Management's Discussion and Analysis

For the three month periods ended March 31, 2018 and 2017

Management's discussion and analysis (MD&A)

The following discussion and analysis of the consolidated results of operations and financial condition of PFB Corporation ("PFB" or the "Corporation") should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2018 and 2017 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2017.

PFB's unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2018 and 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

Management is required to make certain judgements and estimates that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and judgements are reasonably based on information available at the time that such estimates and judgements were made. These estimates and judgements have been discussed with the Audit Committee of the Board of Directors of the Corporation. Actual results may differ under different assumptions and conditions.

This MD&A has been prepared as of May 10, 2018. All figures in this MD&A are stated in thousands of Canadian dollars except where stated otherwise.

1. Advisory regarding forward looking statements

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of future prospects and make informed investment decisions. Forward-looking information and statements included in this interim MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at May 10, 2018, 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; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations can be found in the Risk Management and Assessment section of the Corporation's annual MD&A or in the Risk Factors section of the Annual Information Form for the year ended December 31, 2017.

2. Summary of quarterly financial data

	2018	2017				2016		
	Qtr. 1	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**
Sales	**$ 21,048**	$ 28,045	$ 28,649	$ 29,376	$ 19,487	$ 25,058	$ 28,838	$ 28,480
Gross profit	**3,659**	6,266	6,645	5,473	2,944	5,932	7,434	7,466
Gross profit margin %	**17.4**	22.3	23.2	18.6	15.1	23.7	25.8	26.2
Operating (loss) income	**(805)**	1,712	2,273	745	(1,212)	2,039	3,104	3,130
Net (loss) income	**(701)**	1,240	1,519	412	(890)	1,145	1,936	1,762
(Loss) earnings per share:								
Basic and diluted	**(0.10)**	0.18	0.23	0.06	(0.13)	0.17	0.29	0.26
Adjusted EBITDA [1]	**131**	2,659	3,240	1,762	32	2,996	4,066	4,088
Adjusted EBITDA per share [1]	**0.02**	0.40	0.48	0.26	-	0.44	0.61	0.61

[1] Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-IFRS measures used in the above table, along with relevant other notes, are detailed in Section 19 of this MD&A.

3. Consolidated statements of loss (unaudited)

	Three month periods ended March 31	
	2018	**2017**
Sales	**$ 21,048**	$ 19,487
Cost of sales	**(17,389)**	(16,543)
Gross profit	**3,659**	2,944
Selling expenses	**(2,836)**	(2,695)
Administrative expenses	**(1,580)**	(1,441)
Other losses	**(48)**	(20)
Operating loss	**(805)**	(1,212)
Gain on sale of marketable securities	**-**	275
Investment income	**32**	50
Finance costs	**(179)**	(280)
Loss before taxes	**(952)**	(1,167)
Income taxes recovery	**251**	277
Net loss for the period	**$ (701)**	$ (890)
Loss per share - $ per share		
Basic and diluted	**$ (0.10)**	$ (0.13)

The Corporation's operations follow seasonal patterns in the construction industry which influences the timing of sales and earnings. Sales and gross profit margins in the first and fourth quarters of each year are typically the lowest in the annual reporting cycle.

4. Consolidated results of operations

Sales

The Corporation adopted IFRS 15, *Revenue from Contracts with Customers*, on January 1, 2018. There were no impacts to sales upon adoption.

Consolidated sales were $21,048, in the current quarter, an increase of $1,561 or 8.0% from sales of $19,487 in Q1/17. Both operating segments contributed to the overall growth in sales, with sales in the USA segment increasing markedly. Price increases initiated during Q1/17 and over the course of 2017, contributed to higher sales in certain regional markets, however sales increases were driven mainly from a large public works geotechnical light-weight fill project in the USA segment during Q1/18.

Gross profit

Consolidated gross profit was $3,659 in the current quarter as compared to $2,944 in Q1/17. Gross profit margin in the current quarter increased to 17.4% of sales as compared to a gross profit margin of 15.1% in Q1/17. The improvement was predominantly driven by higher sales and slightly reduced raw material input costs used in manufacturing, when compared as a percentage of sales, quarter-over-quarter. Improvements in overall labour and overhead costs also contributed to improved gross profit but were offset slightly by increased freight costs. The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2018 was $15,622, contrasted to $14,808 during the 2017 comparative period, an increase of $814 and related primarily to increased sales during the current quarter but decreased slightly when compared as a percentage of sales, quarter-over-quarter.

