Management's Discussion and Analysis

For the three month periods ended March 31, 2019 and 2018

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, 2019 and 2018 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2018.

PFB's unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2019 and 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. On January 1, 2019 the Corporation adopted IFRS 16, *Leases*, with retrospective application. See Note 3.3 of the unaudited interim condensed consolidated statements for reconciliations of results excluding IFRS 16 effects.

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 9, 2019. All figures in this MD&A are stated in thousands of Canadian dollars except where stated otherwise.

In this MD&A, unless otherwise indicated, results for the first quarter of 2019 (three-month period ended March 31, 2019) are compared with results from the first quarter of 2018, adjusted for the retrospective application of IFRS 16, *Leases* (three-month period ended March 31, 2018).

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 9, 2019, 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, 2018.

2. Summary of quarterly financial data

	Applying *IFRS 16*					Excluding *IFRS 16*		
	2019	2018				2017		
	Qtr. 1	Qtr. 4	Qtr. 3	Qtr. 2	Qtr. 1	Qtr. 4	Qtr. 3	Qtr. 2
Sales	**$ 24,113**	$ 35,283	$ 39,374	$ 32,640	$ 21,048	$ 28,045	$ 28,649	$ 29,376
Gross profit	**4,729**	8,148	9,752	7,520	3,751	6,266	6,645	5,473
Gross profit margin %	**19.6**	23.1	24.8	23.0	17.8	22.3	23.2	18.6
Operating (loss) income	**(952)**	3,109	4,789	2,481	(682)	1,712	2,273	745
Net (loss) income	**(1,172)**	2,077	3,263	1,536	(706)	1,240	1,519	412
(Loss) earnings per share:								
Basic and diluted	**(0.17)**	0.31	0.48	0.23	(0.10)	0.18	0.23	0.06
Adjusted EBITDA [1]	**185**	4,289	5,965	3,666	522	2,659	3,240	1,762
Adjusted EBITDA per share [1]	**$ 0.03**	$ 0.64	$ 0.89	$ 0.55	$ 0.08	$ 0.40	$ 0.48	$ 0.26

[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	
	2019	**2018**
Sales	**$ 24,113**	$ 21,048
Cost of sales	**(19,384)**	(17,297)
Gross profit	**4,729**	3,751
Selling expenses	**(3,009)**	(2,833)
Administrative expenses	**(1,698)**	(1,552)
Other losses	**(974)**	(48)
Operating loss	**(952)**	(682)
Investment income	**23**	32
Finance costs	**(295)**	(310)
Loss before taxes	**(1,224)**	(960)
Income taxes recovery	**52**	254
Net loss for the period	**$ (1,172)**	$ (706)
Loss per share - $ per share		
Basic and diluted	**$ (0.17)**	$ (0.10)

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

Consolidated sales were $24,113, in the current quarter, an increase of $3,065 or 14.6% from sales of $21,048 in Q1/18. Both operating segments contributed to the overall growth in sales, with sales growth equally split between the Canada and the USA segments when expressed in Canadian currency. Overall sales growth for the quarter was driven primarily by increased volumes attributed to our structural insulated panels systems and our customs homes business.

Gross profit

Consolidated gross profit was $4,729 in the current quarter as compared to $3,751 in Q1/18. Gross profit margin in the current quarter increased to 19.6% of sales as compared to a gross profit margin of 17.8% in Q1/18. The improvement was predominantly driven by the softening of our principal raw material input costs that began in Q4/18 and stabilized in Q1/19 at levels lower than those experienced in Q1/18. The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2019 was $17,310, contrasted to $15,622 during the 2018 comparative period, an increase of $1,688 and related primarily to increased sales during the current quarter.

Operating loss

An operating loss of $952 was incurred in the current quarter, contrasted with operating loss of $682 reported in Q1/18 resulting in a negative variance of $270. The Corporation granted a Restricted Share Unit ("RSU") award to a director, which vested immediately and resulted in a one-time, non-cash item included in other losses on the income statement, in the amount of $950 (see Note 16.4 of the condensed interim consolidated financial statements). Excluding the effects of the RSU would have resulted in an operating loss of $2, which is a favourable variance of $680, compared to the operating loss of $682 in Q1/18. Higher selling and administrative expenses of $4,707, when compared to the prior year period of $4,385, remain in proportion to the overall sales growth and lower than Q1/18, when expressed as a percentage of sales.

