Management's Discussion and Analysis

For the three and nine month periods ended September 30, 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 condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 condensed interim consolidated statements for reconciliations of results excluding IFRS 16 - *Leases*, effects.

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

In this MD&A, unless otherwise indicated, results for the third quarter of 2019 (three and nine month periods ended September 30, 2019) are compared with results from the third quarter of 2018, adjusted for the retrospective application of IFRS 16 – *Leases*, (three and nine month periods ended September 30, 2018). This MD&A has been prepared as of October 24, 2019. 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 October 24, 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. 3	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**
Sales	**$ 36,874**	$ 35,421	$ 24,113	$35,283	$ 39,374	$ 32,640	$ 21,048	$ 28,045
Gross profit	**10,202**	9,436	4,729	8,148	9,752	7,520	3,751	6,266
Gross profit margin %	**27.7**	26.6	19.6	23.1	24.8	23.0	17.8	22.3
Operating income (loss)	**4,940**	4,255	(952)	3,109	4,789	2,481	(682)	1,712
Net income (loss)	**3,442**	3,061	(1,172)	2,077	3,263	1,536	(706)	1,240
Earnings (loss) per share:								
Basic	**0.51**	0.45	(0.17)	0.31	0.48	0.23	(0.10)	0.18
Diluted	**0.50**	0.44	(0.17)	0.31	0.48	0.23	(0.10)	0.18
Adjusted EBITDA [1]	**6,080**	5,410	185	4,289	5,965	3,666	522	2,659
Adjusted EBITDA per share[1]	**$ 0.90**	$ 0.80	$ 0.03	$ 0.64	$ 0.89	$ 0.55	$ 0.08	$ 0.40

[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 income (unaudited)

	Three month periods ended September 30		Nine month periods ended September 30	
	2019	**2018**	**2019**	**2018**
Sales	**$ 36,874**	$ 39,374	**$ 96,408**	$ 93,062
Cost of sales	**(26,672)**	(29,622)	**(72,041)**	(72,039)
Gross profit	**10,202**	9,752	**24,367**	21,023
Selling expenses	**(3,146)**	(3,145)	**(9,306)**	(9,165)
Administrative expenses	**(2,060)**	(1,808)	**(5,770)**	(5,121)
Other losses	**(56)**	(10)	**(1,048)**	(149)
Operating income	**4,940**	4,789	**8,243**	6,588
Investment income	**44**	4	**72**	49
Finance costs	**(288)**	(319)	**(876)**	(983)
Income before taxes	**4,696**	4,474	**7,439**	5,654
Income taxes expense	**(1,254)**	(1,211)	**(2,108)**	(1,561)
Net income for the period	**$ 3,442**	$ 3,263	**$ 5,331**	$ 4,093
Earnings per share - $ per share				
Basic	**$ 0.51**	$ 0.48	**$ 0.79**	$ 0.61
Diluted	**$ 0.50**	$ 0.48	**$ 0.77**	$ 0.61

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

4. Consolidated results of operations

Sales

Consolidated sales were $36,874 in the three month period ended September 30, 2019, a decrease of $2,500 or 6.3% from sales of $39,374 in the comparative three month period of 2018. The decrease in consolidated sales in the current quarter is a result of lower sales in both the Canadian and USA segments (see Section 5).

In the nine month period ended September 30, 2019, consolidated sales were $96,408, an increase of $3,346 or 3.6% from sales of $93,062 in the comparative nine month period of 2018. The increase in sales is a result of higher sales, in both the Canadian and USA segments (see Section 5).

Gross profit

Consolidated gross profit was $10,202 in the three month period ended September 30, 2019, as compared to $9,752 in the comparative three month period of 2018, an increase of $450. Gross profit margin of 27.7% in the current quarter compared to a gross profit margin of 24.8% in Q3/18. The increase in gross profit margin is attributable to lower raw material input costs and supported by stable product and service pricing, offset somewhat by higher operational costs on reduced sales.

Consolidated gross profit was $24,367 in the nine month period ended September 30, 2019, as compared to $21,023 in comparative nine month period of 2018, or a favourable variance of $3,344 and is driven by higher sales volumes, lower raw material input costs and stable product pricing offset somewhat by slightly higher operational costs. Gross profit margin of 25.3% in the current nine month period was higher than a gross profit margin of 22.6% reported in the comparative nine month period.

A depreciation of the Canadian currency in the current three and nine month period, compared to the respective prior periods, increased the cost of raw materials, which are primarily purchased in US dollars.