Operating loss

An operating loss of $805 was incurred in the current quarter, contrasted with operating loss of $1,212 reported in Q1/17 resulting in a positive variance of $407. Higher selling and administrative expenses of $280, when compared to the prior year period, contributed to an operating loss. However, as a percentage of sales, selling and administration costs are in line with prior year periods.

Loss before tax

In the current quarter, a loss before taxes of $952 compared to the loss before taxes of $1,167 reported in the comparative quarter of 2017, a positive variance of $215. The Q1/17 quarter included a gain of $275 relating to the sale of marketable securities, which if excluded would have resulted in a comparable loss before taxes of $1,442. Additionally, in the current quarter, three months of decreased finance costs contrasted with the prior quarter's one month of decreased finance costs, or a favourable reduction of $101.

Income taxes

Income tax recovery in the current quarter was $251, comparable to income tax recovery of $277 in Q1/17. The annual consolidated effective tax rate for 2018 is estimated to be 26.4%. The full utilization of non-capital losses in the USA segment during the course of the year is expected to result in additional taxes payable, at a combined rate of approximately 25%. The actual effective tax rate may be slightly higher than the estimate as it is dependent on the geographical mix of taxable income generated over the balance of the year and any changes to the statutory income tax rates.

Loss and loss per share

A loss of $701 resulted in the current quarter, which improved from a loss of $890 reported in the comparative quarter of 2017, a favourable variance of $189. The Q1/17 quarter included a gain of $275 relating to the sale of marketable securities, which if excluded would have resulted in a comparable loss $1,165.

Basic and diluted loss per common share in the current quarter was $0.10 as compared to a basic and diluted loss per share of $0.13 in Q1/17, a positive variance of $.03 per share.

5. Reportable operating segments

The Corporation has two reportable operating segments:

Operating segments	Description of segments
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) products and structural insulating panels *Brands*: Plasti-Fab® EPS Product Solutions®; Advantage ICF System®; and Insulspan® SIPS; DuroFoam®
United States of America (USA)	Manufacturing and sales operations located in the USA for EPS products, building systems and structures, design services and installations *Brands*: Plasti-Fab® EPS Product Solutions®; Insulspan® SIPS; DuroSpan™ Riverbend® Timber Framing; Precision Craft® Log & Timber Homes; M.T.N. Design℠; Total Home Solution®; Point Zero™; TimberScape ™

The company operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

Each operating segment mirrors the Corporation's accounting policies (as described in Note 2 to the audited consolidated financial statements for the years ended December 31, 2017 and 2016 and Note 3 of the condensed interim consolidated financial statements for the three month period ended March 31, 2018) and its internal controls and reporting systems.

Segment performance predominantly focuses on operating results and the manner in which resources are allocated based on Canadian and USA operations, respectively. The Canadian segment primarily derives its revenues from the sale of expanded polystyrene ("EPS") foam products, which it manufactures at its facilities in Canada. The USA segment primarily derives its revenues from the sale of EPS foam products, customized log and timber structures made at its facilities in the United States which typically include design and installation services that together provide the basis for a bundled sale of its manufactured products.

The chief operating decision maker evaluates performance on the basis of operating income or loss, as reported on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

5.1 Segment revenues and income

Segment sales represent sales revenues directly attributable to each segment after inter-segment sales have been eliminated (see supplemental disclosures in the other segment information table below). There are varying levels of integration between each segment.

Segment operating loss represents the loss as reported by each segment excluding any allocations for corporate income or expenses, and foreign exchange gains or losses arising on inter-segment settlements.

Information for each reportable operating segment for the three month periods ended March 31 is set out below:

	Sales revenues		Operating loss	
	2018	**2017**	**2018**	**2017**
Canada	**$ 13,733**	$ 13,495	**$ (512)**	$ (673)
USA	**7,315**	5,992	**(421)**	(269)
Total for segments	**$ 21,048**	$ 19,487	**(933)**	(942)
Corporate – income (expense)			**129**	(268)
Foreign exchange loss on inter-segment settlements			**(1)**	(2)
Consolidated operating loss			**$ (805)**	$ (1,212)

(a) Canada

Sales

Sales generated by the Canadian segment increased marginally from $13,495 in the first quarter of 2017 to $13,733 in the current quarter, an increase of 1.8% or $238. Sales exhibited regional differences; however the majority of the increase was led in the provinces of Alberta and Ontario. Overall Canadian sales growth was slowed somewhat due to a longer winter season than is typical in Canada as it relates to construction activities.