Loss before tax

In the current quarter, a loss before taxes of $1,224 compared to the loss before taxes of $960 reported in the comparative quarter of 2018, an unfavourable variance of $264. The effect of lower investment income was somewhat offset by lower finance costs. Finance costs in the current and comparative quarter have the effects of the newly adopted lease accounting policy. Excluding the effects of the one-time, non-cash, other loss of $950 noted above, loss before tax would have had a positive variance of $686 over Q1/18.

Income taxes

Income tax recovery in the current quarter was $52, comparable to income tax recovery of $254 in Q1/18. The current quarter consolidated effective tax rate for 2019 is 4.3% and is reflective of tax adjustment for the adoption of new accounting policies and permanent tax differences. The actual effective tax rate may be 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 $1,172 resulted in the current quarter, which compared to a loss of $706 reported in the comparative quarter of 2018, an unfavourable variance of $466. The loss was amplified by one-time, non-cash, other losses of $950, which when excluded would have resulted in a loss of $222 or a favourable improvement of $484 when compared to the loss of $706 in the comparative quarter.

Basic and diluted loss per common share in the current quarter was $0.17 as compared to a basic and diluted loss per share of $0.10 in Q1/18, a negative variance of $0.07 per share. Had a one-time other loss of $950, equivalent to $0.14 per share, been excluded, the loss per should would be $0.03 in the current quarter, a favourable variance of $0.07 per share from the comparative quarter.

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, 2018 and 2017 and Note 3 of the condensed interim consolidated financial statements for the three month period ended March 31, 2019) 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 (loss)

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 income (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 income (loss)	
	2019	**2018**	**2019**	**2018**
Canada	**$ 15,287**	$ 13,733	**$ 427**	$ (408)
USA	**8,826**	7,315	**(563)**	(402)
Total for segments	**$ 24,113**	$ 21,048	**(136)**	(810)
Corporate – income			**(816)**	129
Foreign exchange loss on inter-segment settlements			**-**	(1)
Consolidated operating loss			**$ (952)**	$ (682)

(a) Canada

Sales

Sales generated by the Canadian segment increased from $13,733 in the first quarter of 2018 to $15,287 in the current quarter, an increase of 11.3% or $1,554. The sales increase exhibited regional differences, however remained broad based across both western and eastern Canada. Overall Canadian sales growth remained favourable despite an unseasonably cold winter season.

Operating income (loss)

The Canadian segment reported an operating gain of $427 for the current quarter compared to operating loss of $408 in Q1/18, a strong improvement of $835. The improvement was driven by a significant reduction in raw material input costs when compared to the elevated raw material pricing experienced in the comparable quarter.

(b) USA

Sales

As reported in Canadian dollars, USA segment sales in the current quarter increased to $8,826 from $7,315 in Q1/18 an increase of $1,511 or 20.7%. The increased sales were primarily driven by our custom homes business as projects which commenced in the latter part of 2018, continued with delivery of goods and installation of services into Q1/19. The strengthening US dollar throughout Q1/19, compared to Q1/18, created a favorable currency effect when local USA segment sales are converted into Canadian dollars for consolidation purposes.

Average foreign exchange rates experienced by the Corporation during the periods reflected the depreciation of the Canadian currency from an average rate of $1.27 per US$1.00 in the 2018 comparative period to an average rate of approximately $1.33 per US$1.00 in the current period. Eliminating the effect of foreign exchange fluctuations, sales increased 15.6% for the period, in USA dollars, and are primarily related to shipments and services provided by the custom homes business in Q1/19.