Selling and administrative expenses

In the current quarter, selling and administrative expenses have increased as a percentage of sales to 14.1% of sales for the current quarter contrasted with 12.6% in the comparative quarter, primarily as a result of reduced sales. For the nine month period, selling and administrative expenses have remained relatively comparable as a percentage of sales at 15.6% for Q3/19 compared to 15.4% for Q3/18.

Operating income

Operating income of $4,940 in the current quarter compared to operating income of $4,789 reported in Q3/18, a favourable variance of $151.

In the nine month period ended September 30, 2019, operating income of $8,243 compared to operating income of $6,588 reported in the comparative nine month period of 2018, a favourable variance of $1,655.

Income before taxes

In the current quarter, income before taxes of $4,696 was reported as compared to income before taxes of $4,474 in Q3/18, an increase of $222.

In the nine month period ended September 30, 2019, income before taxes of $7,439 was reported as compared to income before taxes of $5,654 reported in the comparative nine month period of 2018, a favourable variance of $1,785.

Income taxes

Income tax expense in the current quarter was $1,254 as compared to income tax expense of $1,211 in Q3/18. The most current, effective income tax rate of 28.3%, applied for the nine month period is reasonably representative of the blended tax rate expected for 2019.

Net income

Net income of $3,442 in the current quarter compares to net income of $3,263 reported in the comparative quarter of 2018, an increase of $179. In the nine month period ended September 30, 2019, net income of $5,331 compared to net income of $4,093 in the comparative nine month period of 2018, an increase of $1,238.

Earnings per share

Basic and diluted earnings per share in the current quarter were $0.51 and $0.50, respectively, as compared to basic and diluted earnings per share of $0.48 and $0.48, respectively, reported in Q3/18.

In the nine month period ended September 30, 2019, basic and diluted earnings per share of $0.79 and $0.77, respectively, as compared to basic and diluted earnings per share of $0.61 and $0.61, respectively, reported in the comparative nine month period of 2018.

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 unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 sales and operating 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). There are varying levels of integration between each segment.

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

Prior period segment information has been restated for the application of IFRS 16 – *Leases*; see Note 3.

Information regarding each reportable operating segment for the three and nine month periods ended September 30, 2019 and 2018, is set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2019	**2018**	**2019**	**2018**
Canada	**$ 22,801**	$ 24,095	**$ 3,138**	$ 2,883
USA	**14,073**	15,279	**1,634**	1,716
Total for segments	**$ 36,874**	$ 39,374	**4,772**	4,599
Corporate – income			**166**	193
Foreign exchange gain (loss) on inter-segment settlements			**2**	(3)
Consolidated operating income			**$ 4,940**	$ 4,789

Nine month periods ended September 30	**Sales revenues**		**Operating income**	
	2019	**2018**	**2019**	**2018**
Canada	**$ 60,012**	$ 59,034	**$ 6,492**	$ 4,055
USA	**36,396**	34,028	**2,210**	2,080
Total for segments	**$ 96,408**	$ 93,062	**8,702**	6,135
Corporate – (expense) income			**(464)**	453
Foreign exchange gain on inter-segment settlements			**5**	-
Consolidated operating income			**$ 8,243**	$ 6,588

(a) Canadian segment

Sales

Sales generated by the Canadian segment were $22,801 in Q3/19 compared with $24,095 in the comparative Q3/18 period, a decrease of 5.4% or $1,294. In the nine month period ended September 30, 2019 sales was $60,012 an increase of $978 or 1.7% over $59,034 in the comparative period.

In the current quarter, the sales decline was a result of softening sales in Western Canada, offset partially by strong sales in Eastern Canada.

Operating income

The Canadian segment reported operating income of $3,138 in the current quarter, an increase of $255 as compared to operating income of $2,883 reported in Q3/18.

In the nine month period ended September 30, 2019, the Canadian segment reported operating income of $6,492 as compared to operating income of $4,055 in the comparative nine month period of 2018, a favourable variance of $2,437.

Despite a decline in sales in the current quarter, the improved operating income was primarily related to decreased raw material input costs, stable product pricing and offset partially by higher freight costs.

(b) USA segment

Sales

As reported in Canadian dollars, sales in the USA segment decreased from $15,279 in Q3/18 to $14,073 in the current quarter, a decrease of $1,206 or 7.9%. The decline in sales during the third quarter related to the timing and mix of infrastructure and custom homes projects when compared to the comparative period.

