

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of March 16, 2017 and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2016 prepared in accordance with *International Financial Reporting Standards* ("IFRS"). 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 Annual 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 Annual 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" and 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.

2016

MD&A (cont'd)

OVERALL PERFORMANCE

Fourth Quarter and Full Year Highlights

(In US dollars)

- Increased quarterly dividend by 7.7% to C\$0.07
- Free cash flows increased 79.2% to \$9,150 (\$0.40 per share) for the quarter
- Annual free cash flow increased 73.3% to \$23,425 (\$1.02 per share)
- Net debt to total capital reduced from 39.5% to 29.3% over the past twelve months

Selected Financial Information

*In thousands of US dollars, except share amounts outstanding,
per share amounts in US dollars*

Years ended December 31	2016	2015	2014
Financial results:			
Net sales	267,628	304,909	303,151
Net income	13,822	13,282	13,725
Net income per share			
– Basic	0.60	0.58	0.60
– Diluted	0.59	0.56	0.60
Adjusted EPS ¹			
– Basic	0.63	0.79	0.70
– Diluted	0.62	0.77	0.69
EBITDA ¹	29,645	29,949	28,948
Adjusted EBITDA ¹	30,532	36,133	31,873
Net cash from operating activities	29,740	22,961	15,545
Dividends declared per share	0.255	0.24	0.20
Capital expenditures	6,402	10,031	6,832
Financial position:			
Total assets	225,118	217,739	188,906
Term loan and other debt	73,206	76,922	50,948
Shareholders' equity	109,283	99,534	90,035
Outstanding shares	23,074,183	23,021,850	22,998,760
* at March 16, 2017			

AirBoss of America Corp.

MD&A (cont'd)

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
Adjusted EBITDA	Earnings before interest income, interest expense, income taxes, depreciation and amortization, and share-based compensation expenses
Free cash flows	Net cash provided by operating activities, less capital expenditures for the period

EBITDA, Adjusted EBITDA and Adjusted EPS are non-IFRS financial measures directly derived from the consolidated financial statements but do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to a similar measure presented by other issuers.

The Company discloses EBITDA and free cash flows, financial measurements 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. Neither measure should be considered as an alternative to, or more meaningful than net income (or any other IFRS financial measure) as an indicator of the Company's performance. Because EBITDA excludes some, but not all, items that affect net income, the EBITDA and Adjusted EBITDA presented by the Company may not be comparable to similarly titled measures of other companies.

A reconciliation of net income to EBITDA and Adjusted EBITDA is presented below:

<i>In thousands of US dollars</i>	2016	2015
Net Income	13,822	13,282
Finance costs	2,830	2,296
Depreciation and amortization of intangible assets	10,343	9,595
Income tax expense	2,650	4,776
EBITDA	29,645	29,949
Add back:		
Share-based compensation attributed to changes in share price	887	6,184
Adjusted EBITDA	30,532	36,133

RESULTS OF OPERATIONS – For years ended December 31, 2016 compared to 2015

NET SALES

Consolidated net sales for the year ended December 31, 2016 decreased 12.2% to \$267,628 and were down across all business segments compared to 2015. The decrease in Rubber Compounding was due to a drop in volume and raw material prices, where savings are passed through to customers. Sales within Engineered Products were down due to a decrease in the defense business while the industrial business achieved close to double digit growth over the prior year. In the Automotive segment, the decline in net sales was largely due to the completion of a large production program in muffler hangers in the second half of the year.

<i>In thousands of US dollars</i>		Rubber Compounding	Engineered Products	Automotive	Total
Net Sales	2016	79,954	46,572	141,102	267,628
	2015	110,476	51,562	142,871	304,909
(Decrease) \$		(30,522)	(4,990)	(1,769)	(37,281)
(Decrease) %		(27.6)	(9.7)	(1.2)	(12.2)

Rubber Compounding

Net sales for the year ended December 31, 2016 decreased 27.6% to \$79,954, from \$110,476 in the same period in 2015. The drop in net sales was partly due to an 11.8% decline in raw material prices, where savings are passed on to customers. In addition, volume (measured in pounds shipped) decreased 25.9% compared to last year. The decrease was due to softness in demand in the conveyor belt, chemical and mining sectors, which were partly offset by increases in the off the road ("OTR") and defense sectors.

Tolling volumes for the year ended December 31, 2016 decreased 48.1% compared to 2015. The decrease was in the conventional tolling applications and was partly offset by an increase in niche tolling. Tolling rates, on the other hand, increased 32.1% over 2015.

Engineered Products

Net sales in the Engineered Products segment for the year ended December 31, 2016 decreased 9.7% to \$46,572, compared to the same period last year. The Engineered Product segment is comprised of the industrial products and defense businesses. Net sales reflect the repositioning of fireboots from the industrial business to the defense business in 2016.