Operating loss

The USA segment reported an operating loss of $563 in the current quarter from a loss of $402 in the comparative quarter of 2018, an unfavourable variance of $161 reflecting a reduction in gross margin of 0.9% of sales over the prior period which can be attributed to the impact of overall sales timing and mix in our custom homes business as the associated materials are delivered to projects. Selling and Administrative expenses remain in proportion to sales and flat when compared to Q1/18, when expressed as a percentage of sales. 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, 2019	As at Dec 31, 2018
Assets		
Segmented assets	**$ 53,646**	$ 53,156
Assets not allocated to segments:		
Cash and cash equivalents	**11,923**	16,944
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**22,380**	22,750
Corporate taxes [1]	**282**	289
Total assets	**$ 89,714**	$ 94,622
Liabilities		
Segmented liabilities	**$ 16,089**	$ 19,436
Liabilities not allocated to segments:		
Finance lease obligations	**10,356**	10,609
Long-term debt	**8,482**	8,568
Total liabilities	**$ 34,927**	$ 38,613
Net segmented assets		
Canada	**$ 28,955**	$ 25,341
USA	**8,602**	8,379

[1] Current and deferred taxes.

5.3 Other segment information

	Three month periods ended March 31	
	2019	2018
Additions to non-current assets:		
Canada	**$ 303**	$ 302
USA	**228**	510
Total	**$ 531**	$ 812
Additions to right-of-use assets:		
Canada	**$ -**	$ 65
USA	**37**	29
Total	**$ 37**	$ 94
Depreciation and amortization:		
Canada	**$ 631**	$ 720
USA	**240**	216
Corporate	**266**	268
Total	**$ 1,137**	$ 1,204
Inter-segment sales	**$ 1,967**	$ 1,335

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 and cash equivalents

Cash and cash equivalent balances as at March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019	December 31, 2018
Cash held with banks	**$ 11,214**	$ 13,744
Short-term investments	**709**	3,200
	$ 11,923	$ 16,944

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 and changes to accounts payable. The majority of the cash held with banks compromises of cash and cash equivalents held by the USA segment.

Cash - restricted

Restricted cash amounted to $1,335, a decrease of $12 from $1,347 over the last three months. Restricted cash comprises cash collected from certain customers of the USA segment that is contractually segregated from other cash and not comingled, as it is held exclusively for disbursements to suppliers and service providers specific to those individual customer contracts.

PFB's restricted cash balances typically fluctuate throughout the year in line with seasonality and contracts with customers for bundled construction contracts.

Bank credit facilities

In January 2019, the Corporation increased its credit facility arrangements from $10,000 to $17,000. The revolving facility continues to be secured by a first ranking security interest in trade receivables and inventories of the Canadian subsidiary, without any additional financial covenants.

The Corporation continues to provide a guarantee and postponement of claim to the bank in the amount of $17,000 which has increased from prior agreements with the bank reflecting the increased credit facility. The interest rate applicable on draws made against the facility is at the Canadian bank's prime rate and the facility carries a nominal maintenance fee.

The Canadian and USA revolving credit facilities remained fully available at the end of the current quarter. The Corporation continues to follow a policy of carrying US dollar balances and borrowing in Canadian dollars, when required, rather than executing multiple cross border foreign exchange transactions.

Summary of cash flows

A summary of cash flows for the three month periods ended March 31, 2019 and 2018 are shown in the following table.

	2019	2018
Net cash flows (used in) from:		
Cash used in operating activities, before income taxes paid	**$ (2,587)**	$ (8,042)
Income taxes paid, net	**(395)**	(161)
Net cash used in operating activities	**(2,982)**	(8,203)
Net cash used in investing activities	**(496)**	(936)
Net cash (used in) from financing activities	**(1,170)**	3,417
Effects of exchange rates on cash and cash equivalents held in foreign currencies	**(373)**	767
Net decrease in cash and cash equivalents	**$ (5,021)**	$ (4,955)
Cash and cash equivalents – beginning of period	**16,944**	12,180
Cash and cash equivalents – end of period	**$ 11,923**	$ 7,225

(a) Operating activities

Cash used in operating activities, before income taxes paid, was $2,587 as compared to $8,042 in the comparative prior quarter, a decrease of $5,455. The decrease is primarily attributed to decreased changes in non-cash working capital in the current quarter when compared with the 2018 comparative quarter.

