

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of November 8, 2017 and should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and Notes for the three and nine month periods ended September 30, 2017 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2016. The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the third quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com and on the Company's website at www.airbossofamerica.com.

FORWARD-LOOKING STATEMENTS

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 Interim Report 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 Interim Report 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 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.

Q3 2017 Highlights**(In US dollars)**

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

Selected Financial Information*In thousands of US dollars, except share data*

	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2017	2016	2017	2016
	Financial results:			
Net sales	71,837	66,666	215,641	204,588
Net income	2,804	3,115	8,860	12,421
Net income per share (US\$)				
– Basic	0.12	0.13	0.38	0.54
– Diluted	0.12	0.13	0.38	0.53
EBITDA ¹	6,376	7,270	20,807	25,334
Net cash provided by operating activities	1,162	6,311	2,495	18,804
Dividends declared per share (C\$)	0.07	0.065	0.21	0.19
Capital expenditures	1,590	1,359	4,975	4,550
Financial position:	September 30, 2017			December 31, 2016
Total assets	231,571			225,118
Term loan and other debt	70,560			73,206
Shareholders' equity	114,629			109,283
Outstanding shares (#) *	23,088,156			23,074,183
	<i>* at November 8, 2017</i>			

¹Non-IFRS Financial Measures

This MD&A is based on reported income in accordance with International Financial Reporting Standards ("IFRS") and on the following non-IFRS financial measures:

EBITDA Earnings before interest income, interest expense, income taxes and depreciation and amortization

EBITDA is a non-IFRS financial measure directly derived from the consolidated financial statements but does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to a similar measure presented by other issuers. 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. EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

A reconciliation of net income to EBITDA is presented below:

RESULTS OF OPERATIONS – Third quarter ended September 30, 2017 compared to 2016

<i>In thousands of US dollars</i>	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2017	2016	2017	2016
EBITDA:				
Net Income	2,804	3,115	8,860	12,421
Finance costs	582	670	2,095	2,177
Depreciation and amortization, including loss on disposal	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

REPORTING SEGMENT CHANGES

Beginning with the first quarter of 2017, the Company realigned the organizational and governance structures of its business lines to align them more closely with the nature of the Company's operations. Such realignment gave rise to changes in how the Company presents information for financial reporting and management decision-making purposes and resulted in a change in the Company's reporting segments. The industrial products business is now combined with rubber compounding to form a new Rubber Solutions reporting segment and the automotive and defense businesses were combined to form a new Engineered Products reporting segment. All segmented financial information in this MD&A for the third quarter of 2016 and 2017 reflect this new reporting segment structure.

NET SALES

Consolidated net sales increased by 7.8% and 5.4% for the three and nine month periods ended September 30, 2017, respectively. At the Engineered Products segment, for both the three and nine month periods ended September 30, 2017, net sales were higher than the comparable period last year in the defense business and lower in automotive.

Three months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Engineered Products	Total
Net Sales	2017	30,793	41,044	71,837
	2016	25,806	40,860	66,666
Increase (decrease) \$		4,987	184	5,171
Increase (decrease) %		19.3	0.5	7.8

Nine months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Engineered Products	Total
Net Sales	2017	94,178	121,463	215,641
	2016	79,394	125,194	204,588
Increase (decrease) \$		14,784	(3,731)	11,053
Increase (decrease) %		18.6	(3.0)	5.4

Rubber Solutions

For the three month period ended September 30, 2017, net sales for Rubber Solutions increased 19.3%, to \$30,793, from \$25,806 in the comparable period in the prior year. The increase in net sales was due to an increase of approximately 33.3% in raw material costs that resulted in price increases to customers. Volume for the quarter was relatively flat to the comparable quarter in 2016. The net sales increase was reflected in several sectors, with particular strength in off the road ("OTR"), mining and track sectors, which were partly offset by softness in the chemical sector.

Tolling volumes (measured in pounds shipped) for the three month period ended September 30, 2017 increased by 2.6% compared to the same period in 2016. The increase was in niche tolling applications, and was partly offset by a decrease in conventional tolling volumes. Volume for the non-tolling portion of the business decreased marginally, by 1.1%, compared to the same period in 2016.