Net sales in the industrial business increased \$1,940, which was more than offset by a decrease in the defense business of \$6,930. The increase in the industrial business was principally in the track sector. The decrease in the defense business was largely due to a drop in sales activity following the completion of a 2015 contract in the boot product line which was only partially offset by improved net sales in the glove, mask and shelter product lines. In addition, two major contract delays in 2016 resulting from customer specification changes delayed the delivery of these contracts, which are now expected to ship in the second half of 2017.

RESULTS OF OPERATIONS – For years ended December 31, 2016 compared to 2015**Automotive**

For the year ended December 31, 2016, net sales for the Automotive segment decreased moderately by 1.2% from 2015, to \$141,102. The decrease was primarily in the muffler hangar product line as a result of the end of production under a large program in the second half of the fiscal year. Management is actively seeking to minimize the impact between the completion of sizable production programs and the commencement on newer programs and is seeking additional opportunities in the market place. The decrease in the muffler hangar product line was partially offset by increased net sales in induction bonding, which grew by 12.5%, and dampers and bushings where growth was reflective of the increased demand in the light truck sector.

GROSS PROFIT

For the year ended December 31, 2016, consolidated gross profit was \$46,596 (17.4% of net sales) compared to \$55,334 (18.1% of net sales) in 2015. The decrease in gross profit was due to lower sales across the three business segments, which more than offset the successful operational efficiency and expense control initiatives across the Company.

<i>In thousands of US dollars</i>		Rubber Compounding	Engineered Products	Automotive	Total
Gross Profit	2016	17,716	8,622	20,258	46,596
	2015	22,261	10,353	22,720	55,334
(Decrease) \$		(4,545)	(1,731)	(2,462)	(8,738)
% net of sales	2016	22.2	18.5	14.4	17.4
	2015	20.2	20.1	15.9	18.1

Rubber Compounding

For the year ended December 31, 2016, gross profit for Rubber Compounding decreased \$4,545 to \$17,716 (22.2% of sales) from \$22,261 (20.2% of sales) for the comparable period in 2015. The decrease was largely due to the drop in net sales for the reasons discussed above and partly offset by cost reduction initiatives, including productivity improvements and better control over raw material purchases.

Engineered Products

Gross profit for the year ended December 31, 2016 in the Engineered Products segment decreased \$1,731 to \$8,622 (18.5% of sales) compared to \$10,353 (20.1% of sales) in 2015. The drop is reflective of the decrease in net sales described above as well as the change in product mix. In addition, the first half of the fiscal year was marked by labour inefficiencies related to production transferred in 2015 to Acton Vale, Quebec from Vermont which further dampened margins. Management has taken initiatives in 2016 to improve these inefficiencies and, as expected, improvements in the second half of the fiscal year were achieved. The Company has also begun further cost reduction efforts in both the industrial products and defense business which are expected to carry through 2017.

Automotive

Gross profit for the year ended December 31, 2016 was \$20,258 (14.4% of net sales) compared to \$22,720 (15.9% of net sales) in 2015. The decrease was principally due to lower volumes and product mix.

OPERATING EXPENSES

Consolidated operating expenses for the year ended December 31, 2016 decreased \$7,686, to \$27,294, compared to the same period in 2015. The decrease was principally due to one-time expenses in 2015 related to share-based compensation expenses (\$5,297), restructuring costs associated with the acquisition of Immediate Response Technologies, LLC ("IRT") (\$1,304), and expenses associated with the closure of the Vermont plant (\$1,134).

As a percentage of net sales, operating expenses for the year ended December 31, 2016 decreased to 10.2% from 11.5% in 2015.

<i>In thousands of US dollars</i>		Rubber Compounding	Engineered Products	Automotive	Unallocated Corporate Costs	Total
Operating Expenses	2016	5,896	10,228	8,385	2,785	27,294
	2015	7,424	10,818	8,379	8,359	34,980
Increase (decrease) \$		(1,528)	(590)	6	(5,574)	(7,686)
% net of sales	2016	7.4	22.0	5.9	N/A	10.2
	2015	6.7	21.0	5.9	N/A	11.5

Rubber Compounding

Rubber Compounding's operating expenses for the year ended December 31, 2016 were down 20.6% to \$5,896 compared to \$7,424 in 2015. The decrease was principally due to lower administrative costs and a specific provision of \$431 for doubtful accounts taken in 2015. There were no such provisions required to be taken in 2016.

Engineered Products

Operating expenses for the year ended December 31, 2016 in Engineered Products decreased \$590 compared to the same period last year. The decrease was largely due to certain one-time costs incurred in 2015, of which \$1,304 related to acquisition costs for the purchase of IRT and \$1,134 related to restructuring expenses associated with the closure of the Vermont plant, as well as certain rightsizing initiatives further contributed to the decrease. These decreases were partly offset by a full year of operating expenses for IRT in 2016 compared to six months in 2015.

Automotive

Operating expenses for the year ended December 31, 2016 were relatively flat at \$8,385 compared to \$8,379 in 2015. Higher recruitment and administration costs were partly offset by lower bad debt expenses as a result of improvements in collections.

AirBoss of America Corp.