Foreign currency movements had a favorable impact when translating US sales into Canadian dollars during Q3/19. Average foreign exchange rates experienced by the Corporation during the periods reflected the depreciation of the Canadian currency from an average rate of $1.30 per US$1.00 in the 2018 comparative quarter, to an average rate of approximately $1.32 per US$1.00 in the current quarter.

Eliminating the effect of foreign exchange fluctuations, the sales, expressed in USA dollars, were $10,648 in the current quarter or 9.0% lower than Q3/18 sales of $11,697.

As reported in Canadian dollars, sales in the USA segment increased from $34,028 in nine month period ending September 30, 2018, to $36,396 in the current nine month period, an increase of $2,368 or 7.0%. During the nine month period, foreign currency movements had a favorable impact when translating US sales into Canadian dollars. Average foreign exchange rates experienced by the Corporation during the nine month periods reflected a depreciation of the Canadian currency from an average rate of $1.29 per US$1.00 in the 2018 comparative period, to an average rate of approximately $1.33 per US$1.00.

Eliminating the effect of foreign exchange fluctuations, the sales, expressed in USA dollars, were $27,380 in the current nine month period or 4.2% higher than sales of $26,286 in the comparative nine month period. Despite a decline in third quarter sales, year-to-date sales growth in the USA segment remains favourable across our core EPS products and custom homes group.

Operating income

The USA segment reported operating income of $1,634 in the current quarter as compared to operating income of $1,716 in the comparative quarter of 2018. This represents a decrease of $82 and was primarily related to the overall impact of project timing and mix during the comparative quarters. In the nine month period ended September 30, 2019, the USA segment reported operating income of $2,210 as compared to an operating income of $2,080 in the comparative nine month period of 2018, a favorable variance of $130 driven by increased sales and mitigated somewhat by project timing and mix.

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 Sept 30, 2019	As at Dec 31, 2018
Assets		
Segmented assets	**$ 55,481**	$ 53,156
Assets not allocated to segments:		
Cash and cash equivalents	**20,584**	16,944
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**21,917**	22,750
Corporate taxes[1]	**284**	289
Total assets	**$ 99,749**	$ 94,622
Liabilities		
Segmented liabilities	**$ 21,969**	$ 19,436
Liabilities not allocated to segments:		
Lease obligations	**9,904**	10,609
Long-term debt	**8,306**	8,568
Total liabilities	**$ 40,179**	$ 38,613
Net segmented assets		
Canada	**$ 27,959**	$ 25,341
USA	**5,553**	8,379

[1] Deferred taxes.

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2019	**2018**	**2019**	**2018**
Additions to non-current assets:				
Canada	**$ 241**	$ 214	**$ 726**	$ 611
USA	**119**	71	**562**	825
Corporate	**-**	20	**-**	20
Total	**$ 360**	$ 305	**$ 1,288**	$ 1,456
Additions to right-of-use assets:				
Canada	**$ 44**	$ 57	**$ 93**	$ 122
USA	**59**	-	**96**	29
Total	**$ 103**	$ 57	**$ 189**	$ 151
Depreciation and amortization:				
Canada	**$ 631**	$ 675	**$ 1,905**	$ 2,081
USA	**244**	234	**729**	679
Corporate	**265**	267	**798**	805
Total	**$ 1,140**	$ 1,176	**$ 3,432**	$ 3,565
Inter-segment sales	**$ 2,186**	$ 2,206	**$ 6,451**	$ 5,447

6. Liquidity

Sources of liquidity

The Corporation expects its current cash balances, future cash flows generated by operations, and unused 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 September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019	**December 31, 2018**
Cash held with banks	**$ 16,528**	$ 13,744
Short-term investments	**4,056**	3,200
	$ 20,584	$ 16,944

PFB's cash balances typically fluctuate with the seasonality of its business. The increase in cash balances for the nine month period ended September 30, 2019 was primarily attributed to higher sales, operating incomes and changes in non-cash items. The majority of the cash held with banks comprises of cash and cash equivalents held by the USA segment.

