



AIRBOSS OF AMERICA CORP.

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NEWS RELEASE

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AIRBOSS ANNOUNCES 1st QUARTER 2017 RESULTS AND DIVIDEND

Highlights:

(In US dollars)

- Quarterly dividend paid of C\$0.07 per common share, an increase of 17% over Q1 2016
- Completed business unit reorganization to form a new Rubber Solutions reporting segment and a new Engineered Products reporting segment
- Balance sheet remains strong with net debt to total capital reduced from 40.5% to 31.2%

(In thousands of US dollars)	Three months ended March 31	
	2017	2016
Net Sales	69,927	70,467
Gross profit	11,096	13,164
EBITDA ⁽¹⁾	7,015	9,230
Net income	2,875	4,341
(In US dollars, except shares)		
<u>Net income per share (EPS)</u>		
-Basic	0.12	0.19
-Diluted	0.12	0.19
<u>Common shares outstanding (millions)</u>		
-Basic	23.1	23.0
-Diluted	23.5	23.5

Dividend

The Board of Directors of the Company has approved a quarterly dividend of CAD \$0.07 per common share, to be paid on July 14, 2017 to shareholders of record at June 30, 2017.

Consolidated Results

In the first quarter of 2017, the Company began to realize benefits of the internal investment, integration and reorganization that began in 2016, marked by a significant improvement in net sales of 11% and, more importantly, a 63% increase in EBITDA, relative to the fourth quarter of 2016. Consolidated net sales in the quarter of \$69,927 were down marginally (\$540) compared to the first quarter of 2016, as increased sales at Rubber Solutions were more than offset by decreases at Engineered Products. Consolidated gross profit decreased \$2,068 from the same period in 2016, to \$11,096 and EBITDA for the period decreased to \$7,015, from \$9,230 in the same period last year, reflecting the lower net sales in Engineered Products.

During the first quarter, the Company's net debt to total capital was reduced from 40.5% to 31.2% as we continued to pay down our term loan facility and further strengthen our balance sheet, which also included \$22 million in cash and cash equivalents as of March 31, 2017.

Segment Results

As first disclosed on May 2, 2017, the Company now discloses financial information for two new reporting segments. The newly created Rubber Solutions segment consists of the former rubber compounding segment plus the industrial products business line previously included in the Engineered Products segment. The reorganized Engineered Products segment combines the defense business with the automotive products business that was previously a separate reporting segment.

At Rubber Solutions, net sales for the quarter increased 11.5%, to \$30,860, from the comparable period in 2016. The increase in net sales reflected stronger demand in the off the road (“OTR”), track, automotive, oil & gas and hose sectors (which was partly offset by weakness in the conveyor belt and solid tire sectors) and higher raw material costs that resulted in higher sales prices to customers.

Non-tolling volumes (measured in pounds shipped) increased 11% in the first quarter compared to 2016, while tolling volumes decreased 36% compared to 2016. The tolling volume decrease was in conventional tolling applications and was partly offset by increased volume in niche tolling applications. Tolling rates, on the other hand, increased 36% over the same quarter ended in 2016, as a result of the increased proportion of niche tolling.

Gross profit at Rubber Solutions for the quarter increased to \$5,674 from \$5,357 compared to the same period last year due to the higher net sales discussed above and the rectification of labour inefficiencies experienced in the industrial business in 2016 relating to the 2015 transfer of production from Vermont to Acton Vale, Quebec. As a percentage of sales, gross profit dollars declined from 19.4% in the comparable period in 2016 to 18.4% which was a result of higher raw material costs, where prices have been raised accordingly.

At Engineered Products, net sales for the quarter decreased 8.7%, to \$39,067, from the same period last year. The decrease in net sales was primarily in the automotive business, and largely in the bushings and boot product lines where certain customer specification changes, including changing components to plastics, resulted in reduced net sales for the period for certain parts. In addition, the previously disclosed completion of a large muffler hanger program in the second half of 2016 further contributed to the decrease relative to 2016. These decreases were partly offset by increased demand in induction bonding applications. Net sales in the defense business within Engineered Products also decreased from the same period in 2016. Increased net sales in shelters and gloves were more than offset by decreases in the boot and powered air purifying respirator (“PAPR”) product lines. The decrease in boots, when compared to 2016, was principally due to the completion of two contracts (in over-boots and extreme cold weather (“ECW”) boots) in 2015, which contracts had final shipments in Q1 2016. The decrease in net sales resulted in lower gross profit of \$5,422 (13.9% of sales) in the quarter, compared to \$7,807 (18.2% of net sales) in 2016.

Outlook

There were a number of encouraging developments in the first quarter of 2017. While total volume (measured as pounds shipped) in Rubber Solutions was essentially flat, we experienced our first year-over-year quarterly increase in non-tolling volume in two years. This confirms the benefit and further potential of providing a more complete and unified offering of our compounding and transformation processes services to customers with a single point of contact, where it makes sense, in the newly reorganized Rubber Solutions business. The new customer and compound development pipeline remains stronger than ever and we are focused on ensuring we continue to provide the highest quality service while minimizing our timeline from development to commercialization. Despite a volatile raw material environment and continuing challenges in our conveyor belt sector, we anticipate strong performance to continue in the second quarter, supported by signs of returning demand in some of our traditional sectors as well as demand in our new focus areas.

Net sales in the Engineered Products segment will remain under pressure through the second quarter of 2017. While new leadership in the automotive business is making progress with our strategy to realign the engineering and sales resources to improve our customer interface and program management, as well as to expand our anti-vibration and noise abatement solutions to existing and new markets, the timing of production for any new multi-year contract awards will likely not coincide in the short term to offset the decreases in net sales in 2017 due to the expiry or switch-out of current programs. Recent global events have resulted in an increase in inquiries across all product lines in the defense business. While these have not yet translated directly into significant orders, we are optimistic that these inquiries, combined with recent announcements of increased defense budgets, signal a potential upswing in global defense spending.

The first quarter of 2017 has demonstrated some initial positive results of the internal investment made by AirBoss in people, platforms and processes since 2016. With ongoing debt reduction strengthening the balance sheet, we will look to continue to build on this investment and pursue sustainable growth through the remainder of 2017.

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 Wednesday, May 10, 2017. Please go to <http://www.gowebcasting.com/8491> or dial in to the following numbers: 416-340-2220 or Toll Free: 1-866-225-6564. Direct Replay Access number: 905-694-9451 or Toll Free: 1-800-408-3053, pass code: 5409908.

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.airbosssofamerica.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	
	2017	2016
Net income	2,875	4,341
Finance costs	732	874
Depreciation and amortization of intangible assets	2,676	2,575
Income tax expense	732	1,440
EBITDA	7,015	9,230

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' 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".