MD&A (cont'd)

RESULTS OF OPERATIONS – For years ended December 31, 2016 compared to 2015

Unallocated Corporate Costs

Unallocated corporate costs decreased by \$5,574 from 2015, primarily as a result of lower share-based compensation expense of \$5,297.

FINANCE COST

<i>In thousands of US dollars</i>		Rubber Compounding	Engineered Products	Automotive	Unallocated Corporate Costs	Total
Finance cost	2016	4,727	15	-	(1,912)	2,830
	2015	3,582	14	10	(1,310)	2,296
Increase (decrease) \$		1,145	1	(10)	(602)	534
% of net sales	2016	5.9	0.0	-	N/A	1.1
	2015	3.2	0.0	0.0	N/A	0.8

Finance costs in 2016 were \$2,830 (2015: \$2,296). The increase in expense was primarily due to the timing of increased borrowing levels as a result of the IRT acquisition.

INCOME TAX EXPENSE

The Company recorded an income tax expense of \$2,650 (2015: \$4,776) or an effective income tax rate of 16.09% (25.92% in 2015). The statutory rate in Canada in 2016 was 26.5%.

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.

<i>In thousands of US dollars</i>	Tax expense		Rate	
	2016	2015	2016	2015
Expected AirBoss of America Corp. statutory rate	4,365	4,765	26.50%	25.00%
Foreign rate differential	69	607	0.42%	3.28%
Effect of permanent differences	(1,542)	(582)	(9.36%)	(3.14%)
Filing differences	(256)	42	(1.55%)	0.23%
Other	14	(56)	0.08%	0.55%
Actual tax	2,650	4,776	16.09%	25.92%

NET INCOME AND EARNINGS PER SHARE

Net income in 2016 amounted to \$13,822, compared to \$13,282 in 2015. The basic and fully diluted net earnings per share were \$0.60 (2015: \$0.58) and \$0.59 (2015: \$0.56) based on basic and fully diluted shares outstanding of 23,061,534 (2015: 23,019,130) and 23,555,978 (2015: 23,544,976), respectively. The increase is primarily attributable to lower restructuring costs, acquisition expenses, share-based compensation and tax expense, partly offset by lower gross margin and higher financing costs.

QUARTERLY INFORMATION

<i>In thousands of US dollars</i>			Net Income per share	
Quarter Ended	Net Sales	Net Income	Basic	Diluted
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
September 30, 2015	77,513	4,036	0.18	0.17
June 30, 2015	76,964	2,378	0.10	0.10
March 30, 2015	76,856	3,180	0.14	0.14

Items impacting comparability of quarters

- 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.

Fourth Quarter 2016 Results

In the fourth quarter of 2016, the company continued to face similar pressure on net sales as experienced in the first three quarters:

NET SALES

Consolidated net sales in the fourth quarter of 2016 decreased by 14.3% to \$63,040 from \$73,576 last year and were down in all segments.

MD&A (cont'd)

Rubber Compounding

Net sales for Rubber Compounding for the quarter declined 20.2% to \$18,518 from \$23,202 in the same period last year. The decrease in net sales was partly due to a 4.9% decline in raw material prices, where the savings were passed onto the customers. Volume (measured in pounds shipped) also contributed to the decrease and was down 26.2%. The decrease was primarily in the conveyor belt and conventional tolling, as well as with our chemical distribution business, with some improvements in OTR, mining and industrial sectors.

Tolling volumes for the quarter dropped 62.3% compared to last year.

Engineered Products

Engineered Products 2016 fourth quarter net sales decreased by 17.9% to \$11,900 compared to last year. A \$3,409 decrease in net sales for the defense business was partially offset by an \$816 increase in the industrial business. The decrease in the defense business was principally due to the overboots product line following completion in 2015 of a major contract. In addition, net sales were down in Power Air Purifying Respirators ("PAPR"), which was partially offset by increases in the glove and mask product lines. The increase in the industrial business was mainly due to higher sales in the track sector.

Automotive

For the three month period ended December 31, 2016, net sales in the Automotive segment decreased 9.1% to \$32,622 from \$35,881 in 2015, due to softness in the majority of its product lines.

GROSS PROFIT

Consolidated gross profit in the fourth quarter of 2016 decreased to \$8,881 (14.1% of net sales) from \$13,337 (18.1% of net sales) compared to the same period in 2015 as a result of lower net sales and an inventory adjustment in the Automotive segment.

Rubber Compounding

For the three months ended December 31, 2016, gross profit at Rubber Compounding was \$3,734 (20.2% of net sales) compared to \$5,482 (23.6% of net sales) in 2015. The decrease was due to the drop in net sales described above.

Engineered Products

Gross profit for the quarter at Engineered Products was down \$819 to \$2,031 (17.1% of net sales) compared to \$2,850 (19.7% of net sales) in 2015. The decrease was mainly due to the drop in net sales in the defense business which was partially offset by increased sales in the industrial business and efficiency improvements related to absorption of production activities into Acton Vale, Quebec as a result of the closure of the Vermont plant in 2015.