Operating loss

The Canadian segment reported an operating loss of $512 for the current quarter compared to operating loss of $673 in Q1/17, an improvement of $161. The improvement was driven by a slight reduction in material costs, as a percentage of revenue, offset by higher selling and administrative costs.

(b) USA

Sales

As reported in Canadian dollars, USA segment sales in the current quarter increased to $7,315 from $5,992 in Q1/17 an increase of $1,323 or 22.1%. Sales to a large public works project in the State of Michigan contributed to the majority of the increase in sales. Shipments are expected to continue into the second quarter until the public works project is completed.

Offsetting sales in the US was the PFB Customs Homes Group and unfavourable foreign currency movements. Project delays due to weather and typical project revisions contributed to reduced sales in the PFB Custom Homes Group from prior year levels. The continued strengthening of the Canadian dollar throughout Q1/18, compared to Q1/17, created an slightly unfavorable currency effect when USA segment sales transacted in USA dollars are converted for consolidation purposes but a favourable effect when purchasing raw materials priced in USA dollars.

Average foreign exchange rates experienced by the Corporation during the periods reflected the appreciation of the Canadian currency from an average rate of $1.32 per US$1.00 in the 2017 comparative period to an average rate of approximately $1.27 per US$1.00 in the current period. Eliminating the effect of foreign exchange fluctuations, sales increased 27% for the period, in USA dollars and are primarily related to shipments of high density material to a large public works project in Q1/18.

Operating loss

The USA segment reported an operating loss of $421 in the current quarter from a loss of $269 in the comparative quarter of 2017, an unfavourable variance of $152.

A contributing factor of the operating loss was reduced sales in the PFB Custom Homes Group which translated into an operating loss. An operating loss within the Insulspan operations further contributed to the loss in the current quarter. Overall, the impact of the large public works project increased revenues, however this required substantially higher material and freight costs when compared to prior year period revenues. The first quarter in the annual cycle is typically the slowest from a sales perspective and typically translates into an operating loss, until manufacturing efficiencies become realized in the busier second and third quarter.

5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and liabilities in relation to consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2018	As at Dec 31, 2017
Assets		
Segmented assets	**$ 48,570**	$ 41,570
Assets not allocated to segments:		
Cash and cash equivalents	**7,509**	12,268
Freehold land and buildings	**23,257**	23,386
Restricted marketable securities	**1,472**	1,239
Corporate taxes [1]	**247**	308
Total assets	**$ 81,055**	$ 78,771
Liabilities		
Segmented liabilities	**$ 14,120**	$ 15,788
Liabilities not allocated to segments:		
Bank indebtedness	**4,616**	-
Finance lease obligations	**3,256**	3,232
Long-term debt	**8,822**	8,906
Corporate taxes [1]	**-**	20
Total liabilities	**$ 30,814**	$ 27,946
Net segmented assets		
Canada	**$ 25,472**	$ 19,802
USA	**8,978**	5,980

[1] Current and deferred taxes.

5.3 Other segment information

	Three month periods ended March 31	
	2018	**2017**
Additions to non-current assets:		
Canada	**$ 302**	$ 88
USA	**510**	106
Corporate	**-**	7,773
Total	**$ 812**	$ 7,967
Depreciation and amortization:		
Canada	**$ 524**	$ 587
USA	**144**	179
Corporate	**268**	203
Total	**$ 936**	$ 969
Inter-segment sales	**$ 1,335**	$ 1,853

6. Liquidity

Sources of liquidity

The Corporation expects its current cash balances, future cash flows generated by operations, and credit facilities will be sufficient to fund its ongoing business requirements over the next twelve months, including: working capital; contractual obligations; and payment of regular dividends.

Cash

Cash and cash equivalent balances as at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
Cash held with banks	**$ 7,226**	$ 12,180
Restricted cash	**283**	88
	$ 7,509	$ 12,268

PFB's cash balances typically fluctuate with the seasonality of its business. The reduction in cash balances in the current quarter was primarily used to fund increased non-cash working capital, primarily a seasonal build-up of inventory. Cash held with banks and restricted cash primarily compromises of cash and cash equivalents held by the USA segment.

Bank credit facilities

The Canadian revolving credit facilities were drawn down by $4,616 as at March 31, 2018 to fund working capital requirements in the Canadian segment. Repayment of the credit facility is expected during 2018. The Corporation continues to follow a policy of carrying US dollar balances and borrowing in Canadian dollars rather than executing multiple cross border foreign exchange transactions during the first quarter of seasonal variations in cash requirements.