Net sales in Rubber Solutions for the nine month period ended September 30, 2017 increased 18.6%, to \$94,178, from \$79,394 in 2016. The increase in net sales was a result of a 5.2% increase in overall volume and an increase of approximately 19.1% in raw material costs that resulted in price increases to customers. The increase in net sales over the comparable nine month period was in the OTR, infrastructure, track, oil & gas, and mining sectors, which was partly offset by softness in the chemical sector.

Tolling volumes for the nine month period ended September 30, 2017 decreased by 9.5% compared to 2016. The decrease was in conventional tolling applications, and was partly offset by an increase in niche tolling volumes. Non-tolling volume increased 7.5%, compared to 2016, for the nine month period ended September 30, 2017.

RESULTS OF OPERATIONS – Third quarter ended September 30, 2017 compared to 2016

Engineered Products

Net sales in the Engineered Products segment for the three and nine month periods ended September 30, 2017 increased by 0.5%, to \$41,044, and decreased by 3.0% to \$121,463, respectively, from the comparable periods in the prior year. Increased net sales in the defense business were offset by decreases in the automotive business from the comparable periods in 2016.

Net sales in the automotive business decreased by 3.4% and 6.7% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. The decreases on a comparable basis were largely in the bushings and boot product lines, where certain customer specification changes in the first half of 2017, including changing components to plastics, resulted in reduced net sales 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 when compared to 2016. These lower net sales were partly offset 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. For the nine month period ended September 30, 2017, net sales increased 21.5% compared to the comparable period last year, with increases in ECW, shelters, bunny boots, and gloves. These higher net sales were partly offset by a decrease in over-boots, following the completion of a contract with final shipments in the first quarter of 2016 and in the powered air purifying respirators ("PAPRs") product line.

GROSS PROFIT

For the quarter ended September 30, 2017, consolidated gross profit decreased \$1,384, to \$10,094, compared to the same period in 2016. As a percentage of net sales, gross profit decreased from 17.2% to 14.1%.

For the nine months ended September 30, 2017, consolidated gross profit decreased \$4,757, to \$32,958, compared to the same period in 2016. As a percentage of net sales, gross profit for the period decreased from 18.4% to 15.3%.

For both the three and nine month periods ended September 30, 2017, the decreases compared to 2016 were due to the drop in net sales in the automotive business at Engineered Products and the impact of higher raw material costs in the Rubber Solutions segment.

Three months ended September 30		Rubber Solutions	Engineered Products	Total
<i>In thousands of US dollars</i>				
Gross Profit	2017	3,316	6,778	10,094
	2016	4,793	6,685	11,478
Increase (decrease) \$		(1,477)	93	(1,384)
% of net sales	2017	10.8	16.5	14.1
	2016	18.6	16.4	17.2

Nine months ended September 30		Rubber Solutions	Engineered Products	Total
<i>In thousands of US dollars</i>				
Gross Profit	2017	14,565	18,393	32,958
	2016	15,661	22,054	37,715
Increase (decrease) \$		(1,096)	(3,661)	(4,757)
% of net sales	2017	15.5	15.1	15.3
	2016	19.7	17.6	18.4

Rubber Solutions

Gross profit at Rubber Solutions for the three and nine month periods ended September 30, 2017 decreased to \$3,316 (from \$4,793) and \$14,565 (from \$15,661), respectively, from the comparable periods last year. The decreases were largely due to higher raw material costs (which resulted in raised prices), increased raw material price volatility (which impacted the Company's timing and ability to fully align input cost increases and customer price increases) and, in some cases, availability of certain specialty raw materials. For the year to date period, the decrease was partly offset by rectification of the negative productivity impacts experienced in the first half of 2016 that related to the 2015 transfer of production from Vermont to Acton Vale, Quebec.

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. For the nine month period ended September 30, 2017, gross profit as a percentage of sales was 15.5%, down from 19.7% in 2016. For both the three month and nine month periods ended September 30, 2017, the declines compared to last year, were largely due to the impact of higher raw material costs and raw material price volatility as discussed above.

