

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

For the three and nine month periods ended September 30, 2017 and September 30, 2016.

Pursuant to Ontario Securities Legislations' National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company for the interim periods ended September 30, 2017 and September 30, 2016 have been prepared in accordance with IAS 34 Interim Financial reporting and are the responsibility of the Company's management.

The Company's independent auditors, KPMG LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Dated this November 8, 2017

Condensed Consolidated Statement of Financial Position

Unaudited

<i>In thousands of US dollars</i>	<i>Note</i>	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		18,823	27,971
Trade and other receivables, including derivatives	4	52,021	42,430
Prepaid expenses		4,451	3,902
Inventories	5	40,298	32,380
Current income taxes receivable	12	1,621	1,177
Total current assets		117,214	107,860
Non-current assets			
Property, plant and equipment		59,810	61,360
Intangible assets		52,888	54,333
Other assets	6	1,659	1,565
Total non-current assets		114,357	117,258
Total assets		231,571	225,118
LIABILITIES			
Current liabilities			
Loans and borrowings	7	5,371	4,009
Trade and other payables, including derivatives		37,805	32,699
Employee benefits	14	—	1,223
Provisions	9	1,331	26
Total current liabilities		44,507	37,957
Non-current liabilities			
Loans and borrowings	7	65,189	69,197
Employee benefits	14	536	507
Provisions	9	620	1,755
Deferred income tax liabilities	12	6,090	6,419
Total non-current liabilities		72,435	77,878
Total liabilities		116,942	115,835
EQUITY			
Share capital	10	37,838	37,826
Contributed surplus	10	2,075	1,899
Retained earnings		74,716	69,558
Total equity		114,629	109,283
Total liabilities and equity		231,571	225,118

The notes on pages 18 to 27 are an integral part of these condensed consolidated financial statements.

On behalf of the Board



P.G. Schoch
Director



Robert L. McLeish
Director

Condensed Consolidated Statement of Profit and Comprehensive Income

Unaudited

For the three and nine month periods ended September 30 <i>In thousands of US dollars</i>	Note	Three month		Nine month	
		2017	2016	2017	2016
Net Sales		71,837	66,666	215,641	204,588
Cost of sales		(61,743)	(55,188)	(182,683)	(166,873)
Gross profit		10,094	11,478	32,958	37,715
General and administrative expenses		(5,205)	(4,691)	(15,464)	(14,145)
Selling and marketing expenses		(1,201)	(1,415)	(3,750)	(4,329)
Research and development expenses	13	(585)	(669)	(1,708)	(2,067)
Other income		630	7	735	482
Operating Expenses		(6,361)	(6,768)	(20,187)	(20,059)
Results from operating activities		3,733	4,710	12,771	17,656
Finance costs	7,14	(582)	(670)	(2,095)	(2,177)
Profit before income tax		3,151	4,040	10,676	15,479
Income tax expense	12	(347)	(925)	(1,816)	(3,058)
Profit and total comprehensive income for the period		2,804	3,115	8,860	12,421
Earnings per share					
Basic	11	0.12	0.13	0.38	0.54
Diluted	11	0.12	0.13	0.38	0.53

The notes on pages 18 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

Unaudited

<i>In thousands of US dollars</i>	Attributable to equity holders of the Company			
	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2016	37,681	1,691	60,162	99,534
Profit and total comprehensive income for the period	—	—	12,421	12,421
Contributions by and distributions to owners				
Stock options expensed	—	311	—	311
Share options exercised	67	(200)	—	(133)
Share awards vested	78	—	—	78
Dividends to equity holders	—	—	(3,311)	(3,311)
Total contributions by and distributions to owners	145	111	(3,311)	(3,055)
Balance at September 30, 2016	37,826	1,802	69,272	108,900
Balance at January 1, 2017	37,826	1,899	69,558	109,283
Profit and total comprehensive income for the period	—	—	8,860	8,860
Contributions by and distributions to owners				
Stock options expensed	—	236	—	236
Share options exercised	12	(60)	—	(48)
Dividends to equity holders	—	—	(3,702)	(3,702)
Total contributions by and distributions to owners	12	176	(3,702)	(3,514)
Balance at September 30, 2017	37,838	2,075	74,716	114,629