Summary of cash flows

A summary of cash flows for the three month periods ended March 31, 2018 and 2017 are shown in the following table.

	2018	2017
Net cash flows (used in) from:		
Cash used in operating activities, before income taxes paid	**$ (8,374)**	$ (5,599)
Income taxes paid, net	**(161)**	(238)
Net cash used in operating activities	**(8,535)**	(5,837)
Net cash used in investing activities	**(740)**	(7,917)
Net cash from financing activities	**3,749**	1,401
Effects of exchange rates on cash and cash equivalents held in foreign currencies	**767**	103
Net decrease in cash and cash equivalents	**$ (4,759)**	$ (12,250)
Cash and cash equivalents – beginning of period	**12,268**	17,171
Cash and cash equivalents – end of period	**$ 7,509**	$ 4,921

(a) Operating activities

Cash used in operating activities, before income taxes paid, was $8,374 as compared to $5,599 in the comparative prior quarter, an increase of $2,775. The increase is primarily attributed to changes in non-cash working capital.

The changes in non-cash working capital amounts which occurred in the first quarter of 2018 are as follows:

	Mar 31, 2018	Dec 31, 2017	Change
Trade receivables	**$ 11,144**	$ 9,809	$ 1,335
Inventories	**14,399**	9,998	4,401
Prepaid expenses	**1,064**	474	590
Contract costs	**560**	527	33
Trade and other payables	**(6,410)**	(8,737)	2,327
Contract liabilities	**(5,902)**	(5,158)	(744)
	$ 14,855	$ 6,913	$ 7,942

The increase in non-cash working capital in the current quarter of $7,942 compared to an increase of $5,124, a difference of $2,818.

Inventory values increased in the current quarter and are a normal occurrence as operations begin building work-in-process and finished goods inventories ahead of the seasonal upsurge in sales activities. Additionally, the volume of resin on-hand has increased to meet increased customer demands of higher density material for ongoing delivery shipments, particularly in the USA segment.

Prepaid expenses increased by $590, primarily related to insurance renewals in the Canadian and USA segments and amounts related to the corporate head office relocation.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs increased by $33 are primarily related to sales commissions in the USA segment on sales of bundled contracts.

The decrease in trade and other payables of $2,327 since the beginning of the year was primarily related to decreased styrene purchases and outstanding letters of credit for outstanding resin purchases, year-end accruals and the timing payments in the normal course of operations

Contract liabilities represent consideration received prior to delivery of performance obligations and customers' rebates earned, but not yet paid. Contract liabilities increased by $744 during the period, primarily representing increased consideration from customers paid to secure their future deliveries of custom products, mainly in the USA segment. Customers' rebates are generally lower in the first quarter than other times of the year, reflecting amounts paid out and the lower seasonality of sales in the first and fourth quarters.

(b) Investing activities

Cash flows used in investing activities in the current quarter were $740 as compared to cash flows used in investing activities of $7,917 in Q1/17. Removing the effects of Q1/17 cash flows used in investing activities related to the purchase of net leased assets for $7,675, a one-time event, resulted in cash used in investing activities of $242. Purchases of tangible and intangible assets in Q1/18 amounted to $812 as compared to purchases of $292 in Q1/17 and predominantly represent maintenance capital investments in the USA segment. Distributions from marketable securities decreased as the Corporation received two less months of distributions in Q1/18 compared to Q1/17 on the sale of trust units on March 2017.

(c) Financing activities

Cash flows generated from financing activities in the current quarter were $3,749, compared to cash flows of $1,401 used in financing activities in Q1/17. Removing the effects of Q1/17 cash flows used in one-time events related to the extinguishment of finance obligations, new mortgage funding and the disposition of marketable securities, results in net cash from financing activities in Q1/17 of $1,348 which is lower than Q1/18 cash from financing activities of $3,749. Funds from financing activities increased quarter-over-quarter, primarily as a result of additional borrowings from credit facilities with a Canadian chartered bank by $2,441. Repayments on the principal mortgage amounted to $84 during Q1/18 and $330 since initial funding on February 28, 2017. Payments of scheduled principal amounts and finance costs pertaining to finance lease obligations decreased as a result of the extinguished finance lease obligations, resulting from the acquisition of the Crossfield, Alberta property.

7. Capital resources

Capital structure

PFB manages its capital structure to ensure its consolidated operations continue to operate as a going concern, to optimize returns to shareholders, and to safeguard corporate assets.

