intangible assets and goodwill		
Canada	**$ 19,919,000**	$ 17,580,000
United States	**7,972,000**	8,325,000
	$ 27,891,000	$ 25,905,000
Total assets		
Canada	**$ 43,062,000**	$ 39,348,000
United States	**9,959,000**	11,945,000
	$ 53,021,000	$ 51,293,000

13. COMPARATIVE FIGURES

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