Automotive

Gross profit for the three month period ended December 31, 2016 decreased \$1,889 to \$3,116 (9.6% of net sales) compared to \$5,005 (13.9% of net sales) for the comparable period in 2015. The decrease was mainly attributable to lower volumes and product mix.

OPERATING EXPENSES

Consolidated operating expenses decreased by \$83 compared to the fourth quarter in 2015. This was primarily due to \$383 of lower restructuring costs incurred by Engineered Products in 2015 that didn't reoccur in 2016, and partially offset by higher research and development costs net of tax credits of \$122 and higher foreign exchange losses of \$191.

INCOME TAX EXPENSE

Tax expense decreased by \$1,915 as a result of lower income before tax and as a result of having used all tax losses in the US allowing the Company to be eligible for a reduced rate as a manufacturer in the US.

LIQUIDITY AND CAPITAL RESOURCES**Overview**

The Company expects to fund its 2017 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and committed borrowing capacity. The Company's operating revolving loan facility provides financing up to \$60,000 (2015: \$60,000). No amount was drawn against this facility at December 31, 2016.

For the period ended December 31, 2016, \$29,740 of cash was provided by operations, (2015: \$22,961), \$5,614 (2015: \$46,583) was used for investing activities and \$8,091 (2015: \$22,468 provided by) was used in financing activities. Cash and cash equivalents increased by \$16,010 from \$11,961 to \$27,971 adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

The factors contributing to the changes in cash from operating activities compared to 2015 include:

- higher profit for the year of \$540 primarily related to lower share-based compensation expense, restructuring costs, and acquisition expenses; and
- cash provided by working capital was \$3,350 (2015: \$1,646 used for) for the period ended December 31, 2016.

Accounts receivable increased by \$242. 76% of outstanding receivables are within credit terms, which is consistent with December 31, 2015 balances.

Inventory at Rubber Compounding has decreased by \$1,962 due to timing of purchase deliveries and lower raw materials costs. Inventory at Automotive decreased \$2,219 reflecting the inventory adjustment and management's focus on inventory management initiatives and increased at Engineered Products by \$356.

Prepaid expenses increased \$923 reflecting higher prepaid inventory at Rubber Compounding and higher prepaid expenses at Automotive compared to the prior year.

Accounts payable increased \$693 due to timing of payments.

Income tax paid was \$1,775, \$1,251 lower than taxes paid in 2015.

The Company paid interest of \$2,334 in 2016 (2015: \$1,733).

AirBoss of America Corp.

MD&A (cont'd)

Investing Activities

Acquisition of subsidiary

On July 24, 2015, the Company, through its wholly-owned subsidiary AirBoss-Defense Inc., acquired all of the membership interests of IRT for \$35,849 financed with new term debt under its existing credit facilities.

Property, Plant and Equipment

In 2016, Rubber Compounding invested \$252 in North Carolina's equipment for utilization improvement projects and \$16 on mixer replacement efforts to support growth. In Kitchener, \$284 was invested in operational efficiencies, and \$2,384 to replace capital and manufacturing equipment.

Engineered Products invested \$1,511 in property, plant and equipment. Of this, \$509 was invested in growth support initiatives, \$73 on cost savings efforts, \$753 to replace industrial machinery and equipment, and \$176 mainly to support health and safety and product research. In 2016, Engineered Products' capital investment was offset by a reduction in capital assets of \$1,272 in respect of provincial tax credits.

Automotive invested \$1,074 to purchase machinery and equipment for growth initiatives, \$364 to replace existing machinery and upgrade system requirements, \$205 mainly to support cost saving and environmental initiatives, and \$221 mainly to support health and safety.

Corporate invested \$6 in sustaining capital.

Intangible assets

The Company invested \$87 in software to support customer requirements, management, costing maintenance and ancillary systems.

Financing activities

During 2015, the Company amended its senior secured credit facilities to, among other things, increase the availability to approximately \$138,000, extend the maturity of the facilities and increase flexibility under the governing credit agreement to support future growth opportunities.

The Company's current credit facilities 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 were extended from October 2018 to December 2020, while the maturity date of the C\$ term loan remains at October 2018.

Deferred financing fees, less accumulated amortization have been deducted against the term loan for presentation purposes.

In 2015, deferred financing fees of \$247 relating to the \$38,000 term debt loan to acquire IRT were incurred. Deferred financing fees of \$958, in regards to the amended agreement (dated December 10, 2015) were incurred. Deferred financing fees of \$282, which includes a write-down of \$148 in regards to the original credit agreement (dated October 2013) were expensed.

The fees are being amortized over 5 years and \$265 (2015: \$15) has been amortized and is included in finance costs.

Interest expense in 2016 on the term loans was \$2,239 (2015: \$1,575).