The notes on pages 18 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

Unaudited

For the nine month period ended September 30 In thousands of US dollars	Note	2017	2016
Cash flows from operating activities			
Profit for the nine month period ended September 30		8,860	12,421
Adjustments for:			
Depreciation		5,540	5,112
Amortization of intangible assets		2,496	2,559
Finance costs	7, 14	2,095	2,177
Unrealized foreign exchange gains		(104)	213
Share-based payment expense	10	856	739
SRED tax credits		(140)	(223)
Current income tax expense	12	2,166	3,067
Deferred income tax expense	12	(350)	(9)
Post-retirement benefits expense	14	9	(24)
Other		(115)	(41)
		21,313	25,991
Change in inventories		(7,918)	3,513
Change in trade and other receivables		(8,455)	(1,557)
Change in prepaid assets		(532)	(789)
Change in trade and other payables		3,660	(4,835)
Change in provisions		(573)	—
Net change in non-cash or working capital balances		(13,818)	(3,668)
Interest paid		(2,049)	(1,710)
Income tax paid		(2,951)	(1,809)
Net cash provided by operating activities		2,495	18,804
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		—	64
Acquisition of property, plant and equipment		(3,924)	(4,529)
Acquisition of intangible assets		(1,051)	(21)
Repayment of share repurchase loans		—	764
Interest received on share purchase loan		5	8
Final adjustment on purchase price allocation		—	724
Net cash used in investing activities		(4,970)	(2,990)
Cash flows from financing activities			
Repayment of borrowings		(3,001)	(2,995)
Tax paid on exercise of share options		—	(133)
Dividends paid	10	(3,577)	(3,223)
Net cash used in financing activities		(6,578)	(6,351)
Net decrease in cash and cash equivalents		(9,053)	9,463
Cash and cash equivalents at January 1		27,971	11,961
Effect of exchange rate fluctuations on cash held		(95)	(20)
Cash and cash equivalents at September 30		18,823	21,404

The notes on pages 18 to 27 are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements ("CFS")

For the three and nine month periods ended September 30, 2017 and September 30, 2016

(Amounts in thousands of US dollars, except per share amounts, unless otherwise specified)

NOTE 1 REPORTING ENTITY

AirBoss of America Corp. ("the Company") is a public company listed on the Toronto Stock Exchange, incorporated and domiciled in Ontario. The address of the Company's registered office is 16441 Yonge Street, Newmarket, Ontario, Canada. The condensed consolidated financial statements of the Company as at and for the three and nine month periods ended September 30, 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and separately as "Group entities"). The Group has operations in Canada and the US and is involved primarily in the manufacture of high quality rubber-based products to resource, military, automotive and industrial markets (see Note 15).

NOTE 2 BASIS OF PREPARATION**Statement of compliance**

The condensed consolidated interim financial statements should be read in conjunction with the Company's 2016 audited annual consolidated financial statements and accompanying notes.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were authorized for issue by the Board of Directors on November 8, 2017.

NOTE 3 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.

NOTE 4 TRADE AND OTHER RECEIVABLES

<i>In thousands of US dollars</i>	September 30, 2017	December 31, 2016
Trade receivables	51,133	41,636
Less: allowance for doubtful accounts	(235)	(95)
	50,898	41,541
Other receivables	1,123	889
	52,021	42,430

Impairment losses

The aging of trade receivables at the reporting date was:

<i>In thousands of US dollars</i>	September 30, 2017		December 31, 2016	
	Gross	Impairment	Gross	Impairment
Within terms	40,649	—	31,597	—
Past due 0-30 days	8,264	—	8,761	—
Past due 31-120 days	2,220	(235)	1,278	(95)
	51,133	(235)	41,636	(95)

The continuity of the allowance for doubtful accounts was:

<i>In thousands of US dollars</i>	September 30, 2017	December 31, 2016
Balance at January 1	(95)	(734)
Impairment loss recognized	—	(115)
Collected	1	256
Revised estimate/write-off	(141)	498
Balance	(235)	(95)

NOTE 5 INVENTORIES

<i>In thousands of US dollars</i>	September 30, 2017	December 31, 2016
Raw materials and consumables	29,605	22,524
Work in progress	3,591	2,601
Finished goods	7,667	6,706
Inventory in transit	1,615	1,735
	42,478	33,566
Provisions	(2,180)	(1,186)
	40,298	32,380

An inventory charge of \$994 (2016: \$172) was included in cost of sales for the increase in provisions. In Q3 2016, \$600 of additional charges were also taken following the completion of a periodic inventory physical count.