Cash - restricted

Restricted cash amounted to $1,629, an increase of $282 from $1,347 over the last nine 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 and nine month periods ended September 30, 2019 and 2018 are shown in the following table:

	Three month periods ended September 30		Nine month periods ended September 30	
	2019	**2018**	**2019**	**2018**
Net cash flows from:				
Cash from operating activities, before income taxes	**$ 8,024**	$ 8,065	**$ 11,043**	$ 4,117
Income taxes (paid) recovered, net	**(127)**	123	**(1,460)**	(150)
Net cash from operating activities	**7,897**	8,188	**9,583**	3,967
Net cash used in investing activities	**(32)**	(847)	**(1,475)**	(2,924)
Net cash used in financing activities	**(1,821)**	(4,560)	**(4,052)**	(3,621)
Effects of exchange rates on cash and cash equivalents, and restricted cash held in foreign currencies	**180**	(134)	**(416)**	154
Net increase (decrease) in cash and cash equivalents	**6,224**	2,647	**3,640**	(2,424)
Cash and cash equivalents – beginning of period	**14,360**	7,109	**16,944**	12,180
Cash and cash equivalents – end of period	**$ 20,584**	$ 9,756	**$ 20,584**	$ 9,756

(a) Operating activities

Net cash from operating activities was $7,897 in the current quarter as compared to $8,188 in the comparative quarter of 2018, a decrease of $291. In the nine month period ended September 30, 2019, net cash from operating activities was $9,583 versus net cash from operating activities of $3,967 in the comparative nine month period of 2018, an increase of $5,616.

Net cash from operating activities decreased in the third quarter primarily as a result of changes in non-cash working capital and additional corporate income taxes paid, as compared to the 2018 comparative period. For the nine month period, net cash from operating activities increased due to higher net income, changes in non-cash changes in working capital related to inventory and non-cash, share-based expense, as compared to the 2018 period.

The changes in non-cash working capital amounts which occurred in the nine month period ended September 30, 2019 are shown in the following table:

	Sept 30, 2019	Dec 31, 2018	Change
Trade receivables	**$ 15,255**	$ 13,082	$ 2,173
Inventories	**12,658**	11,638	1,020
Prepaid expenses	**805**	374	431
Contract costs	**590**	475	115
Trade and other payables	**(9,364)**	(10,894)	1,530
Contract liabilities	**(10,072)**	(6,464)	(3,608)
	$ 9,872	$ 8,211	$ 1,661

Non-cash working capital increased in the nine month period ended September 30, 2019 by $1,661 (2018 - $6,068) and is lower in the current year period than in the comparative year period.

The increased trade receivables balance is reflective of higher sales and the seasonality of the sales cycle as business activity increases during the second and third quarters.

All three classes of inventory, raw materials, work-in-progress and finished goods have increased since the beginning of the year, which is normal in the operating cycle to support increased sales activity.

Prepaid expenses of $805 have increased from the beginning of the year due to seasonal activity and are comparable to Q3/18 of $849.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs have increased by $115 in the last nine months and are primarily related to sales commissions in the USA segment on sales of bundled contracts.

The decrease in trade and other payables of $1,530 since the beginning of the year is reflective of seasonal timing differences.

Contract liabilities represent consideration received prior to delivery of performance obligations and customers' rebates earned, but not yet paid. Contract liabilities increased by $3,608 since the beginning of the year, primarily representing increased consideration from customers paid to secure their future deliveries of custom products, mainly in the USA segment and additional customer rebates earned and not paid on higher sales activity. 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

Net cash used in investing activities was $32 in the current quarter as compared to cash flows used in investing activities of $847 in Q3/18, or a decrease of $815. In the nine month period, ended September 30, 2019, net cash used in investing activities was $1,475 versus $2,924 in the comparative nine month period of 2018, or a decrease of $1,449. The decreased cash used in investing activities in both the three and nine month periods is primarily related to changes in restricted cash related to the progress of performance obligations in the custom homes group.

(c) Financing activities

Net cash used in financing activities in the current quarter was $1,821 as compared to net cash used in financing activities of $4,560 in the comparative quarter of 2018, or a decrease of $2,739. The changes are primarily as a result not borrowing on the secured line of credit in the current quarter, contrasted with fully repaying the secured line of credit in Q3/18.

In the nine month period ended September 30, 2019, net cash used in financing activities were $4,052 versus net cash used in financing activities of $3,621 in the comparative nine month period of 2018, primarily as a result of payments for the buy-back of common shares.

7. Capital resources

Capital structure

PFB manages its capital structure to ensure its ongoing operations, 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).