Commitments and contractual obligations

The Company's contractual obligations as at December 31, 2016 are summarized below:

	2017	2018	Payments Due In		2021	Thereafter	Total
			2019	2020			
Term loan and other debt	4,009	8,356	5,625	56,250	-	-	74,240
Operating leases - equipment	127	67	24	8	-	-	226
Operating leases - premises	1,602	1,602	1,360	432	396	-	5,392
Purchase obligations	718	-	-	-	-	-	718
Total	6,456	10,025	7,009	56,690	396	-	80,576

The Company has inventory purchase commitments at the end of 2016 for its Engineered Products and Rubber Compounding business segments of \$718 and \$nil (2015: \$3,059 and \$735) respectively. The Automotive segment had no inventory purchase commitments at the end of 2016 and 2015.

Government assistance

During 2016, Rubber Compounding recognized grants of \$60 (2015: \$19); Engineered Products recognized grants of \$70 (2015: \$498); and Automotive recognized grants of \$13 (2015: \$nil) to support certain initiatives which were offset against expenses.

Scientific research and investment tax credits of \$617 (2015: \$489) were recognized in 2016; research and development costs were reduced accordingly. In addition, \$1,272 (2015: \$213) was recognized as a reduction to capital assets in respect of provincial tax credits.

Dividends

A quarterly dividend of \$0.065 per share was declared on November 14, 2016 and paid on January 12, 2017. Total dividends declared during 2016 were \$0.255 per common share compared to \$0.24 per common share in 2015.

Outstanding shares

As at March 16, 2017 the Company had 23,074,183 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 CEO and Chairman of the Company. The monthly lease rate approximates fair market rental value. During the year, the Company paid rent for the corporate office of \$136 (2015: \$143).

During the year, the Company paid fees for the use of a facility in South Carolina of approximately \$21 (2015: \$22) to a company in which the CEO and Chairman is an officer.

In addition, during the year, Flexible paid rent of \$1,170 to a company controlled by the former President of Automotive for its office and manufacturing facilities (2015: \$1,115). The lease provides for monthly payments equivalent to an annual rental of \$1,170 and expires in 2019.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management includes directors (executive and non-executive), CEO, President, CFO and divisional presidents. The compensation expense to key management for employee services is shown below:

December 31 <i>In thousands of US dollars</i>	2016	2015
Salaries and other short term benefits	2,217	2,211
Pension/Post-employment benefits	45	43
Share-based payment expense	775	5,402
	3,037	7,656

The amounts disclosed in this table are the amounts recognized as operating expenses for accounting purposes during the period and do not necessarily represent amounts receivable or received in cash.

Key management and directors own 25.6% of the outstanding common shares.

In April 2014, the Company invested \$550 in the form of a convertible promissory note in a company of which the 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 2016, the Company agreed to amend the terms of the promissory note to increase the interest rate of the loan to 15% per annum and extend the maturity date to April 11, 2017, at which time the principal and accrued interest on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

The convertible promissory note is accounted for as a loan receivable with separation of the conversion options that represent embedded derivatives. The loan is initially recognized at its fair value by discounting future cash flows at market interest rate for similar financial debt without the conversion options and is subsequently measured at amortized cost. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

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 2015.

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 the second quarter of 2016, the outstanding share purchase loan of \$764 (CAD \$1,000) was repaid in full by the former Chief Financial Officer. During the fourth quarter of 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 \$1,262 were pledged as collateral on these three loans. At December 31, 2016, the promissory notes of \$1,119, including accrued interest of \$12, were included in other assets. During the year, interest of \$12 (2015 \$16) was paid.

NEW STANDARDS AND INTERPRETATIONS ADOPTED AND NOT YET ADOPTED**ADOPTED**

On December 18, 2014 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" ("IAS 1") as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). Effective January 1, 2016, the Company adopted the IASB issued amendments to IAS 1 "Presentation of Financial Statements." The adoption of these amendments had no significant impact on the financial statements.

NOT YET ADOPTED

In July 2014 the IASB finalized IFRS 9, "Financial Instruments" ("IFRS 9"). The new standard includes revised guidance on the classification and measurement of financial assets and liabilities, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the new standard on its consolidated financial statements and does not expect the adoption of this standard to have a material impact on the financial statements.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of net sales from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

On January 13, 2016 the IASB issued IFRS 16 "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company's preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company's estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of the Company's ongoing evaluation of these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts for revenues and expenses. Actual results may differ from these estimates under different assumptions. These estimates and assumptions are affected by management's application of accounting policies.

The Company's critical accounting policies are those that affect our Consolidated Financial Statements materially and involve a significant level of judgment by the Company. A summary of the significant accounting policies, including critical accounting policies, is set forth in Note 3 to the Consolidated Financial Statements. The Company's critical accounting estimates include valuation of accounts receivable and inventory, valuation of goodwill and other long-lived assets, accounting for income taxes, and government assistance.

Valuation of Accounts receivable

There were no significant provisions for accounts receivable recognized in 2016.

Valuation of inventory

The majority of the Company's products are manufactured against orders and inventory on hand is primarily raw materials or finished goods awaiting shipment or customer release.

A provision for obsolete inventory is established based on materials on hand that can no longer be used for customer orders based on a review of historical and forecasted sales, as well as a technical review to see if such materials can be reworked.