NOTE 6 OTHER ASSETS

<i>In thousands of US dollars</i>	Convertible promissory note	Share purchase loan	10% equity investment	Other	Total
Balance at January 1, 2016	275	1,447	313	130	2,165
Accrued interest	—	12	—	—	12
Interest paid	—	(12)	—	—	(12)
Repayment of loan	—	(763)	—	—	(763)
New loan issuances	—	372	—	—	372
Write-down to fair value of convertible promissory note	(275)	—	—	—	(275)
Effect of movements in exchange rates	—	63	—	3	66
Balance at December 31, 2016	—	1,119	313	133	1,565
Accrued interest	—	9	—	—	9
Interest paid	—	(7)	—	—	(7)
Effect of movements in exchange rates	—	85	—	7	92
Balance at September 30, 2017	—	1,206	313	140	1,659

NOTE 7 LOANS AND BORROWINGS

The Company is not in default under, nor has it breached any terms of, its syndicated credit agreement relating to its revolving and term loan credit facilities.

During the third quarter of 2017, the Company accrued \$458 and paid \$517 interest expense on term loans under its syndicated credit facilities; year-to-date \$1,752 and \$2,049, respectively.

NOTE 8 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

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.

NOTE 9 PROVISIONS

<i>In thousands of US dollars</i>	Site restoration	Restricted stock units	Performance awards and Deferred stock units	Lease incentives	Total
Balance at January 1, 2016	72	1,011	—	278	1,361
Provisions accrued during the period	—	293	108	—	401
Amortization during the year	—	—	—	(13)	(13)
Foreign exchange	2	33	(3)	—	32
Balance at December 31, 2016	74	1,337	105	265	1,781
Provisions accrued during the period	—	411	210	(20)	601
Payments during the year	—	(549)	—	—	(549)
Foreign Exchange	2	95	21	—	118
Total	76	1,294	336	245	1,951
Less current portion due within one year	—	(1,294)	—	(37)	(1,331)
Non-current balance at September 30, 2017	76	—	336	208	620

No legal provisions are recognized at September 30, 2017 and December 31, 2016.

Restricted Stock Units

Pursuant to its 2015 Omnibus Incentive Plan ("Omnibus Plan") approved by shareholders, the Company issued certain executives an aggregate of 238,500 restricted stock units in 2015 on the terms and conditions set out in the Omnibus Plan. Each restricted stock unit entitles the holder to receive on vesting, at the sole discretion of the Company, either one common share or a cash payment equal to the fair market value of a common share as of the vesting date. The restricted stock units vest three years following the grant date and have no performance requirements.

<i>Restricted stock units</i>	September 30, 2017	December 31, 2016	September 30, 2016
January 1	224,000	238,500	238,500
Forfeitures	—	(14,500)	—
Exercised	(59,000)	—	—
Balance	165,000	224,000	238,500

During the third quarter of 2017 and year-to-date, 1,000 and 59,000 (2016: nil and nil) restricted stock units were vested and exercised for \$11 and \$549 in cash (2016: nil and nil). No new restricted stock units were issued and there were no forfeitures in the third quarter of 2017 and 2016. During the third quarter of 2017, the Company recognized as employee costs \$11 (2016: \$124) related to the plan; year-to-date \$411 (2016: \$284) related to the plan.

Performance Awards

The Company has issued certain executives performance awards pursuant to the terms and conditions of the Omnibus Plan. Each performance award entitles the holder to receive on vesting a cash payment equal to the product of (a) the fair market value of a common share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined performance objectives over the vesting period generally. The performance awards vest three years following the grant date.

<i>Performance stock units</i>	September 30, 2017	December 31, 2016	September 30, 2016
January 1	50,680	—	—
New issuances	49,002	52,610	45,860
Forfeitures	(3,911)	(1,930)	—
Balance	95,771	50,680	45,860

During the third quarter of 2017, nil (2016: 4,000) performance awards were issued. During the third quarter of 2017, the Company recognized as employee costs \$35 (2016: \$19) related to the plan; year-to-date \$94 (2016: \$34) related to the plan.