The Corporation's capital structure as at September 30, 2019 and December 31, 2018, is outlined in the following table:

	As at September 30, 2019	**As at December 31, 2018**
Debt	**$ 8,306**	$ 8,568
Less: cash and cash equivalents	**20,584**	16,944
Surplus cash	**$ (12,278)**	$ (8,376)
Shareholders' equity	**$ 59,570**	$ 56,009

Share capital

The Corporation has one class of publicly traded voting common shares. A summary of the Corporation's share capital position as at September 30, 2019 and December 31, 2018, is set forth in the following table:

	September 30, 2019 (Nine 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
Exercise of stock options	**25,000**	**222**	-	-
Repurchased pursuant to normal course issuer bid	**(50,000)**	**(157)**	-	-
Balance, end of period	**6,691,003**	**$ 21,012**	6,716,003	$ 20,947

Share-based options and restricted share units

The Corporation granted 100,000 share-based options and 25,000 share-based options were exercised during the nine month period ended September 30, 2019. The Corporation awarded 100,000 restricted share units, all fully vested and outstanding during the nine month period ended September 30, 2019.

Dividends

In 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, respectively. The dividend payment in February 2019 amounted to $538 (2018 - $538).

In the second quarter of 2019, the Corporation's board of directors declared a regular quarterly dividend of $0.09 (2018 - $0.08) per common share which was paid in the month of May in each year, respectively. The dividend payment in May 2019 amounted to $607 (2018 - $537).

In the third quarter of 2019, the Corporation's board of directors declared a regular quarterly dividend of $0.09 (2018 - $0.08) per common share which was paid in August of each year, respectively. The dividend payment in August 2019 amounted to $606 (2018 - $538).

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

Normal course issuer bid

In August 2019, the Corporation obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid (the "Bid") program for a twelve month period, which commenced on September 3, 2019 and ends no later than September 2, 2020. The renewal allows the Corporation to purchase up to a maximum of 50,000 of its common shares, representing 0.74% of the Corporation's 6,741,003 issued and outstanding common shares as at August 29, 2019, subject to daily maximum purchases of 1,000 common shares and other normal terms and limitations of such bids. The Corporation will purchase from time-to-time its common shares at market prices by means of open market transactions on the Toronto Stock Exchange.

In the three month period ended September 30, 2019, the Corporation purchased for cancellation 50,000 of its common shares for an aggregate price of $525, of which $368 was charged to retained earnings as a premium on redemption of the common shares. In the comparative three month period ended September 30, 2018, the Corporation did not purchase any of its common shares.

Comprehensive income

Comprehensive income 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 income for the three and nine month periods ended September 30, 2019 and 2018 is as follows:

	Three month periods ended September 30		Nine month periods ended September 30	
	2019	**2018**	**2019**	**2018**
Net income for the period	**$ 3,442**	$ 3,263	**$ 5,331**	$ 4,093
Other comprehensive income (loss)	**267**	(333)	**(675)**	715
Comprehensive income for the period	**$ 3,709**	$ 2,930	**$ 4,656**	$ 4,808

In the third quarter of 2019, comprehensive income was $3,709 as compared to comprehensive income of $2,930 in the comparative quarter of 2018. Other comprehensive income of $267 (Q3/18 – loss of $333) in the current quarter consisted of gains attributed to foreign currency translation when consolidating PFB's USA operations.

Included in accumulated other comprehensive income at September 30, 2019, were foreign currency translation adjustments equal to $(675), unrealized gains on financial assets of $406 and $(70) of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $3,477.

Long-term debt

Total long-term debt of $8,306 as at September 30, 2019 compares to long-term debt of $8,653 as at September 30, 2018, a reduction of $347. 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, leases and commitments

PFB's contractual obligations and commitments as at September 30, 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 September 30, 2019					
Long-term debt (principal & interest)	**$ 10,902**	$ 623	$ 1,246	$ 1,246	$ 7,787
Lease obligations	**16,739**	1,951	3,487	3,134	8,167
Commitments for PP&E and intangible assets	**598**	598	-	-	-
Fixed-price utility contracts	**1,505**	355	710	440	-
Total contractual obligations	**$ 29,744**	**$ 3,527**	**$ 5,443**	**$ 4,820**	**$ 15,954**
As at December 31, 2018					
Long-term debt (principal & 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 lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs.

8.2 Performance bonds

At September 30, 2019, the Canadian segment did not have any performance bonds outstanding (December 31, 2018 - $nil). In the USA, performance bonds in the amount of $632 were pledged to various government agencies as at September 30, 2019 (December 31, 2018 - $651).

