



AIRBOSS OF AMERICA CORP.

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NEWS RELEASE

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AIRBOSS ANNOUNCES 3rd QUARTER 2017 RESULTS AND DIVIDEND

Quarterly Highlights:

(In US dollars unless otherwise noted)

- Quarterly dividend paid of C\$0.07 per common share
- Basic and diluted EPS of \$0.12 per common share
- Appoints Chief Operating Officer

(In thousands of US dollars)	Three Months ended September 30		Nine Months ended September 30	
	2017	2016	2017	2016
Net Sales	71,837	66,666	215,641	204,588
Gross profit	10,094	11,478	32,958	37,715
EBITDA ⁽¹⁾	6,376	7,270	20,807	25,334
Net income	2,804	3,115	8,860	12,421
(In US dollars, except shares)				
<u>Net income per share (EPS)</u>				
-Basic	0.12	0.13	0.38	0.54
-Diluted	0.12	0.13	0.38	0.53
<u>Common shares outstanding (millions)</u>				
-Basic	23.1	23.1	23.1	23.1
-Diluted	23.5	23.5	23.5	23.6

Dividend

The Board of Directors of the Company has approved a quarterly dividend of CAD \$0.07 per common share, to be paid on January 15, 2018 to shareholders of record at December 29, 2017.

Consolidated Results

The third quarter of 2017 was challenging, with a highly competitive and volatile raw material price environment continuing as well as unusually severe weather conditions, which added further pressure. Overall, net sales in the quarter increased over 2016, driven by price increases at our Rubber Solutions division and by increased sales in the defense business within our Engineered Products division. However, overall profitability declined as gross margin pressure continued at Rubber Solutions, which was only partially offset by an improvement in the profitability of the defense business. Consolidated net sales in the quarter of \$71,837 were up 7.8% compared to the third quarter of 2016, and year-to-date net sales of \$215,641 were up 5.4% over 2016, as increased net sales at Rubber Solutions and within the defense business continued to offset decreases in the automotive business within Engineered Products. Consolidated gross profit for the quarter and year-to-date was down 12.1% and 12.6%, respectively, from 2016, reflecting the lower net sales in the automotive business at Engineered Products and the impact of higher material costs at Rubber Solutions. EBITDA in the third quarter was down 12.3% from Q3 2016, and down 17.9% year-to-date compared to 2016. At quarter end, the Company had cash and cash equivalents of \$18,823.

Segment Results

At Rubber Solutions, net sales increased by 19.3% (to \$30,793) in the quarter and by 18.6% (to \$94,178) year-to-date, from the comparable periods in 2016. The increase in the quarter over 2016 was driven primarily by a 33.3% increase in material costs (which results in price increases to customers), and the increase year-to-date over 2016 was driven by both a 19.1% increase in material costs and a 5.2% increase in overall volume (measured in pounds shipped). For both the quarter and year-to-date the increase in net sales was reflected primarily in the off the road (“OTR”), oil and gas, mining and track sectors, partially offset by softness in the chemical sector.

Non-tolling volumes year-to-date have increased 7.5% over 2016, notwithstanding a marginal 1.1% decrease in the third quarter compared to 2016. Tolling volumes in the quarter increased 2.6%, driven by an increase in niche tolling applications. Year-to-date, tolling volume decreased 9.5% compared to 2016, due to the impact of the sharp decline experienced in the first quarter of 2017 in conventional tolling applications, partially offset by an increase in niche tolling applications.

Gross profit at Rubber Solutions for the third quarter and year-to-date decreased to \$3,316 and \$14,565, respectively, from the comparable periods in 2016. These decreases were largely due to continuation of higher raw material costs and associated raw material price volatility (which impacts our timing and ability to fully align input cost increases with customer price increases), as well as some unscheduled maintenance and the impact from recent hurricanes affecting the continental United States. Year-to-date, these adverse factors were partially offset by the rectification of negative productivity impacts experienced in the first half of 2016 (related to the 2015 transfer of production from the former Vermont facility to the Acton Vale, Quebec facility). As a percentage of net sales, gross profit in the third quarter was 10.8%, down from 18.6% in the comparable period in 2016, and year-to-date was 15.5%, down from 19.7% in 2016.

At Engineered Products, net sales for the third quarter increased by 0.5% over 2016, to \$41,044, but decreased on a year-to-date basis by 3.0%, to \$121,463. Increased net sales in the defense business were offset by decreases in the automotive business for these periods.

Net sales in the automotive business decreased in the third quarter and year-to-date by 3.4% and 6.7%, respectively, compared to 2016. As previously disclosed, these relative decreases were largely in the bushings and boot product lines as a result of customer specification changes that led to reduced net sales for those parts, and in muffler hangers as a result of the completion of a large program in the second half of 2016. These lower net sales were partly offset in the relevant periods by increased demand in dampers and induction bonding applications.