Management reviews the carrying cost of its inventory to ensure it is measured at the lower of cost and net realizable value by examining current replacement cost and the quoted pricing to customers over the estimated time frame to consume the inventory on hand and irrevocable commitments.

The Company's provision for obsolete inventory and the write-down of inventory to net realizable value may require an adjustment should any of the above factors change.

At December 31, 2016, a reserve for impaired inventory in Rubber Compounding represents \$493 (2015: \$506). Engineered Products maintains a provision of \$513 (2015: \$482) related to certain styles and sizes of protective wear. Automotive recognized \$180 (2015: \$144) as a reserve for impaired inventory.

Valuation of Goodwill

The Company reviews and evaluates goodwill for impairment when an indicator of impairment exists in the associated cash generating units, but at least on an annual basis. In determining whether impairment has occurred in one of the Company's cash generating units, management compares the cash generating unit's carrying value to its recoverable amount based on value in use. Value in use was determined by the future cash flows generated from the continuing use of the unit. The calculations are most sensitive to the discount rate and growth rate. Determination of growth rate is based on a number of assumptions arising from the most current financial performance of each cash generating unit, the upcoming annual budget for each reporting unit and the historical variability of earnings. Other factors, such as any foreign exchange volatility and volatility in world markets for rubber and carbon black can also materially alter our expectations. Accordingly, management's judgment is required to determine whether these factors at any one point in time and in light of business initiatives, suggest a major change, positive or negative, to the prospects of the business and, therefore, to the valuation of goodwill. No impairment charge was required in 2016 or 2015.

Other Long-lived Assets

The Company reviews and evaluates long-lived assets for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be fully recoverable. The net recoverable value of an asset, or cash generating unit, is calculated as the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Future net cash flows are developed using assumptions that reflect the planned course of action for an asset given management's best estimate of the most probable set of economic conditions. Inherent in these assumptions are significant risks and uncertainties. In the view of management, there are no indicators of impairment based on assumptions which they believe to be reasonable and no impairment charge was recorded in 2016 and 2015.

Accounting for Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the Consolidated Financial Statements. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and future tax liabilities and assets for the future tax consequences of events that have been recognized in the Consolidated Financial Statements or tax returns. In determining both the current and deferred components of income taxes, the Company interprets tax legislation in a variety of jurisdictions, as well as makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities and recognition of deferred tax assets is based on a probable criteria. If its interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision or relief for income taxes could increase or decrease in future periods. Additional information regarding our accounting for income taxes is contained in Note 15 to the Consolidated Financial Statements. Deferred tax assets have been recorded relating to loss carry-forward amounts as management believes it is more likely than not that these will be used before expiration.

Government Assistance

Management evaluates its best estimates of the amount of government grants recoverable at each reporting date as an offset against the related expense or capital expenditure, under the terms of agreements or based on its interpretation of existing government programs. If its interpretations differ from those of the relevant tax authorities or program administrators, the amount recoverable may increase or decrease in future periods.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

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 a loss of \$58 was recorded in 2016 on the statement of financial position included in trade and other payables, including derivatives and changes in fair value recorded on the statement of income as expense. There were no forward contracts outstanding at December 31, 2015.

Interest rate swap

During 2015, the Company entered into an interest rate swap agreement for a notional amount of \$22.5 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 0.98%. The swap agreement matures on February 27, 2017.

During 2016, the net interest expense of the swap agreement was \$125 and \$125 was paid (2015: \$180 and \$196 was paid).

For the year ended December 31, 2016, the fair value of this agreement, representing a loss of \$11, (2015: loss of \$73) is 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 it does not intend to hold for trading or speculation purposes.

RISK FACTORS

Impact of Economic Cycle

The demand for the Company's products can vary in accordance with general economic cycles and the economic conditions of the industry sectors that are served by the Company. In addition, a number of such industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the automotive, tire, energy generation, construction, mining and transportation industries because these industries are significant markets for the Company's business and are highly cyclical. In a severe economic slowdown, prices for coal, copper and other mined materials may fall, affecting demand for conveyor belting, off-road retread tires and other rubber products manufactured by our customers from rubber compounds manufactured by the Rubber Compounding segment. The global automotive industry is also cyclical, with the potential for regional differences in timing of expansion and contraction. A significant decline in automobile production volumes for the North American market from current levels could have a material adverse effect on the profitability of our Automotive segment. In the defense business line of Engineered Products, the timing and size of orders from government defense departments worldwide is highly dependent on the political climate in the applicable jurisdiction, the broader geopolitical climate and their impact on defense budgeting and spending.

Political Uncertainty and Policy Change

Certain of the business sectors in which we and our customers operate, particularly in the automotive and defense businesses, are highly globalized industries. Election of protectionist governments or implementation of protectionist trade policies could negatively impact the movement of goods, services and people across borders, including within North America. Uncertainty created by rapidly changing political circumstances may impact our ability to plan effectively for our businesses over the short- and medium-terms, until such time as policy changes or new laws, if any, are implemented. For example, such uncertainty may affect plans relating to establishing operations in new locations (directly or through joint ventures) or potential acquisitions. A material variation between our planning assumptions and actual outcomes could have a material adverse effect on our profitability and financial condition.