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

The Corporation continues to perform very well with another strong performance in the third quarter of 2019. Sales were slightly lower in Q3/19 as compared to in the same quarter last year. The lower comparable sales were driven by overall product mix and timing of larger infrastructure projects and lower structural insulated panel sales due to residential construction sector headwinds. Sales of our core EPS building and insulation products remained on pace with the comparable period in 2018. The Corporation recorded overall sales growth for the first nine months of 2019 of $3,346 over the same period in 2018. Sales in the USA segment when consolidated and expressed in Canadian dollars resulted in positive foreign exchange tailwinds as a result of a weaker Canadian dollar when compared to the prior periods in 2018.

Continued strong margin performance for the third quarter of 2019 offset the impact of softer sales and set a new EBITDA record for the third quarter at $6,080. Favourable and consistent raw material input costs along with stable product pricing were offset slightly by increased operating costs, resulting in a gross margin of 27.7% in Q3/19 as compared to 24.8% in Q3/18, a 2.9% increase as a percentage of sales. Uncertainty related to styrene, our principal raw material input, as a result of continued trade and tariff disputes between the United States and China persist, however the impact has contributed to lower and more stable pricing which the Corporation expects to continue into the fourth quarter.

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 USA segment sales 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 an increase in the 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 continues to be a macro driver of the outlook for the Corporation. In general, although the oil effect can impact regions within North America differently, the Corporation continues to perform well in both Canada and the USA as world oil prices continue to show signs of stability.

The Corporation continues to experience sustained demand for EPS product lines in both Canada and the USA operating segments into the fourth quarter of 2019. Infrastructure activity in Canada and the USA continue to present good opportunities for growth, however can impact quarter comparative sales based on project timing. Generally speaking, the oil producing regions of Canada are stable and continue to pull 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 USA continue to gain traction.

Although the USA and Canadian residential construction sectors have slowed in 2019, the commercial construction sectors remain active which are having an offsetting effect. Overall, in the first nine months of 2019, the Corporation has recorded sales growth and very strong margin performance. The Corporation remains cautiously optimistic for the fourth quarter of 2019 as order books remain active. Macro-level economic uncertainty, along with shortages of available contractors and increasing build costs can adversely impact project timing and cause project delays. In addition, the probability for colder weather impacting sales typically increases in the fourth quarter and can impact performance.

The Corporation continues to search for suitable acquisitions to expand our strategic footprint with focus on the 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, other than those disclosed in the balance sheet as the available portion of credit facilities.

12. Disclosure controls and procedures (DC&P)

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 September 30, 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 September 30, 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 September 30, 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 event

Dividends

On October 24, 2019, the Corporation's board of directors declared a regular quarterly dividend of $0.09 per common share plus a one-time, special dividend of $1.00 per common share for a total combined dividend of $1.09 per common share. The dividend will be paid on November 29, 2019, to shareholders of record at the close of business on November 15, 2019.

16. Related party transactions

There have been no material changes in related party transactions in the three and nine month periods ended September 30, 2019. See Note 19 of the unaudited 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 standard, IFRS 16 - *Leases*. The effect of adoption of this new standard is outlined in more detail in Note 3.3 of the unaudited condensed interim consolidated financial statements as at September 30, 2019, which also discloses the restated comparative financial statements for the impacts of adopting the new accounting standard for the periods ended September 30, 2018 and December 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 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Net income (loss) (As per financial statements)	**$ 3,442**	$ 3,061	$ (1,172)	$ 2,077	$ 3,263	$ 1,536	$ (706)	$ 1,240
Add back (deduct):								
Income taxes (recovery)	**1,254**	906	(52)	751	1,211	604	(254)	323
Finance costs	**288**	293	295	300	319	354	310	173
Investment income	**(44)**	(5)	(23)	(18)	(4)	(13)	(32)	(24)
Depreciation	**1,095**	1,119	1,106	1,149	1,145	1,150	1,168	912
Amortization	**45**	36	31	30	31	35	36	35
Adjusted EBITDA	**6,080**	5,410	185	4,289	5,965	3,666	522	2,659
Adjusted EBITDA per share	**$ 0.90**	$ 0.80	$ 0.03	$ 0.64	$ 0.89	$ 0.55	$ 0.08	$ 0.40

Adjusted EBITDA was a record amount for a third quarter. Adjusted EBITDA of $6,080 in the current quarter increased by $115 from $5,965 in the comparative three month period of 2018. The increased adjusted EBITDA is primarily related to increased net income from $3,263 in Q3/18 to $3,442 in Q3/19 or an increase of $179.