RESULTS OF OPERATIONS – Third quarter ended September 30, 2017 compared to 2016

Engineered Products

Gross profit in the Engineered Products segment for the three month period ended September 30, 2017 was \$6,778 (16.5% of net sales) up \$93 from \$6,685 (16.4% of net sales) in 2016. The increase in gross profit and gross profit as a percentage of sales at Engineered Products compared to 2016 was due to higher net sales in the defense business, as discussed above, that were partly offset by lower net sales in the automotive business.

For the nine month period ended September 30, 2017, gross profit was \$18,393 (15.1% of net sales), down \$3,661 from \$22,054 (17.6% of net sales) last year. The decline in gross profit and gross profit as a percentage of sales at Engineered Products, compared to 2016, resulted from the decrease in net sales in the automotive business, as discussed above, which more than offset the increased net sales in the defense business.

OPERATING EXPENSES

Consolidated operating expenses for the three month period ended September 30, 2017 decreased by \$407, primarily due to a larger unrealized foreign exchange gain booked in the third quarter of 2017, compared to 2016.

For the nine month period ended September 30, 2017, consolidated operating expenses increased by \$128 over the comparable period in 2016. The increase was primarily due to higher compensation and administration costs that were partly offset by lower research and development costs, which are now in development stage and have been capitalized, and a higher unrealized foreign exchange gain in 2017 compared to 2016.

Three months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total
Operating Expenses	2017	1,847	4,136	378	6,361
	2016	1,855	4,163	750	6,768
Increase (decrease) \$		(8)	(27)	(372)	(407)
% of net sales	2017	6.0	10.1	N/A	8.9
	2016	7.2	10.2	N/A	10.2
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Nine months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total
Operating Expenses	2017	5,854	12,116	2,217	20,187
	2016	5,774	12,406	1,879	20,059
Increase (decrease) \$		80	(290)	338	128
% of net sales	2017	6.2	10.0	N/A	9.4
	2016	7.3	9.9	N/A	9.8

Rubber Solutions

Operating expenses at Rubber Solutions for the three month period ended September 30, 2017 were relatively flat compared to 2016. For the nine month period ended September 30, 2017, operating expenses increased \$80 over the comparable period in 2016, related to increased administration costs.

Engineered Products

At Engineered Products, operating expenses for the three month period ended September 30, 2017 were relatively flat compared to 2016.

For the nine month periods ended September 30, 2017, operating costs at Engineered Products decreased \$290 over the comparable period last year, due to lower compensation expenses as a result of rightsizing efforts in the defense business. In addition, costs associated with research and development initiatives, now in the development stage, were capitalized. These were partly offset in the automotive business due to higher recruiting costs, associated with senior leadership positions, and certain receivables collected in 2016 that had been previously written off.

Unallocated Corporate Costs

Unallocated corporate costs decreased by \$372 in the third quarter compared to 2016, primarily due to a \$464 higher unrealized foreign exchange gain which was partly offset by higher administration costs.

For the nine month period ended September 30, 2017, unallocated corporate costs increased by \$338, primarily due to increased compensation and administration costs of \$490 which were partly offset by a \$222 increase in unrealized foreign exchange gain compared to 2016.

FINANCE COST

Three months ended September 30 <i>In thousands of US dollars</i>	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total	
Finance cost	2017	1,193	—	(611)	582
	2016	1,193	—	(523)	670
Increase (decrease) \$		—	—	(88)	(88)
% of net sales	2017	3.9	0.0	N/A	0.8
	2016	4.6	0.0	N/A	1.0

Nine months ended September 30 <i>In thousands of US dollars</i>	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total	
Finance cost	2017	3,539	—	(1,444)	2,095
	2016	3,550	—	(1,373)	2,177
Increase (decrease) \$		(11)	—	(71)	(82)
% of net sales	2017	3.8	0.0	N/A	1.0
	2016	4.5	0.0	N/A	1.1

Finance costs in the third quarter of 2017 were \$582 (2016: \$670), and \$2,095 (2016: \$2,177) for the nine month period ended September 30, 2017, reflecting continued reduction of term loan balances which were partly offset by increasing interest rates.

INCOME TAX EXPENSE

The Company recorded an income tax expense of \$347 in the three month period ended September 30, 2017 (2016: \$925) for an effective income tax rate of 11.0% (22.9% in 2016). The lower effective income tax rate in 2017 included certain book to return adjustments following the filing of 2016 US tax returns which resulted in a refund.