Dependence on Key Customers and Contracts

From time to time, a significant portion of the Company's sales for a given period may be represented by a relatively small number of customers. Net sales from one customer represent approximately 9% (2015: 8%) of the Group's total net sales in 2016. Five customers represented 31% (2015: 32%) of the Company's total net sales in 2016. While the Company continues to work on diversification of its customer base in all segments, there is no assurance of continued success and shifts in market share away from these top customers could adversely impact our profitability.

Raw Materials and Inventory

The Company depends on various outside sources of supply for raw materials used in the production of its products, the price and availability of which are subject to market conditions. As a result, any shortage of such raw materials could potentially delay delivery of our products, increase our costs and decrease profitability. The Company maintains multiple supply sources in different areas of the world to mitigate the risk of shortages or price increases experienced in certain, but not all, markets. However, there can be no assurance that such multiple supply sources can be maintained in the future and multiple sources cannot overcome a global shortage in a particular raw material, should one occur.

Historically, raw material markets have been extremely volatile with key materials doubling or halving in price within a relatively short period, and the Company does not expect such volatility to cease. Excess inventory or shortages of raw material could prove costly to the Company in these markets.

The Company does not have long-term supply contracts with its suppliers and purchases most raw materials on a purchase order basis. The price of many raw materials, such as, natural rubber, carbon black and synthetic rubber, ethylene propylene diene monomer ("EPDM") and silicone is directly or indirectly affected by factors such as exchange rates and the price of oil and, in the case of natural rubber, weather conditions that impact harvest seasons. Although the Company attempts to pass price changes in raw materials on to its customers, it may not always be able to adjust its prices, especially in the short-term, to recover the costs of increased raw material prices. Conversely, if raw material prices decrease significantly and rapidly, the Company may be at risk to recover the cost of any inventory purchased based on demand at higher prices.

The following table approximates the financial impact (assuming changes are not passed along to its customers) on the Company of a 10% increase in the cost of its most critical raw materials based upon purchases made in the respective years:

\$Millions	Earnings before tax	
	2016	2015
Natural and synthetic rubber	(1.60)	(2.06)
Carbon black	(0.72)	(1.24)
EPDM	(0.58)	(0.68)
Silicone	(0.90)	(1.02)
	(3.80)	(5.00)

MD&A (cont'd)

Weather

The Company uses natural rubber in the manufacture of certain rubber products. Weather conditions impact the harvesting season and supply of natural rubber.

Certain products are acquired overseas by ocean freight. Weather conditions can impact timely delivery.

Competition and Price Pressure

The Company competes directly against major North American and international companies in the custom rubber compounding, automotive and industrial rubber product market segments. Some of these companies have strong established competitive positions in these markets and may be sheltered by domestic tariffs. In the case of rubber compounding, the industry leader may have greater resources, both financial and technical, than the Company and has long-standing relationships with some of the Company's prospective customers using well-established marketing and distribution networks. Furthermore, customers of several industry sectors are price sensitive and thus, certain of the more commodity-like products in our businesses can be affected by severe price pressure, which in turn could adversely impact our profitability in those areas.

Contract-related Risks

Contracts from many of our customers, particularly in Rubber Compounding and Automotive, consist of individual purchase orders or blanket orders under umbrella supply agreements. In these cases, there is no obligation on any customer to continue to issue individual purchase orders and most umbrella supply agreements do not impose minimum purchase requirements and also permit the customer to terminate blanket orders at any time. The termination of blanket orders could result in the Company incurring various pre-production, engineering and other costs that we may not recover from our customer and which could have an adverse impact on our profitability. In addition, it is difficult to predict accurately when opportunities to win contract awards for defense products from Canadian, United States or other foreign governments will arise and how long the contract tender to award and subsequent commencement of production process will take. A prolonged tender process without a corresponding award could also result in the Company incurring various pre-production, engineering and other costs that we may not recover and which could have an adverse impact on our profitability.

Currency Exposure

The Company has revenues and expenses denominated in both Canadian ("CAD") and US ("USD") dollars. In addition, the cost to the Company of certain key raw materials and other expense items and the competitiveness of prices charged by the Company for its products will be indirectly affected by currency fluctuations. Changes in the value of the Canadian dollar relative to the US dollar could have a material positive or adverse effect on the Company's results of operations.

The Company reviews its currency exposure positions from time to time and reacts accordingly by increasing or decreasing the proportion of operating or term loan denominated in CAD funds as a natural balance sheet hedge or establishing forward contracts to purchase CAD funds to manage its foreign exchange risk related to cash-flow. However, there is no assurance that such strategies will be successful or cost effective and the profitability of the Company's business could be adversely affected by currency fluctuations. The following table approximates the following impact on the Company of a \$0.10 decrease in the value of one CAD dollar in the Company's USD functional currency (million):

\$Millions	Earnings before tax	
	2016	2015
Sales (1)	(2.8)	(2.5)
Purchases (2)	4.4	6.3

(1) Based upon Canadian dollar-denominated sales in 2016.

