



NEWS RELEASE

May 10, 2016

AIRBOSS ANNOUNCES 1st QUARTER 2016 RESULTS

Q1 2016 Highlights (versus Q1 2015):

(In US dollars)

- Gross margin improved to 18.7% from 16.2%
- EBITDA up 30.8% to \$9.2 million
- Adjusted EBITDA up 5.7% to \$9.5 million
- Operational improvements continue to drive solid financial performance
- Quarterly dividend increased by 8.3%, from \$0.06 to \$0.065 per common share

(In thousands of US dollars)	Three months ended March 31	
	2016	2015
Net Sales	70,467	76,856
Gross margin	13,164	12,481
EBITDA ⁽¹⁾	9,230	7,058
Share-based compensation expense	257	1,920
Adjusted EBITDA ⁽¹⁾	9,487	8,978
Net income	4,341	3,180
(In US dollars, except shares)		
<u>Net income per share (EPS)</u>		
-Basic	0.19	0.14
-Diluted	0.19	0.14
<u>Adjusted EPS⁽¹⁾</u>		
-Basic	0.20	0.20
-Diluted	0.19	0.20
<u>Common shares outstanding (millions)</u>		
-Basic	23.1	23.0
-Diluted	23.5	23.4

In the first quarter of 2016, operational improvements continued to drive the Company's solid financial performance. Gross margin increased to 18.7% from 16.2%, when compared to the first quarter of 2015. Gross margin improvement was achieved largely as a result of our successful continuous improvement initiatives and pro-active management of product mix in Rubber Compounding and Automotive, notwithstanding lower consolidated net sales. EBITDA increased by 30.8% over 2015, to \$9.2 million, driven primarily by increases in Rubber Compounding and Automotive, combined with lower share-based compensation expenses in the period. Adjusted EBITDA, which adjusts for these share-based compensation expenses, was up 5.7% over 2015, to \$9.5 million.

As previously announced, the Board of Directors has approved an increased quarterly dividend on the Company's common shares, from \$0.06 to \$0.065 per common share, representing an increase of 8.3%. The dividend is payable on July 14, 2016 to shareholders of record at June 30, 2016.

At Rubber Compounding, gross margin increased to \$5.3 million for the quarter, despite a decrease of 15.2% in volume (expressed in pounds shipped) from the same period in 2015. The decrease in volume was due in large part to declines in conveyor belts, mining and off road tire (OTR) retreading segments, offset partially by increases in the infrastructure and defenses segments. As a percentage of net sales, the increase in gross margin to 23.7% (from 15.6% in 2015) was driven largely by our continuous improvement initiatives and lower conversion costs, as well as lower raw material costs (which are passed on to customers) and an increase in tolling as a proportion of total volume.

Net sales for the quarter at Automotive improved by 9.7% over 2015, to \$37.1 million, reflecting increased demand across a majority of its product types due to continuing strong demand, particularly in the light truck/SUV segment. Gross margins increased to \$6.1 million (from \$5.4 million in 2015) on the back of increased sales and continued focus on product mix and production efficiencies.

At our Engineered Products division, net sales were essentially flat in the first quarter compared to the same period in 2015. A decline in net sales in the industrial products business (which continues to experience softness in demand due to volatility among many of its market segments) was offset by an increase in net sales in the defense business, largely due to the inclusion of results of Immediate Response Technologies, LLC ("IRT") which we acquired in Q3 2015.

For the remainder of 2016 management will enhance and expand upon the operational improvements achieved in the first quarter, focusing on optimizing asset utilization, labour and supply chain efficiencies, in order to counteract macroeconomic headwinds negatively impacting demand from certain traditional segments of Rubber Compounding and Engineered Products as well as leverage off the strong industry fundamentals in Automotive.

In addition to implementing efficiencies in production and other operating processes, efforts will continue to expand and diversify our customer base, end-use industries and increase higher-margin product offerings across all business segments. In Rubber Compounding and in the industrial products line of Engineered Products, the focus remains on increasing sales to customers in industries with more favourable market conditions, such as construction and infrastructure. In Automotive, customer diversification involves increasing the proportion of sales to non-North American OEMs and Tier 1 suppliers to them, increasing exposure to non-truck/SUV platforms and taking further steps in order to be able to participate in global production programs, including evaluating opportunities to expand our physical global footprint. In the defense products line of Engineered Products, we expect the commitment levels and timing for defense spending to remain uncertain in 2016. Management is focused on the completion of the integration of IRT and the organizational restructuring efforts commenced in 2015, in order to position the business to take advantage of a recovery in global defense.

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 supply over 250 million pounds of rubber annually, AirBoss Rubber Compounding is one of North America's largest custom rubber compounding companies. AirBoss Engineered Products is a world leader in the supply of life saving products for the military and essential calendered, extruded and moulded products for a broad range of applications. AirBoss Flexible Products is a leading supplier of innovative anti-vibration solutions to the North American automotive market. The Corporation's shares trade on the TSX under the symbol BOS. Visit www.airbossofamerica.com.

The Company's Annual General Meeting is scheduled for 4:30 p.m. EDT on Wednesday, May 11, 2016 at Magna Golf Club, at which time the quarterly results will also be discussed. Please follow the link on our website or at www.marketwired.com under "webcasts" or dial in to the following numbers: 416-340-2216 or Toll Free: 866-223-7781. Direct Replay Access number: 1-800-408-3053, pass code: 4117057.

Note (1): Non – IFRS Financial Measures: EBITDA, Adjusted EBITDA and Adjusted EPS do not have any standardized meanings prescribed by IFRS. Such measures are neither required by, nor calculated in accordance with IFRS, and therefore are considered Non-IFRS financial measures. 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 and Adjusted EBITDA presented by the Company may not be comparable to similarly titled measures of other companies. A reconciliation of EBITDA and Adjusted EBITDA to net income is presented below.

Adjusted EPS represents the net income per share for the period, before deduction for share-based compensation expenses for the period and related tax effect.

In thousands of US dollars	Three months ended	
	March 31	
	2016	2015
Net income	4,341	3,180
Finance costs	874	510
Depreciation and amortization of intangible assets	2,575	2,169
Income tax expense	1,440	1,199
EBITDA	9,230	7,058
Add back:		
Share-based compensation expenses	257	1,920
Adjusted EBITDA	9,487	8,978

AIRBOSS 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's business are more fully discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2015 Annual Report to Shareholders under the heading "Risk Factors".

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