Deferred Stock Units

The Company has issued deferred stock units ("DSUs") to non-executive directors pursuant to the terms and conditions of the Omnibus Plan. Each vested DSU entitles the holder to receive, on redemption, either: one common share; a cash payment equal to the fair market value of a common share as of the redemption date; or a combination of both cash and common shares, at the sole discretion of the Company. The redemption of a DSU occurs only following the termination of a holder's service as director and will occur on either: (a) a date selected by a recipient following the termination of their services as a director (which can be no earlier than 10 days, and no later than one year, after the service termination date); or (b) a date selected by the Company following the death of the recipient while still serving as director (which can be no later than 90 days following the death of the recipient). Under the terms of compensation for independent directors of the Company approved by the Compensation Committee and Board in 2016, commencing with the second quarter of 2016 and for each subsequent quarter while he or she remains a director, each independent director is to be granted a number of DSUs having a fair market value equal to CAD \$6.25. The fair market value of each DSU is equal to the volume-weighted average trading price of a Common Share on the TSX for the 5 trading days preceding the relevant grant date. In addition to this fixed amount of DSUs, independent directors are able to elect to be paid all or a portion of all other director's fees in DSUs in lieu of cash, using the same calculation of fair market value as for the fixed amount of DSUs, to be granted on a quarterly basis. All DSUs issued to independent directors vest three months following the relevant grant date. The compensation expense is accrued over the vesting period with a corresponding increase in liabilities in the amount which represents the fair value of the amount payable to the independent director in respect of the DSUs.

<i>Deferred stock units</i>	September 30, 2017	December 31, 2016	September 30, 2016
January 1	11,428	—	—
New issuances	13,388	11,428	6,787
Balance	24,816	11,428	6,787

At September 30, 2017, independent directors were granted an aggregate of 24,816 DSUs with a fair value of \$312. During the third quarter of 2016, 3,736 DSUs were issued. During the third quarter of 2017, the Company recognized as employee costs \$23 (2016: \$33) related to DSUs issued under the Omnibus Plan; year-to-date \$116 (2016: \$33) related to the plan.

NOTE 10 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus
Issued share capital is as follows:

<i>In thousands of shares</i>	September 30, 2017	December 31, 2016	September 30, 2016
January 1	23,074	23,022	23,022
Exercise of share options	14	46	46
Share awards	—	6	6
Balance	23,088	23,074	23,074

Capital and other components of equity

Contributed surplus

Contributed surplus is comprised of the difference between the book value per share and the purchase price paid for shares acquired for cancellation by the Company and stock-based compensation of employees and non-employees.

Share options outstanding as at September 30

	2017	2016
Share options granted and outstanding	1,028,616	991,400

Inputs for measurement of grant date fair values

The grant date fair values of all options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions

111,400 options were granted in March 2016 and 109,596 options were granted in March 2017. There were no new options granted during the three months period ended September 30, 2017, and there were no other options granted in the year ended 2016.

<i>In Canadian dollars</i>	March 21, 2017	March 30, 2016
Fair value at grant date	\$2.35	\$3.60
Share price at grant date	11.08	15.25
Exercise price	12.26	16.69
Expected volatility (weighted average volatility)	34.2%	34.6%
Option life (expected weighted average life)	5 years	5 years
Expected dividends	2.53%	1.57%
Risk-free interest rate (based on government bonds)	1.18%	0.66%

Stock option expense

During the third quarter of 2017, the Company recognized as employee costs \$90 (2016: \$105) relating to option grants in general and administrative expenses of the statement of income; year-to-date \$235 (2016: \$311) relating to option grants in general and administrative expenses of the statement of income.

Dividends

Dividends on common shares were paid to shareholders of record quarterly in 2017 and in 2016 as follows:

Shareholder of record at:	2017		2016	
	\$CAD/share	Date Paid	\$CAD/share	Date Paid
September 30, 2017	0.070	October 13, 2017	0.065	October 14, 2016
June 30, 2017	0.070	July 14, 2017	0.065	July 14, 2016
March 31, 2017	0.070	April 14, 2017	0.060	April 14, 2016

The dividend payable at September 30, 2017 was \$1,295 (September 30, 2016: \$1,143).