PFB's capital structure consists of net debt (long-term debt offset by cash and cash equivalents and bank indebtedness) and equity of the Corporation (comprising issued share capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity).

PFB's capital structure, net of bank indebtedness, cash and cash equivalents, as at March 31, 2018 and December 31, 2017, is as outlined in the following table:

	As at March 31, 2018	As at December 31, 2017
Debt	**$ 8,822**	$ 8,906
Bank indebtedness	**4,616**	-
Less: cash and cash equivalents	**7,509**	12,268
Deficit (surplus) cash	**$ 5,929**	$ (3,362)
Shareholders' equity	**$ 50,241**	$ 50,825

Share capital

A summary of the Corporation's share capital position as at March 31, 2018 and December 31, 2017, is set forth in the following table:

	March 31, 2018 (Three Months)		December 31, 2017 (Twelve Months)	
	No. of Shares	Amount	No. of Shares	Amount
Balance, beginning of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947
Balance, end of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947

Share-based options

The Corporation granted 400,000 share-based options in the three month period ended March 31, 2018, and no share options were exercised in the period.

Dividends

During the first quarter of 2018, the Corporation's board of directors declared a regular quarterly dividend of $0.08 (2017 - $0.07) per common share which was paid in the month of February in each year.

Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit enacted under Canadian tax law.

Normal course issuer bid

In January 2018, the Corporation obtained approval from the Toronto Stock Exchange to commence a normal course issuer bid program for a 12-month period which commenced on January 10, 2018 and ends no later than January 9, 2019. The issuer bid allows the Corporation to purchase up to a maximum of 50,000 common shares representing 0.74% of the Corporation's 6,716,003 issued and outstanding shares as at January 10, 2018, subject to daily maximum purchases of 1,000 common shares. The Corporation will purchase from time to time its common shares at market prices by mean of open market transactions during the period the issuer bid is in place.

In the three month period ended March 31, 2018, the Corporation did not purchase any common shares for cancellation.

Comprehensive loss

Comprehensive loss consists of net income or loss, together with certain other economic gains and losses which, collectively, are described as "other comprehensive income (loss)" and those items are excluded from the consolidated statements of income.

The Corporation adopted IFRS 9 and opted an irrevocable election to account for changes in the fair value of the marketable securities – restricted, through other comprehensive income, until derecognition.

A summary of comprehensive loss for the three month periods ended March 31, 2018 and 2017 is as follows:

	2018	2017
Loss for the period	**$ (701)**	$ (890)
Other comprehensive income (loss)	**652**	(220)
Comprehensive loss for the period	**$ (49)**	$ (1,110)

In the first quarter of 2018, other comprehensive income was $652 as compared to other comprehensive loss of $220 in the comparative quarter of 2017. Other comprehensive income in the current quarter consisted of $483 gains (2017 – loss of $162) attributed to foreign currency translation when consolidating PFB's USA operations, and gains of $169 (2017 – loss of $58), representing an unrealized gains on restricted marketable securities, net of tax.

Included in accumulated comprehensive income at March 31, 2018, were foreign currency translation adjustments totaling $2,634, gains from marking-to-market available securities for sale of $398 and gains of $68 related to defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $3,100.

Long-term debt

Total long-term debt of $8,822 as at March 31, 2018 compares to long-term debt of $9,152 as at March 31, 2017, a reduction of $330. The reduction in long-term debt in the current period was a result of scheduled repayments. There were no prepayments or additional increases in long-term debt in the current period.

The terms of the long-term debt are a fixed interest rate of 3.25% from a Canadian bank, a 20 year amortization period and an option to renew in 5 years. The long-term debt is eligible for prepayment privilege, subject to certain prepayment penalties and is supported by a first mortgage on the Corporation's property in the Canadian segment.

The Corporation is subject to an annual covenant calculation on the long-term debt, tested on an annual, year-end basis. The financial covenant specifies a Debt Service Coverage Ratio of not less than 1.25:1. The Debt Service Coverage Ratio is defined as adjusted EBITDA for the current year, less dividends, divided by the sum of all principal and interest payments during the course of the year. The most recently calculated covenant test of 4.41:1 was performed on December 31, 2017 and exceeded the minimum requirement of 1.25:1.