The changes in non-cash working capital amounts which occurred in the first three months of 2019 are as follows:

	Mar 31, 2019	Dec 31, 2018	Change
Trade receivables	**$ 11,542**	$ 13,082	$ (1,540)
Inventories	**13,462**	11,638	1,824
Prepaid expenses	**914**	374	540
Contract costs	**408**	475	(67)
Trade and other payables	**(8,454)**	(10,894)	2,440
Contract liabilities	**(5,810)**	(6,464)	654
	$ 12,062	$ 8,211	$ 3,851

The increase in non-cash working capital in the current quarter of $3,851 compared to an increase of $7,942, a difference of $4,091.

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, finished goods inventories increased $972 in the last three months, representing shipments in the near-term.

Prepaid expenses increased by $540, primarily related to insurance renewals in the Canadian and USA segments and on normal course operating activities.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs decreased by $67 are primarily related to sales commissions paid on the achievement of performance obligations in the USA segment on sales of bundled contracts.

The decrease in trade and other payables of $2,440 since the beginning of the year was primarily related to the payment of year-end payroll incentives and the timing of 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 decreased by $654 during the period, primarily representing the payment of customers' rebates, reflecting amounts paid out. The decreased contract liabilities from rebates was somewhat offset by increased deposits from customers in custom home business.

(b) Investing activities

Cash flows used in investing activities in the current quarter were $496 as compared to cash flows used in investing activities of $936 in Q1/18, primarily as a result of capital expenditures. Purchases of tangible and intangible assets in Q1/19 amounted to $531 as compared to purchases of $812 in Q1/18 and predominantly represent decreased capital investments.

(c) Financing activities

Cash flows used in financing activities in the current quarter were $1,170, compared to cash flows generated from financing activities of $3,417 in Q1/18, a difference of $4,587. In the prior comparative quarter, the Corporation obtained funds from borrowing activities in the amount of $4,616, which contrasted with no borrowings in the current quarter to fund working capital needs, representing of the difference between comparative quarters. Finance costs in current quarter of 2019 represent the adoption of IFRS 16, *Leases*, and the comparative quarter has been restated from $179 to $310 or an increase of $131 on the recognition of additional finance lease obligations.

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 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 cash and cash equivalents, as at March 31, 2019 and December 31, 2018, is as outlined in the following table:

	As at March 31, 2019	As at December 31, 2018
Borrowings	**$ 8,482**	$ 8,568
Less: cash and cash equivalents	**11,923**	16,944
Deficit (surplus) cash	**$ (3,441)**	$ (8,376)
Shareholders' equity	**$ 54,787**	$ 56,009

Share capital

A summary of the Corporation's share capital position as at March 31, 2019 and December 31, 2018, is set forth in the following table:

	March 31, 2019 (Three Months)		December 31, 2018 (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 100,000 share-based options in the three month period ended March 31, 2019, and no share options were exercised in the period.

Dividends

During the first quarter of 2019, the Corporation's board of directors declared a regular quarterly dividend of $0.08 (2018 - $0.08) 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, PFB obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid ("issuer bid") for a 12-month period, which commenced on January 10, 2018, and ended January 9, 2019. The Normal Course Issuer Bid lapsed on January 11, 2019, without renewal or share repurchases.

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.

On January 1, 2018, 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 through the completion of the plan of arrangement or the release of the trust units held in escrow.

A summary of comprehensive loss for the three month periods ended March 31, 2019 and 2018 is as follows:

	2019	2018
Loss for the period	**$ (1,172)**	$ (706)
Other comprehensive (loss) income	**(469)**	647
Comprehensive loss for the period	**$ (1,641)**	$ (59)

In the first quarter of 2019, other comprehensive loss was $469 as compared to other comprehensive income of $647 in the comparative quarter of 2018. Other comprehensive loss in the current quarter consisted of $469 losses (2018 – gains of $478) attributed to foreign currency translation when consolidating PFB's USA operations.