The Company recorded an income tax expense of \$1,816 in the nine month period ended September 30, 2017 (2016: \$3,058) for an effective income tax rate of 17.0% (19.8% in 2016).

The Company conducts business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company's effective tax rate varies depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives, effect of permanent differences and the resolution of prior period tax assessments.

NET INCOME AND EARNINGS PER SHARE

Net income totaled \$2,804 for the three month period ended September 30, 2017, compared to \$3,115 in 2016. The basic net earnings per share in the quarter was \$0.12 (2016 - \$0.13) and fully diluted net earnings in the quarter was \$0.12 (2016 - \$0.13). The decrease in net income and earnings per share for the three month period ended September 30, 2017, compared to 2016, was due to lower consolidated gross profit, as discussed above, which was partly offset by lower operating expenses.

Net income totaled \$8,860 for the nine month period ended September 30, 2017, compared to \$12,421 in 2016. The basic net earnings per share in the quarter was \$0.38 (2016 - \$0.54) and fully diluted net earnings in the quarter was \$0.38 (2016 - \$0.53). For the nine month period ended September 30, 2017, the decrease in net income and earnings per share was due to lower consolidated gross profit, as discussed above, and higher operating expenses, compared to 2016.

QUARTERLY INFORMATION

<i>In thousands of US dollars</i>		Net income per share		
Quarter Ended	Net Sales	Net Income	Basic	Diluted
2017				
September 30, 2017	71,837	2,804	0.12	0.12
June 30, 2017	73,877	3,180	0.14	0.14
March 31, 2017	69,927	2,875	0.12	0.12
2016				
December 31, 2016	63,040	1,401	0.06	0.06
September 30, 2016	66,666	3,115	0.13	0.13
June 30, 2016	67,455	4,965	0.22	0.21
March 30, 2016	70,467	4,341	0.19	0.19
2015				
December 31, 2015	73,576	3,688	0.16	0.16

Items impacting comparability of quarters

- There were no items impacting comparability during the first, second and third quarter of 2017.
- The fourth quarter of 2016 was impacted by the write-off of the convertible promissory note in other assets of \$275 and \$48 of restructuring costs.
- The third quarter of 2016 was impacted by \$34 of restructuring costs.
- The second quarter of 2016 was impacted by \$121 of restructuring costs.
- The first quarter of 2016 was impacted by \$94 of restructuring costs.
- The fourth quarter of 2015 was impacted by acquisition costs related to IRT of \$66 and restructuring costs of \$383.

Recast reporting segment information

Beginning with fiscal 2017, the Company has made changes to its segmented financial reporting to reflect adjustments made in the organizational and governance structures of certain business units, which realign the business units more closely with the nature of the Company's operations. As announced on May 2nd, 2017, the Company discloses information for two reporting segments in addition to the corporate segment: Rubber Solutions and Engineered Products.

The Rubber Solutions segment consists of the former rubber compounding segment plus the Company's 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. The structure of these two new business segments better reflects the Company's strategic focus on increasing and diversifying its portfolio of finished rubber products, while maintaining market leadership as a rubber-based solutions provider.

Information about reportable segments Three months ended March 31	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>In thousands of US dollars</i>								
Segment net sales	34,041	45,022	42,836	38,895	—	—	76,877	83,917
Inter-segment sales	(6,368)	(7,045)	(42)	(16)	—	—	(6,410)	(7,061)
External net sales	27,673	37,977	42,794	38,879	—	—	70,467	76,856
Depreciation and amortization includes loss on disposal of property, plant and equipment	1,263	1,313	1,300	848	12	8	2,575	2,169
Finance cost	1,154	683	(1)	(1)	(279)	(172)	874	510
Reportable segment profit before income tax	2,236	2,592	3,533	3,445	12	(1,658)	5,781	4,379
Income tax expense / (recovery)	1,163	1,594	661	289	(384)	(684)	1,440	1,199
Net Income (loss)	1,073	998	2,872	3,156	396	(974)	4,341	3,180
Reportable segment assets ¹	82,701	86,829	126,981	91,383	7,084	5,364	216,766	183,576
Reportable segment liabilities ¹	16,798	18,867	13,590	13,896	83,500	58,540	113,888	91,303
Capital expenditures ¹	1,452	548	1,218	595	27	84	2,697	1,227

¹ Comparative figures as at March 31, 2015.