8. Commitments and contractual obligations

8.1 Long-term debt, lease obligations and commitments for PP&E and intangible assets

PFB's contractual obligations and commitments as at March 31, 2018 and December 31, 2017, are as outlined in the following table:

Contractual obligations (Payment due periods)	**Total**	**Within 1 year**	**2–3 years**	**4–5 years**	**Over 5 years**
As at March 31, 2018					
Long-term debt	**$ 8,822**	**$ 341**	**$ 717**	**$ 765**	**$ 6,999**
Finance lease obligations	**7,319**	**663**	**1,058**	**852**	**4,746**
Operating lease obligations	**12,068**	**1,234**	**2,537**	**2,408**	**5,889**
Letters of credit	**2,891**	**2,891**	**-**	**-**	**-**
Commitments for PP&E and intangible assets	**310**	**310**	**-**	**-**	**-**
Total contractual obligations	**$ 31,410**	**$ 5,439**	**$ 4,312**	**$ 4,025**	**$ 17,634**
As at December 31, 2017					
Long-term debt	$ 8,906	$ 339	$ 711	$ 758	$ 7,098
Finance lease obligations	7,398	648	1,045	854	4,851
Operating lease obligations	10,855	1,217	1,969	1,846	5,823
Commitments for PP&E and intangible assets	273	273	-	-	-
Total contractual obligations	$ 27,432	$ 2,477	$ 3,725	$ 3,458	$ 17,772

Finance lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs.

8.2 Performance bonds

As at March 31, 2018, the Canadian segment did not have any contracts secured by a performance bonds (December 31, 2017 - $nil). In the USA, performance bonds in the amount of $615 were pledged to various government agencies as at March 31, 2018 (December 31, 2017 - $598).

8.3 Letters of credit

As at March 31, 2018, letters of credit in the amount of $2,891 were outstanding for inventory purchases expected to settle in the second quarter of 2018. The Corporation did not post any cash to collateralize its letters of credit (2017 - $nil).

9. Financial instruments and leases

The Corporation adopted IFRS 9 and opted an irrevocable election to account for changes in the fair value of marketable securities through other comprehensive income, until derecognition. This irrevocable election is made on an instrument-by-instrument basis to present in other comprehensive income changes in the fair value of an investment in an equity investment not held for trading. The effect of adoption of these new standards is outlined in more detail in Note 3 to our interim consolidated financial statements as at March 31, 2018.

The Corporation holds marketable securities in the form of units of a Canadian REIT which is the landlord of certain buildings being leased. The units are restricted as they were pledged, at inception of the leases, as security for minimum rent obligations for a period of ten years during which time they will be held in an escrow account.

The Canadian REIT currently pays monthly distributions on the units and the distributions flow to the Corporation as they are paid. The distributions have been included in investment income in the consolidated statements of loss.

On February 28, 2017, upon closing of the purchase of leased assets from a Canadian REIT, the Corporation received from escrow 318,421 trust units. During the first quarter of 2017, the Corporation sold 318,421 trust units for gross proceeds of $1,883, resulting in a gain on items that have been reclassified from the statement of comprehensive income to the statement of income for $275. The remaining 183,084 trust units remain in escrow and continue to result in monthly distributions.

Under the new IFRS 9 accounting standards, gains and losses presented in other comprehensive income cannot be subsequently transferred to profit or loss. However, upon derecognition, the Corporation may transfer the cumulative gain or loss within equity. As a result of accounting changes on January 1, 2018, the Corporation will not realize any gains or losses on the disposition of trust units through the statement of income and any gains or losses remain in the statement of comprehensive income, which upon derecognition, be transferred as a reclassification adjustment directly to equity.

In January 2018 an offer to acquire all units of the Canadian REIT, at an all-cash transaction price of $8.10, was proposed by an acquiring entity. The unitholders approved the transaction in March 2018 and regulatory approval was obtained in April 2018. The transaction is expected to close in the second quarter of 2018. The Corporation has 183,084 trust units remaining in an escrow account, which will result in the conversion of cash proceeds of approximately $1,483. Under the terms of the sale-leaseback agreement a security deposit shall remain in escrow until March 15, 2023, upon which the cash will be released. Based on the quoted price of the units at the end of the first quarter of 2018, unrealized gains recorded in other comprehensive income in the amount of $398, net of tax, will remain in the statement of other comprehensive income upon disposition and subsequently transferred as a reclassification adjustment directly to equity.