Included in accumulated comprehensive income at March 31, 2019, were foreign currency translation adjustments totalling $3,347, unrealized gains on restricted financial assets of $406, and losses of $70 related to defined benefit pension plan valuation changes, net of tax, for total accumulated other comprehensive income of $3,683.

Long-term debt

Total long-term debt of $8,482 as at March 31, 2019 compares to long-term debt of $8,822 as at March 31, 2018, a reduction of $340. The reduction in long-term debt in the current period was a result of scheduled principal 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 was performed on December 31, 2018 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, 2019 and December 31, 2018, are as outlined in the following table:

Contractual obligations[1] (Payment due periods)	**Total**	**Within 1 year**	**2–3 years**	**4–5 years**	**Over 5 years**
As at March 31, 2019					
Long-term debt	**$ 11,213**	**$ 623**	**$ 1,246**	**$ 1,246**	**$ 8,098**
Lease obligations	**17,812**	**1,986**	**3,501**	**3,280**	**9,045**
Letters of credit	**701**	**701**	**-**	**-**	**-**
Commitments for PP&E and intangible assets	**450**	**450**	**-**	**-**	**-**
Total contractual obligations	**$ 30,716**	**$ 3,760**	**$ 4,747**	**$ 4,526**	**$ 17,143**
As at December 31, 2018					
Long-term debt & interest	$ 11,369	$ 623	$ 1,246	$ 1,246	$ 8,254
Lease obligations	18,294	2,013	3,565	3,345	9,371
Commitments for PP&E and intangible assets	252	252	-	-	-
Total contractual obligations	$ 29,915	$ 2,888	$ 4,811	$ 4,591	$ 17,625

[1] Long term debt and 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, 2019, the Canadian segment did not have any contracts secured by a performance bonds (December 31, 2018 - $nil). In the USA, performance bonds in the amount of $637 were pledged to various government agencies as at March 31, 2019 (December 31, 2018 - $651).

8.3 Letters of credit

As at March 31, 2019, letters of credit in the amount of $701 (2018 - $2,891) were outstanding for inventory purchases expected to settle in the second quarter of 2019. The Corporation did not post any cash to collateralize its letters of credit.

9. Financial instruments and leases

The Corporation continues to hold restricted marketable securities in the form of trust units of a prior Canadian REIT, which completed a plan of arrangement by an acquiring entity on May 24, 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.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. Under the terms of the sale-leaseback agreement, the security deposit shall remain in escrow until March 15, 2023, upon which the cash will be released. The total unrealized gain on the financial assets, as recorded in accumulated other comprehensive income on the balance sheet, in the amount of $406, net of tax, will remain until disposition. Upon completion of the plan of arrangement or release of the escrow account, the gain on disposal will subsequently be transferred as a reclassification adjustment directly to equity as a result of the adoption of IFRS 9 and irrevocable election to account for changes in the fair value of marketable securities through other comprehensive income, until derecognition.

10. Current Outlook

Following a record fourth quarter in 2018, sales in the first quarter of 2019 were supported by stronger than typical order books heading into the quarter, as well as favourable currency effects when local USA sales are converted into Canadian dollars upon consolidation. However, severe cold weather patterns experienced across Canada and the north eastern United States that developed in the mid to latter stages of the quarter had an offsetting impact of slowing shipments and softening orders. Overall, the Corporation posted positive sales growth for the quarter, increasing sales by $3,065 over Q1/18 with both the Canadian and USA segments contributing to the gain.

The Corporation's principal raw material input cost remained relatively stable, increasing somewhat from the lows experienced at the end of Q4/18 and look to be stabilizing heading into Q2/19, at lower levels than those experienced in 2018. The lack of unplanned production outages and turnaround delays, higher global inventories and lower global demand have resulted in more level pricing in the current first quarter. As a result and combined with, the increased revenues, gross margins have improved to 19.6% in Q1/19 as compared to 17.8% in Q1/18. Uncertainty remains, however, as a result of continued trade and tariff disputes between the United States and China, the potential for unplanned production disruptions and overall world oil price trends - all factors that could impact North American styrene pricing in 2019.