MD&A (cont'd)

Information about reportable segments Three months ended June 30	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>In thousands of US dollars</i>								
Segment net sales	31,675	42,231	41,685	41,496	—	—	73,360	83,727
Inter-segment sales	(5,760)	(6,661)	(145)	(102)	—	—	(5,905)	(6,763)
External net sales	25,915	35,570	41,540	41,394	—	—	67,455	76,964
Depreciation and amortization includes loss on disposal of property, plant and equipment	1,211	1,290	1,321	832	11	9	2,543	2,131
Finance cost	1,204	676	(1)	—	(570)	(270)	633	406
Reportable segment profit before income tax	2,356	4,076	3,595	4,224	(293)	(4,993)	5,658	3,307
Income tax expense / (recovery)	1,056	2,218	135	213	(498)	(1,502)	693	929
Net Income (loss)	1,300	1,858	3,460	4,011	205	(3,491)	4,965	2,378
Reportable segment assets ¹	77,085	85,734	124,971	89,980	15,276	15,131	217,332	190,845
Reportable segment liabilities ¹	14,705	21,712	13,069	14,139	82,733	61,260	110,507	97,111
Capital expenditures ¹	(509)	834	1,002	1,026	—	7	494	1,867

¹ Comparative figures as at June 30, 2015.

Information about reportable segments Three months ended September 30	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>In thousands of US dollars</i>								
Segment net sales	31,592	38,218	40,889	46,647	—	—	72,481	84,865
Inter-segment sales	(5,786)	(6,295)	(29)	(1,057)	—	—	(5,815)	(7,352)
External net sales	25,806	31,923	40,860	45,590	—	—	66,666	77,513
Depreciation and amortization includes loss on disposal of property, plant and equipment	1,225	1,310	1,325	1,351	10	9	2,560	2,670
Finance cost	1,193	1,055	—	14	(523)	(513)	670	556
Reportable segment profit before income tax	1,744	2,324	2,521	3,664	(225)	(811)	4,040	5,177
Income tax expense / (recovery)	(558)	758	1,769	622	(286)	(239)	925	1,141
Net Income (loss)	2,302	1,566	752	3,042	61	(572)	3,115	4,036
Reportable segment assets ¹	79,189	81,162	123,159	130,586	18,439	11,886	220,787	223,634
Reportable segment liabilities ¹	16,597	19,567	14,162	17,126	81,128	90,208	111,887	126,901
Capital expenditures ¹	863	1,496	496	517	—	5	1,359	2,018

¹ Comparative figures as at September 30, 2015.

Information about reportable segments Three months ended December 31	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
<i>In thousands of US dollars</i>	2016	2015	2016	2015	2016	2015	2016	2015
Segment net sales	30,210	33,226	38,462	46,955	—	—	68,672	80,181
Inter-segment sales	(5,566)	(6,032)	(66)	(573)	—	—	(5,632)	(6,605)
External net sales	24,644	27,194	38,396	46,382	—	—	63,040	73,576
Depreciation and amortization includes loss on disposal of property, plant and equipment	1,304	1,297	1,351	1,317	10	11	2,665	2,625
Finance cost	1,194	1,176	(1)	3	(540)	(355)	653	824
Reportable segment profit before income tax	1,326	1,748	34	3,034	(367)	413	993	5,195
Income tax expense / (recovery)	227	1,752	(127)	269	(508)	(514)	(408)	1,507
Net Income (loss)	1,099	(4)	161	2,765	141	927	1,401	3,688
Reportable segment assets ¹	84,933	78,444	120,422	127,003	19,763	12,292	225,118	217,739
Reportable segment liabilities ¹	20,085	19,592	15,467	14,643	80,283	83,970	115,835	118,205
Capital expenditures ¹	1,230	3,281	595	1,562	27	76	1,852	4,919

¹ Comparative figures as at December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its remaining 2017 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to \$60 million (2016: \$60 million). No amount was drawn against this facility at September 30, 2017.