10. Current Outlook

As occurred in Q1 2017, Q1 2018 has seen a sharp increase in our principal raw material costs caused by unplanned manufacturing disruptions and extended maintenance turnarounds in the upstream styrene monomer supply chain. Pricing levels have in fact exceeded those experienced in the first quarter of 2017. Styrene spot prices in United States dollars rose by 36% over the period from November 2017 until the end of February 2018. The spot price increases have now started to reverse as prices fell materially in March 2018, however will likely stay above the lowest levels of 2017. This longer term trend is due primarily to the effects of current oil price upward trends and overall macro-economic inflationary trends. North American (NA) resin prices have also started to reduce with recently announced price reductions coming off falling styrene prices.

In response, the Corporation last year implemented a price increase in April 2017 and has followed up with another price increase announced April 2018 in an effort to offset rising raw material input costs as well as inflationary impacts on other cost drivers. There are timing delays with price increase implementation and the beneficial financial effects of this most recent increase will take hold in stages over the balance of the year.

Based on late 2017 industry feedback that a material spike was likely, management implemented a proactive two stage resin strategy during Q1 2018, limiting our internal resin production when styrene levels peaked and purchasing external low-cost resin as both a substitute and to build a low-cost resin inventory. As a result, working capital increased as well as short-term bank indebtedness required to fund the external resin purchases, while using our typical cash reserves to build manufactured product inventory, a common approach during the seasonally slow first quarter. The resin strategy helped mitigate our exposure to both high priced NA resin and high priced NA styrene. As a result our gross margin for Q1 2018 was 17.4%, which represents a 2.4% increase over the same period last year, driven in part by a 1% reduction of material costs over the prior year period. The Corporation will blend our NA resin production with our low-cost external resin inventory through Q2 and into Q3 as a weighted average cost of inventory.

The influence of world crude oil prices on the economies of NA are the largest driver in the outlook for the Corporation. Since the dramatic fall in crude oil prices, which began in the fourth quarter of 2014, our input costs in the manufacture of our key raw material reduced, providing the opportunity for our business to return to normalized gross margin levels. This was our experience throughout 2015 and 2016. At the same time, a weakening Canadian dollar exchange rate versus the U.S. dollar partly counteracted the benefits of reducing costs. Additionally, the lower oil prices had the potential effect of adverse economic consequences of slowing construction demand and therefore demand for our products in some of our regional markets. In general, the oil effect has overall been positive for the general economy that we operate in and in our continuing cost structure. The devaluation of the Canadian currency has restricted the ability of competitors to import their products into Canada, a positive outcome for PFB. During the fourth quarter of 2017 and continuing in 2018, crude oil prices have been rising. This may have contributed to the volatility in raw material costs that we have experienced in November and December 2017 as well as contributing to the spikes the Corporation has seen in the first quarter of 2018.

PFB continues to build strong order books for our core EPS product lines in both US and Canadian segments well into the second and third quarters of 2018. Infrastructure activity in the US and Canada continue to present good opportunities for growth as both governments invest and create jobs. Generally speaking, the oil producing regions of Canada continue to recover as construction activity increases pulling increased demand for our nationally branded insulation and building products. Our focus on growth continues to be in the United States and we remain cautiously optimistic after strong Q4 2017 and Q1 2018 revenue performance. Interest in our nationally branded products that are manufactured in the USA continue to gain traction. Growth in the USA housing market as well as a strong US economy has positive effects on our custom homes business, offset slightly by the potential for contractor scarcity and increasing build costs. The custom home business continues to build a strong order book positioning it well for 2018. Additionally, we continue to search for suitable acquisitions to expand our USA initiatives.

11. Off-balance sheet arrangements

The Corporation does not believe it has any off-balance sheet arrangements (other than what has been reported in this MD&A) that have, or are reasonably likely to have, a current or future material effect on the Corporation's financial condition, results of operations, or liquidity.

12. Disclosure controls and procedures

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the chief executive officer (CEO) and the chief financial officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of our DC&P was conducted, as at March 31, 2018, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at March 31, 2018, our DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective.

Notwithstanding the foregoing, no absolute assurances can be made that the Corporation's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

13. Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with IFRS.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that the Corporation's internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

As at March 31, 2018, the CEO and CFO assessed the effectiveness of the Corporation's internal control over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal control over financial reporting had been identified.

14. Critical accounting policies and estimates

The Corporation prepares its financial statements in accordance with IFRS, which requires estimates and judgements to be made. The estimates and judgments are based on historical experience, current trends, and all information deemed relevant at the time financial statements are prepared.