Net sales in the defense business increased 21.6% in the third quarter of 2017 over last year, particularly in the extreme cold weather boot (“ECW”) and shelter product lines. Year-to-date, net sales increased 21.5% compared to last year, driven by increases in ECW, shelters, bunny boots and gloves. These higher net sales were partly offset by decreases in the powered air purifying respirator (“PAPR”) line and, particularly for the year-to-date, a decrease in over-boots following the completion of a contract with final shipments in the first quarter of 2016.

Despite the improvements in sales and profitability in the defense business, the lower net sales in the automotive business resulted in gross profit at Engineered Profits being marginally higher in the third quarter, at \$6,778 (16.5% of net sales), compared to \$6,685 (16.4% of net sales) in 2016, and declining year-to-date to \$18,393 (15.1% of sales), compared to \$22,054 (17.6% in 2016).

Overview and Outlook

The current environment experienced at Rubber Solutions is expected to continue for the remainder of the year, due to ongoing price competition and material cost volatility, although we expect volume to remain similar to the third quarter. To mitigate this pressure, we are reviewing our purchasing and pricing strategies with a view to being more proactive in the marketplace. In addition, the success we have experienced to date in diversifying our customer base and product offerings has resulted in an expanded range of compounds, with widely varying volume demands, to an increasing number of diverse customers. This evolution in our Rubber Solutions business has required us to focus on identifying and making adjustments to our processes, from product development to commercialization and full-scale production, to maximize efficiencies and optimize capacity utilization. These efforts will be led by our recently appointed COO and President of Rubber Solutions, Chris Bitsakakis. We look forward to leveraging Mr. Bitsakakis’ manufacturing expertise and experience in the implementation of our identified process improvement opportunities.

Within Engineered Products, the recently strengthened management team in the automotive business continues to identify and implement process improvements, which are beginning to stabilize profitability in the business. Our new business development and engineering leaders are developing proactive strategies to attain new multi-year programs to replace programs that have expired or are near the end of their platform life. These activities are necessarily focusing on platforms that start production in 2018/2019 or later and will likely not have a significant impact on the near term. As a result, we expect net sales in the automotive business in the fourth quarter to be at similar levels to the year-to-date. In our defense business, the year-to-date has seen significant improvements in sales and profitability and, based on anticipated activity in the fourth quarter, we expect the full year 2017 to be the strongest year the defense business has had in several years. Levels of potential tendering activity worldwide, as well as the rate of inquiries we continue to receive, point to continued momentum into early 2018.

Based on current trends, management expects that consolidated net sales and gross profit in the fourth quarter will show an improvement over Q4 2016, which will help reduce the negative gap in 2017 profitability compared to 2016, on a full year basis. Management will intensify its focus on stabilizing and improving gross profit margins across the businesses in order to more fully realize the benefits of the trend of increasing net sales.

Contact: Lisa Swartzman, President or Gren Schoch, CEO at 905-751-1188.

A conference call to discuss the quarterly results is scheduled for 9:00 a.m. Eastern on Thursday, November 9, 2017. Please go to <http://www.gowebcasting.com/8986> or dial in to the following numbers: 416-340-2218 or Toll Free: 1-800-478-9326. Conference ID: 4275274.

AirBoss of America Corp. is a group of complementary businesses using compounding technology and engineering expertise to create value for its customers. With a capacity to process approximately 400 million turn pounds of rubber annually, AirBoss Rubber Solutions is one of North America's largest custom rubber compounders and a leading supplier of essential calendered and extruded products for a broad range of applications. AirBoss Engineered Products is a world leader in the supply of life saving products for the military and a leading supplier of innovative anti-vibration solutions to the North American automotive market. The Company's shares trade on the TSX under the symbol BOS. Visit www.airbossofamerica.com.

Note (1): Non – IFRS Financial Measures: EBITDA does not have any standardized meanings prescribed by IFRS. Such measure is neither required by, nor calculated in accordance with IFRS, and therefore is considered a Non-IFRS financial measure. The Company discloses EBITDA, a financial measurement used by interested parties and investors to monitor the ability of an issuer to generate cash from operations for debt service, financing working capital and capital expenditures and paying dividends. It should not be considered as an alternative to, or more meaningful than net income (or any other IFRS financial measure) as an indicator of the Company's performance. Because EBITDA excludes some, but not all, items that affect net income, the EBITDA presented by the Company may not be comparable to similarly titled measures of other companies. A reconciliation of EBITDA to net income is presented below.

In thousands of US dollars	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
Net income	2,804	3,115	8,860	12,421
Finance costs	582	670	2,095	2,177
Depreciation and amortization	2,643	2,560	8,036	7,678
Income tax expense	347	925	1,816	3,058
EBITDA	6,376	7,270	20,807	25,334

FORWARD LOOKING STATEMENT DISCLAIMER

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could" "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Forward-looking statements are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking statements involve known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by

those forward-looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: impact of general economic conditions; its dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof, changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage caused by it and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking statements.

All of the forward-looking information in this press release is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this press release and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly these forward-looking statements except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2016 Annual Report to Shareholders under the heading "Risk Factors".