NOTE 11 EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

For the three and nine month periods ended September 30 <i>In thousands of US dollars, except share amounts outstanding, per share amounts in US dollars</i>	Three month		Nine month	
	2017	2016	2017	2016
Numerator for basic and diluted earnings per share: Net income	2,804	3,115	8,860	12,421
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	23,088	23,074	23,085	23,062
Dilution effect of stock options	260	337	267	379
Dilution of effect of restricted share units	136	135	126	128
Dilution of effect of deferred stock units	15	3	11	3
Diluted weighted average number of shares outstanding	23,499	23,549	23,489	23,572
Net income per share:				
Basic	0.12	0.13	0.38	0.54
Diluted	0.12	0.13	0.38	0.53

For the three and nine month periods ended September 30, 2017, 170,200 options (2016: 181,400) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTE 12 INCOME TAXES

For the three and nine month periods ended September 30 <i>In thousands of US dollars</i>	Three month		Nine month	
	2017	2016	2017	2016
Current tax expense:				
Current period	657	625	2,198	2,869
Adjustment for prior period	(5)	158	(32)	198
	652	783	2,166	3,067
Deferred tax expense:				
Origination and reversal of temporary differences	(263)	292	(326)	404
Adjustment for prior periods	(42)	(150)	(24)	(413)
	(305)	142	(350)	(9)
Total income tax expense	347	925	1,816	3,058

NOTE 13 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).

NOTE 14 POST RETIREMENT BENEFITS

September 30 <i>In thousands of US dollars</i>	Executive Supplemental Plan		Other benefit plan	
	2017	2016	2017	2016
The amounts recognized in the income statement are as follows:				
Post-retirement benefits recovery	—	—	(23)	(23)
Interest cost	11	34	14	14
Exchange differences	13	63	38	28
Expense	24	97	29	19

During the first quarter of 2017, in advance of the retirement of the executive covered by the Supplemental Plan, the Company reached an agreement with the executive to convert the defined benefit pension promise provided for under the Supplemental Plan into a notional defined contribution account balance of value that was equal to the December 31, 2016 defined benefit balance sheet liability of \$1,223 effective January 1, 2017. This notional defined contribution account balance was credited with interest at an agreed rate of 3.75% per annum, until it was paid out. On March 31, 2017 the defined contribution amount of \$1,247, which includes interest of \$11 and foreign exchange of \$13, was paid to the executive, eliminating the liability in full.

The current service charge was included in general and administrative expense and the interest cost is included in finance costs and exchange differences in other income (expense) in the income statement.

Defined Contribution Plan

The AirBoss group of companies in the United States maintains a 401(k) defined contribution plan for their employees. Total estimated contribution to this plan for 2017 is \$510. For the quarter ended September 30, 2017, the expense for this plan was \$103; year-to-date \$337.

The AirBoss group of companies in Canada maintains registered retirement savings plan defined contribution plans for their employees. Total estimated contribution and expense to these plans for 2017 is \$124; year-to-date \$339.

Multi-Employer Pension Plan

AirBoss Flexible Products ("AFP") contributes to the Steel Workers Pension Trust, a multi-employer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees in the State of Michigan. The risks of participating in a multi-employer plan are different from participation in a single-employer plan in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If AFP chooses to stop participating in the multi-employer plan, AFP may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

During the quarter, AFP made contributions of \$69 (2016: \$71); year-to-date \$208 (2016: \$212) to the multi-employer pension plan. The unfunded vested benefit ratio was 68.0% at December 31, 2016 (2015: 45.89%). The Steel Workers Pension Trust was in a net deficit at December 31, 2016 and AFP's portion of the deficit was unknown. The collective bargaining agreements that require contributions to the multi-employer plan are set to expire December 31, 2017. The collective bargaining agreement requires that AFP contributes \$0.40 for each hour worked by eligible employees during the preceding wage month. Total estimated contribution to this plan for the 2017 fiscal year is \$296.

NOTE 15 SEGMENTED INFORMATION

IFRS 8, Operating Segments, requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and to assessing its performance. In the first quarter, the Company realigned the organizational and governance structures of its businesses 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. Consequently, as of September 30, 2017, the Company's operating segments are organized into the following reportable segments:

- Rubber Solutions. Includes manufacturing and distribution of rubber compounds, semi-finished rubber related products, and distribution of rubber compounding related chemicals.
- Engineered Products. Includes the manufacture and distribution of personal protection and safety products, primarily for CBRN hazards, and the manufacture and distribution of anti-vibration and noise dampening parts.
- Corporate. Includes corporate activities and certain unallocated costs.

All prior period segment disclosures have been recast to reflect the changes in the Company's reporting segments. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO/Chairman and President. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

Inter-company amounts, which represent items purchased from different segments, have been presented within the segment disclosure and are eliminated to arrive at the consolidated amounts.

The Company operates primarily within North America with respect to its rubber compound and automotive products and globally with respect to its rubber protective products and has production facilities in Canada and the United States.