Except for the accounting standards that become effective January 1, 2018, the Corporation's annual audited consolidated financial statements for the year ended December 31, 2017 and its 2017 annual MD&A outlined the accounting policies and estimates that are critical to the understanding of the Corporation's results of operations and its businesses.

15. Subsequent events

On April 12, 2018, a third-party offer affecting the trust units held in escrow received final approval for a planned arrangement. No further regulatory or shareholder approvals are required and the transaction is expected to complete in the second quarter. The expected proceeds from the conversion of restricted marketable securities into restricted cash are $1,483.

As at April 30, 2018, all outstanding letters of credit to guarantee payments for inventory purchases settled. Additional costs of inventories incurred in bringing inventory to their present location and condition amounted to $27 and will be expensed in future periods as cost of sales.

16. Related party transactions

There have been no material changes in related party transactions in the first quarter of 2018. See note 19 of the condensed interim consolidated financial statements.

17. Risk management and assessment

Detailed descriptions of the Corporation's risk management and assessment can be found in the Corporation's annual MD&A for 2017. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2017.

18. Application of new and revised International Financial Reporting Standards (IFRSs)

Effective January 1, 2018 the Corporation adopted new IFRS standards – IFRS 15, *Revenue from Contracts with Customers*, IFRS 9, *Financial Instruments* and IFRS 2, *Share-based payments*. The effect of adoption of these new standards is outlined in more detail in Note 3 of the interim consolidated financial statements as at March 31, 2018, which also discloses the restated comparative financial statements for the impacts of adopting new accounting standards for the periods ended January 1, 2017, December 31, 2017 and March 31, 2017.

In January 2016, the IASB issued *IFRS 16 - Leases*, which supersedes *IAS 17 - Leases*. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. The standard requires the lessees to recognize a lease liability reflecting discounted future lease payments and a "right-of-use asset" for all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted.

The Corporation intends to adopt IFRS 16 at its effective date for annual period beginning on January 1, 2019. The Corporation is currently assessing and quantifying the effect of this standard on the consolidated financial statements, information systems and internal controls. During the first quarter the Corporation initiated a review of the new standard and expects to continue this analysis throughout 2018. On the transition date of January 1, 2019, the Corporation expects to recognize additional leases on the consolidated balance sheet and expects changes to the cost of sales as operating expenses will be presented as depreciation and finance costs.

19. Non-IFRS Financial Measures

The Corporation uses measurements primarily based on IFRS as issued by the IASB and also certain secondary non-IFRS measurements.

The non-IFRS measures used by the Corporation are considered to be useful as complimentary measures in assessing financial performance. Non-IFRS measurements do not have a standardized meaning prescribed by IFRS and, as such, are unlikely to be comparable in definition to similar measures presented by other companies. The definitions of non-IFRS measurements used in this MD&A can be found in the section below:

Measure	**Definition**
Adjusted EBITDA	Represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is an absolute measure of our operating performance and provides an indication of the results generated by our business activities prior to how the activities are financed, how assets are depreciated and amortized, or how results are taxed.
Adjusted EBITDA per share	Adjusted EBITDA divided by the basic weighted average number of shares outstanding in the period.

The following table shows the reconciliation of quarterly net income (loss) to quarterly adjusted EBITDA and related per share amounts for the current quarter and previous seven quarters:

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Net (loss) income (As per financial statements)	**$ (701)**	$ 1,240	$ 1,519	$ 412	$ (890)	$ 1,145	$ 1,936	$ 1,762
Add back (deduct):								
Income (recovery) taxes	**(251)**	323	592	156	(277)	602	870	1,063
Finance costs	**179**	173	183	196	280	354	354	355
Investment income	**(32)**	(24)	(21)	(19)	(50)	(62)	(56)	(50)
Depreciation	**900**	912	934	981	941	932	939	935
Amortization	**36**	35	33	36	28	25	23	23
Adjusted EBITDA	**131**	2,659	3,240	1,762	32	2,996	4,066	4,088
Adjusted EBITDA per share	**$ 0.02**	$ 0.40	$ 0.48	$ 0.26	$ -	$ 0.44	$ 0.61	$ 0.61

Adjusted EBITDA was $131 in the three month period March 31, 2018, an increase of $99 from $32 in the comparative three month period of 2017. The increased adjusted EBITDA is primarily related to a decreased net loss from the comparative quarter. Significant one-time events in 2017 have had the impact to reduce the finance costs and investment income, on a permanent basis, resulting in an unfavorable adjusted EBITDA when compared to comparable periods.