For the nine month period ended September 30, 2017, \$2,495 of cash was provided by operations, (2016: \$18,804), \$4,970 (2016: \$2,990) was used in investing activities and \$6,578 (2016: \$6,351) was used in financing activities. Cash and cash equivalents decreased by \$9,148 from \$27,971 to \$18,823 adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

For the nine months ended September 30, 2017, cash provided by operating activities decreased \$16,309 compared to the same period in 2016. The decrease was due to lower net income of \$3,561, lower non-cash expenses of \$1,117 offset by higher cash used for working capital of \$10,150.

Cash used for working capital for the nine months ended September 30, 2017 increased to \$13,818 (2016: \$3,668) as a result of the following factors:

- Accounts receivable increased by \$8,455, of which \$8,936 related to trade receivables and was partly offset by \$481 for income taxes receivable. Of the increase in trade receivables, \$6,694 was attributable to Rubber Solutions and \$2,270 to Engineered Products due to increased net sales;
- Inventory increased by \$7,918; \$3,086 of which was at Rubber Solutions due to rising raw material costs, and \$4,832 of which was at Engineered Products to support higher demand in the defense business;
- Prepaid expenses increased by \$532 predominantly for vendor deposits on long lead time materials for filter productions in the defense business;
- Accounts payable increased by \$3,660 principally due to higher raw material purchases and expenses and partly offset by the payment of the pension liability to an executive; and
- Other provisions decreased by \$573 predominantly as a result of the exercise of vested restricted stock units.

Investing Activities

Property, Plant and Equipment

For the nine month period ended September 30, 2017, the following investments were made in the segment:

- Rubber Solutions invested \$429 to improve the buildings at its Kitchener and Acton Vale facilities and \$1,945 in property, plant and equipment. Of this, \$386 was invested in growth initiatives and the remaining spend was to replace existing property, plant and equipment; and
- Engineered Products invested \$1,550 to purchase machinery and equipment to replace existing capital.

Financing activities

The Company's current credit facility is comprised of a \$60,000 revolving facility, a term loan of \$75,000 (consolidating the two prior outstanding acquisition financing loans with interest at LIBOR plus applicable margins from 175 to 275 basis points, depending on covenants), a term loan of approximately C\$5,000 and an accordion feature of up to an additional \$50,000 of availability, upon the satisfaction of customary conditions for such features. The maturity dates of the revolving credit facility and the US\$ term loan are December 2020, while the maturity date of the C\$ term loan is October 2018.

Deferred financing fees, less accumulated amortization have been deducted against the term loan for presentation purposes. The amortization period of deferred financing fees is 5 years and reported as finance costs.

MD&A (cont'd)

During the quarter, the required principal repayments of \$1,001 (2016: \$1,002) were made pursuant to the term loans under the credit facility.

The Company paid dividends of \$1,246 during the quarter (2016: \$1,158).

Government assistance

During the third quarter of 2017, the Company recognized grants of \$25 (2016: \$14) to support certain initiatives which were offset against expenses; year-to-date \$75 (2016: \$105).

Scientific research and investment tax credits of \$41 (2016: \$36) were recognized in the quarter, research and development costs were reduced accordingly; year-to-date \$140 (2016: \$98).

Dividends

A quarterly dividend of \$0.07 per share was declared on August 8, 2017 and paid on October 13, 2017. Total annual dividends declared during 2016 were \$0.255 per common share.

Outstanding shares

As at November 8, 2017 the Company had 23,088,156 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

Included in the operating lease commitments was a rental agreement for corporate office space between the Company and a company controlled by the Chairman of the Company. The monthly lease rate approximates fair market rental value. During the third quarter of 2017, the Company paid rent for the corporate office of \$36 (2016: \$34); year-to-date \$114 (2016: \$102).

During the third quarter of 2017, the Company paid fees for the use of a facility in South Carolina of approximately \$7 (2016: \$6); year-to-date \$17 (2016: \$17) to a company in which the Chairman is an officer.

In the third quarter of 2017, the Company paid rent of \$293 (2016: \$293); year-to-date \$878 (2016: \$878) to a company controlled by the former President of the automotive business. The monthly lease rate approximated fair market rental value.

