



AIRBOSS OF AMERICA CORP.

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NEWS RELEASE

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AIRBOSS ANNOUNCES 2nd QUARTER 2018 RESULTS AND DIVIDEND

(\$US except where otherwise noted)

Highlights:

- Consolidated net sales increased by 10.7% to \$81.8 million
- Net sales in the Engineered Products' defense business increased by 48.7% to \$11.5 million
- Quarterly dividend paid of C\$0.07 per common share
- Basic and diluted EPS of \$0.11 per common share

(In thousands of US dollars)	Three Months ended June 30		Six Months ended June 30	
	2018	2017	2018	2017
Net Sales	81,797	73,877	162,346	143,804
Gross profit	12,458	11,768	25,123	22,864
EBITDA ⁽¹⁾	7,074	7,419	14,593	14,432
Net income	2,660	3,180	5,858	6,056
(In US dollars, except shares)				
<u>Net income per share (EPS)</u>				
-Basic	0.11	0.14	0.25	0.26
-Diluted	0.11	0.14	0.25	0.26
<u>Common shares outstanding (millions)</u>				
-Basic	23.4	23.1	23.3	23.1
-Diluted	23.5	23.5	23.3	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 October 15, 2018 to shareholders of record at September 28, 2018.

Consolidated Results

Consolidated net sales in the quarter increased by 10.7% to \$81,797 compared to the second quarter of 2017, and year-to-date net sales were up by 12.9% to \$162,346 over the same period in 2017, with increased sales at both Rubber Solutions and Engineered Products. Consolidated gross profit for the quarter and year-to-date was up 5.9% and 9.9%, respectively, from 2017, primarily due to increased net sales in the Engineered Products' defense business. Gross profit as a percentage of sales for the quarter and year-to-date decreased by 70 basis points to 15.2% and 40 basis points to 15.5%, respectively, primarily due to higher raw material and other input costs, in both segments. EBITDA in the second quarter declined \$345 versus Q2 2017, and year-to-date EBITDA was relatively flat compared to 2017.

With over \$12 million in cash and cash equivalents, \$60 million in undrawn availability under its credit facilities and a net debt to TTM EBITDA ratio of 2x, the Company enters the second half of 2018 in robust financial condition.

Segment Results

At Rubber Solutions, net sales increased by 11.9% to \$36,410 in the quarter and by 14.4% to \$72,487 year-to-date, from the comparable periods in 2017. The increases were driven by an overall increase in volume (measured in pounds shipped) of 11.4% for the quarter and 10.5% year-to-date, and by increased raw material costs of 11.8% for the quarter and 17.3% year-to-date (which resulted in price increases to customers). The increase in net sales for these periods was reflected in several sectors, with particular strength in mining, conveyor belt, off-the-road (“OTR”), tolling and track.

Tolling volume (measured in pounds shipped) increased by 109.3% in the second quarter compared to 2017. Year-to-date, tolling volume increased by 112.0% compared to 2017. In both periods, the increase was in both niche and conventional tolling applications. Non-tolling volume for the second quarter of 2018 decreased by 3.4% and year-to-date decreased by 3.7%, compared to the same periods in 2017.

Gross profit at Rubber Solutions for the second quarter increased by 3.3% to \$5,757, compared to the same period in 2017, and was relatively flat year-to-date, at \$11,188. The increase in gross profit in the second quarter was due to higher volume and partly offset by the timing of higher raw material costs translating into higher selling prices, freight and incremental training costs in anticipation of increased volume for the remainder of the year. Year-to-date, the aforementioned impacts combined with higher labour costs as a result of provincial changes in the Ontario Employment Standards Act and an unforeseen maintenance occurrence offset the benefits from higher volume. As a percentage of net sales, gross profit in the second quarter was 15.8%, down from 17.1% in the comparable period in 2017, and year-to-date was 15.4%, down from 17.7% in 2017.

At Engineered Products, net sales for the second quarter and year-to-date increased by 9.8%, to \$45,387, and by 11.7%, to \$89,859, respectively, from the comparable periods in 2017. The increase was primarily due to net sales in the defense business increasing by 48.7% and 77.5% for the second quarter and year-to-date, respectively, compared to 2017. The increases were across the defense business’ major product lines, and in particular in filters, masks, shelters, and powered air purifying respirators (“PAPRs”), partly offset by lower sales in the gloves and boots product lines. Net sales in the automotive business in the second quarter and year-to-date were essentially flat compared to the respective periods in 2017, primarily due to increases in the bushing and induction bonding product lines, partly offset by lower demand in spring isolators and muffler hangers.

Gross profit in the Engineered Products segment for the quarter and year-to date increased by 8.2% to \$6,701 (14.8% of net sales) and by 20.0% to \$13,935 (15.5% of net sales), respectively. The increase in gross profit across both periods was due to higher sales in the defense business’ product lines, as discussed above. This was partly offset by decreased gross profit in the automotive business due to higher input costs and changes in product mix.

Outlook

The implementation of the AirBoss operating system continues to be a high priority for the Company. Uncertainty with respect to global trading relationships is leading to continued raw material volatility and changing confidence levels in demand with some of our customers. The business is also experiencing a systemic trend toward higher freight costs. The expected operational improvements are key to reducing the negative impacts of these headwinds. The current pipeline remains solid and broad-based across our business segments and among the sectors we serve. With its healthy balance sheet and strengthened leadership team, the Company maintains a strong position to serve its customers and take advantage of growth opportunities.

In the Rubber Solutions segment, the pipeline of business remains strong and the segment is experiencing meaningful gains from the continued implementation of improvement initiatives. Despite raw material pricing volatility, market-wide freight cost increases and the uncertainty associated with global trade in general, the Company remains committed to working with its customers to minimize the impact of these challenges while optimizing its upside.

In the Engineered Products segment, management is continuing the implementation of operational and commercial improvements in its automotive business, with the aim of securing new multi-year contracts over the medium term. Despite challenges associated with higher input costs and an evolving product mix, these initiatives are expected to lead to improvements starting in 2019. The defense business is expected to continue to perform strongly, with increased tendering activity worldwide leading to further realizable sales opportunities. Although some level of uncertainty as to the timing and size of orders, tenders and awards is expected, particularly given the ever-changing geopolitical landscape and associated shifting priorities, the defense business is well positioned with its current pipeline, capacity and execution experience to deliver strong results in 2018 and beyond.

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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 compounding companies 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 a standardized meaning prescribed by IFRS and is not necessarily comparable to a similar measure presented by other issuers. This 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, finance working capital and capital expenditures and pay 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		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
Net income	2,660	3,180	5,858	6,056
Finance costs	671	781	1,170	1,513
Depreciation and amortization	2,789	2,720	5,541	5,394
Income tax expense	954	738	2,024	1,469
EBITDA	7,074	7,419	14,593	14,432

AIRBOSS FORWARD LOOKING INFORMATION 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 information" or "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.

Statements containing forward-looking information 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 information involves 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 the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions; 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 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 information.

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 information. All subsequent written and oral forward-looking information 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 this forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.