The longer-term devaluation of the Canadian dollar against the U.S. dollar limits the ability of competitors to import their products into Canada and increases the contribution made by USA segment revenues when expressed in Canadian dollars. The majority of our raw materials are priced and purchased in U.S. dollars and a weaker Canadian dollar results in overall increased cost of sales. Continued volatility of the Canadian dollar is possible based on geo-political environments and ongoing global trade and tariff disputes.

The influence of world crude oil prices on the economies of North America continue to be the largest driver in the outlook for the Corporation. In general, the oil effect has been positive for the general economy that we operate in and in our continuing cost structure. During the course of 2018, crude oil prices have been volatile, but generally rising. We continue to see economic recovery in the oil producing regions in which we operate.

The Corporation continues to experience strong demand for EPS product lines in both the Canadian and USA operating segments as we enter the second quarter of 2019. Infrastructure activity in Canada and the USA continue to present good opportunities for growth along with increased commercial activity. 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. The United States expansion continues to be a strategic objective and we remain optimistic as interests by customers in our branded products, that are manufactured in the US, continue to gain traction.

Although the US residential construction sector may slow somewhat in 2019, the non-residential construction sectors are showing positive trends which could have an offsetting effect. Overall, we experienced good performance from our custom homes business, as well as our structural insulated panel systems in Q1/19 and remain cautiously optimistic for 2019 on the back of strong order books. However, shortages of available contractors and increasing build costs continue to persist, which can adversely impact project timing and cause project delays. The Corporation continues to search for suitable acquisitions to expand our strategic footprint with focus on US 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, other than those disclosed in the balance sheet as the available portion of credit facilities and outstanding letters of credit.

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, 2019, 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, 2019, 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, 2019, 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, 2019, the Corporation's annual audited consolidated financial statements for the year ended December 31, 2018 and its 2018 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

Letters of credit

As at May 9, 2019, all outstanding letters of credit as at March 31, 2019 settled and additional letters of credit were issued and remain outstanding as guarantee payments for inventory purchases in the amount of $1,045.

16. Related party transactions

There have been no material changes in related party transactions in the first quarter of 2019. 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 2018. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2018.

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

Effective January 1, 2019 the Corporation adopted new IFRS standards – IFRS 16, *Leases*. 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, 2019, which also discloses the restated comparative financial statements for the impacts of adopting new accounting standards for the periods ended January 1, 2018, December 31, 2018 and March 31, 2018.

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:

	Applying *IFRS 16*					Excluding *IFRS 16*		
	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Net (loss) income (As per financial statements)	**$ (1,172)**	$ 2,077	$ 3,263	$ 1,536	$ (706)	$ 1,240	$ 1,519	$ 412
Add back (deduct):								
Income (recovery) taxes	**(52)**	751	1,211	604	(254)	323	592	156
Finance costs	**295**	300	319	354	310	173	183	196
Investment income	**(23)**	(18)	(4)	(13)	(32)	(24)	(21)	(19)
Depreciation	**1,106**	1,149	1,145	1,150	1,168	912	934	981
Amortization	**31**	30	31	35	36	35	33	36
Adjusted EBITDA	**185**	4,289	5,965	3,666	522	2,659	3,240	1,762
Adjusted EBITDA per share	**$ 0.03**	$ 0.64	$ 0.89	$ 0.55	$ 0.08	$ 0.40	$ 0.48	$ 0.26

Adjusted EBITDA was $185 in the three month period March 31, 2019; a decrease of $337 from $522 restated adjusted EBITDA in the comparative three month period of 2018. The decreased adjusted EBITDA is primarily related to a net loss from the immediate vesting of a restricted share unit award (see Note 16.4 of the condensed interim consolidated financial statements) in the amount of $950. Had the one-time amount of $950 been excluded from net loss, the net loss and adjusted EBITDA would have been $222 and $1,135, or an improvement of $484 and $613, respectively, when compared to Q1/18.