In April 2014, the Company invested \$550 in the form of a convertible promissory note in a company of which the former Deputy Chairman of the Company is the chairman. This note can be converted to an equity interest under the following conditions: (1) if the company has completed "qualified financing" raising \$1 million in gross proceeds (excluding the Company's loan); (2) if no "qualified financing" takes place prior to the maturity date, the Company has the option to convert into common stock within 60 days prior to the maturity date of the note. In 2017, the Company agreed to amend the terms of the promissory and extend the maturity date to November 11, 2017, at which time the principal and accrued interest (at 15%) on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

During 2016, a full provision was recorded against the convertible promissory note and any accrued interest. No interest was recorded on the statement of income for 2016 and 2017.

During 2014, the Company provided share purchase loans of CAD \$1,000 each to both the President and former Chief Financial Officer to purchase common shares of the Company. The share purchase loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or November 24, 2019. During 2016, the outstanding share purchase loan of \$764 (CAD \$1,000) was repaid in full by the former Chief Financial Officer. Also during 2016, the Company provided share purchase loans of CAD \$250 each (in aggregate \$372) to the new Chief Financial Officer and Senior Executive Vice President, Corporate. These loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or December 20, 2021. All share purchase loans bear interest at 1% annually with full recourse and interest is due and payable semi-annually. In total, 143,000 shares of the Company having a fair value of \$1,334 were pledged as collateral on these three loans. At September 30, 2017, the promissory notes of \$1,206 were included in other assets. During the quarter, interest of \$nil (2016: \$nil) was paid.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2016 and have been applied consistently to all periods presented in these condensed consolidated financial statements.

The accounting policies have been applied consistently by entities within the group.

The Company has conducted an assessment of the potential areas impacted by the adoption of IFRS 15, "Revenue from Contracts with Customers" on its consolidated financial statements. Under the proposed requirements, the customized nature of some of its products and contractual provisions in respect of its customer contracts that provide it with an enforceable right to payment, may require it to recognize revenue prior to the product being shipped to the customer.

The Company is assessing pricing provisions contained in certain of its customer contracts. Pricing provisions contained in some customer contracts represent variable consideration which may provide the customer with a material right, potentially resulting in a different allocation of the transaction price than under current guidance.

In addition, the Company is evaluating how the new guidance may impact the accounting for customer tooling and pre-production costs.

The impact this guidance may have on the financial statements continues to be evaluated and will be disclosed prior to implementation in 2018.

DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2017, an evaluation was carried out under the supervision of and with the participation of the Company's management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective as of September 30, 2017, the end of the period covered by management's discussion and analysis, to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by officers within those entities.

The Company's CEO and its CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Disclosure Committee, composed of senior managers of the Company, assists the CEO and CFO in evaluating the information and appropriateness of material subject to public disclosure.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent quarter, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At September 30, 2017, the Company had contracts to sell US \$11,677 in 2017 and 2018 for CAD \$15,100. The fair value of these contracts, representing an unrealized gain of \$423 is recorded in the statement of financial position included in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

At December 31, 2016, the Company had contracts to sell US \$8,937 in 2017 for CAD \$12,000. The fair value of these contracts, representing an unrealized gain of \$58 is recorded in the statement of financial position included in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

Interest rate swap

During the first quarter of 2017, the Company entered into an interest rate swap agreement for a notional amount of \$33.5 million. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%. The swap agreement matures on December 10, 2020. This agreement was entered into as the previous interest rate swap entered into in 2014, for a notional amount of \$22.5 million exchanging a floating rate of USD LIBOR for a fixed rate of 0.98%, expired on February 27, 2017.

During the third quarter of 2017, the interest expense of the swap agreements was \$39 and \$39 was paid; (2016: \$28 and \$29 was paid); year-to-date \$131 and \$131 was paid (2016: \$91 and \$94 was paid).

For the quarter ended September 30, 2017, the fair value of this agreement, representing a gain of \$21, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

For the period ended December 31, 2016, the fair value of the previous swap agreement, representing a loss of \$11, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

The Company has entered into this interest rate swap agreement in order to fix the interest rate on a portion of its term loan and does not intend to hold for trading or speculation purposes.

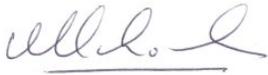
OUTLOOK

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.

November 8, 2017



Gren Schoch
Chairman and Chief Executive Officer



Daniel Gagnon
Chief Financial Officer