Information about reportable segments Three months ended September 30	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
<i>In thousands of US dollars</i>	2017	2016	2017	2016	2017	2016	2017	2016
Segment net sales	38,289	31,592	41,053	40,889	—	—	79,342	72,481
Inter-segment sales	(7,496)	(5,786)	(9)	(29)	—	—	(7,505)	(5,815)
External net sales	30,793	25,806	41,044	40,860	—	—	71,837	66,666
Depreciation and amortization includes loss on disposal of property, plant and equipment	1,277	1,232	1,360	1,319	11	9	2,648	2,560
Finance cost	1,193	1,193	0	—	(611)	(523)	582	670
Reportable segment profit before income tax	275	1,744	2,615	2,521	261	(225)	3,151	4,040
Income tax expense / (recovery)	109	(558)	585	1,769	(347)	(286)	347	925
Net Income (loss)	166	2,302	2,030	752	608	61	2,804	3,115
Reportable segment assets ¹	95,456	84,933	125,683	120,422	10,432	19,763	231,571	225,118
Reportable segment liabilities ¹	23,083	20,085	17,146	15,467	76,713	80,283	116,942	115,835
Capital expenditures ²	472	620	767	739	351	—	1,590	1,359

¹ Comparative figures as at December 31, 2016.

² Comparative figures as at September 30, 2016.

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Notes to CFS (cont'd)

Information about reportable segments Nine months ended September 30	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
<i>In thousands of US dollars</i>	2017	2016	2017	2016	2017	2016	2017	2016
Segment net sales	116,051	97,308	121,611	125,410	—	—	237,662	222,718
Inter-segment sales	(21,873)	(17,914)	(148)	(216)	—	—	(22,021)	(18,130)
External net sales	94,178	79,394	121,463	125,194	—	—	215,641	204,588
Depreciation and amortization includes loss on disposal of property, plant and equipment	3,911	3,699	4,095	3,946	30	33	8,036	7,678
Finance cost	3,539	3,550	—	—	(1,444)	(1,373)	2,095	2,177
Reportable segment profit before income tax	5,172	6,336	6,279	9,649	(775)	(506)	10,676	15,479
Income tax expense/(recovery)	1,627	1,661	1,536	2,565	(1,347)	(1,168)	1,816	3,058
Net income (loss)	3,545	4,675	4,743	7,084	572	662	8,860	12,421
Reportable segment assets ¹	95,456	84,933	125,683	120,422	10,432	19,763	231,571	225,118
Reportable segment liabilities ¹	23,083	20,085	17,146	15,467	76,713	80,283	116,942	115,835
Capital expenditures ²	2,154	1,942	2,277	2,581	544	27	4,975	4,550

¹ Comparative figures as at December 31, 2016.

² Comparative figures as at September 30, 2016.

Geographical segments

The Rubber Solutions and Engineered Products segments operate manufacturing facilities and sales offices in the US and Canada, selling primarily in North American markets.

In presenting information on the basis of geographical segments, segment net sales is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Non-current assets include property, plant and equipment, software, goodwill, future income taxes and other assets.

<i>In thousands of US dollars</i>	Net Sales		Net Sales		Non-current assets		Non-current assets	
	Three months ended September 30	2016	Nine months ended September 30	2016	September 30	2016	December 31, 2016	
	2017		2017		2017			
Canada	11,009	9,935	35,027	33,512	45,196	44,978		45,612
United States	52,948	48,894	157,196	146,998	69,161	72,790		71,646
Other countries	7,880	7,837	23,418	24,078	—	—		—
	71,837	66,666	215,641	204,588	114,357	117,768		117,258

Major customers

Net sales from one customer represent approximately 9% (2016: 9%) of the Group's total net sales. Five customers represented 29% (2016: 32%) of the Company's total net sales.

Major products

<i>In thousands of US dollars</i>	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Rubber Solutions				
Tolling	1,315	1,257	5,383	4,214
Mixing	21,591	18,700	64,650	57,222
Industrial	7,886	5,846	24,144	17,956
	30,792	25,803	94,177	79,392
Engineered Products				
Defense	7,628	6,274	20,302	16,715
Automotive	33,417	34,589	101,162	108,481
	41,045	40,863	121,464	125,196
Total	71,837	66,666	215,641	204,588

NOTE 16 RELATED PARTIES**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.

NOTE 17 RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain comparative amounts for the prior period have been reclassified to conform to current period presentations. Such reclassifications had no effect on net income or shareholders' equity.

Corporate Information

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