(2) Based upon combined 2016 Canadian purchases and expenses.

Health, Safety and the Environmental

The Company's operations are subject to extensive health, safety and environmental (HSE) regulations by federal, provincial, state and local authorities. The Company employs individuals who undertake manufacturing activity and handle various substances in its manufacturing process, the nature of which may expose the Company to risks of causing or being deemed to have caused injury or environmental or other damages. The Company regularly assesses its policies and procedures relating to workplace safety in its production facilities. While its use of potentially hazardous materials is limited, the Company ensures that its operations are conducted in a manner that minimizes such risks and maintains insurance coverage considered reasonable by management. To date, no regulatory authority has required the Company to pay any material fines or remediation expenses in connection with any alleged violation of HSE regulation. However, there can be no assurance that future personal injury or environmental damage will not occur or that personal injury or environmental damage due to prior or present practices will not result in future liabilities. While management believes that the Company is in substantial compliance with all material HSE government requirements relating to its operations, changes in government laws and regulations are ongoing and may make HSE compliance increasingly expensive. It is not possible to predict future costs, which may be incurred to meet environmental obligations.

Product Liability and Warranty Claims

As a manufacturer of rubber-based and other products, the Company faces a risk of product liability and warranty claims from its direct customers and, in some cases, from end-users of its products. Although the Company carries commercial general liability insurance of the types, and in the amounts it believes to be reasonable by industry standards, any claim which is successful and is not covered by insurance or which exceeds the policy limit could have a material adverse effect on the Company.

Capacity and Equipment

The rubber compounding facilities have an annual capacity to produce approximately 400 million turn pounds.

The Company remains committed to continuous maintenance and upgrading of its equipment. Critical equipment remains not only in a high state of repair, but is also technologically up to date so that the Company is able to ensure the reliability of supply to its customers at competitive prices and at a high quality standard.

The Company has also made investments in capacity and efficiency in its Acton Vale operations. In recent years, the Company purchased molds and injection molding equipment to enhance its presence in protective products, such as CBRN protective gloves, defense footwear and gas masks. The acquisition of Flexible and IRT increased the number of rubber injection molding presses and other types of manufacturing and testing equipment.

Should additional equipment be required to fulfill any substantial increases in sales, it can be readily sourced in the market.

MD&A (cont'd)

Production Disruptions

Our production facilities, and those of our subcontractors, are subject to risk of shut-down caused by fire, natural disaster or other catastrophic event, labour conflicts or other forces or events beyond our control, or could result from a disruption of supply of source materials from suppliers and sub-suppliers. Any prolonged shut-down of one or more of our production facilities or that of our subcontractors could result in a materially negative impact on our profitability.

Acquisitions and Integration

As part of our growth strategy, we will continue to pursue acquisitions in areas we have identified as consistent with such strategy. However, there can be no assurance that we will identify suitable targets for acquisition or be able to acquire suitable targets successfully. In addition, there is also a risk that the Company may not be able to successfully integrate any acquisition or achieve all or any of the anticipated synergies of such acquisition or to do so within the anticipated timelines, any of which could adversely impact our profitability and financial condition.

Key Personnel

The Company's future success largely depends on its ability to recruit, retain and develop qualified managers and other key personnel. If key persons leave the Company and successors cannot be recruited or if the Company is unable to attract qualified personnel, this could have a negative impact on our profitability and financial condition.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the fiscal year of the Company, 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 December 31, 2016, 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 period, there have been no changes in the Company's existing 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The CEO/Chairman and the CFO have supervised management in the evaluation of the design and effectiveness of the Company's internal controls over financial reporting as at December 31, 2016 and believe the design and effectiveness of the internal controls to be effective.

OUTLOOK

Looking ahead to 2017, the Company aims to increase earnings while managing costs and completing a number of initiatives still in progress from 2016. The key objective of these initiatives is to strengthen the Company's business platform and the resources available to its leadership teams. With its strong balance sheet position and cash flow heading into 2017, the Company is able to invest in information technology and capital expenditures required to support innovation, enhance operational efficiencies and further strengthen existing controls, as well as the capacity to execute on potential acquisitions. By further enhancing and standardizing the existing business platform, the Company will be in a position to integrate new business opportunities more effectively and in a timely manner.

In 2017, Rubber Compounding will continue to work on expanding and diversifying its client base to include more customers that require more sophisticated and higher margin compounds. This business still has excess capacity, and the goal is to fill it. Early indications from customers in 2017 have been encouraging, as demand in the OTR and industrial sectors continues to grow, and activity in the mining and oil & gas sectors are showing signs of improvement over prior years.

The defense business within Engineered Products has started 2017 with a stronger order book than 2016. This is due, in part, to the anticipated commencement of delivery in the second half of the year on contracts delayed in 2016 as a result of customer-driven specification changes. In addition, the Company is encouraged by the possibility of improving prospects for defense spending in certain countries, including the United States, based on proposed policy changes. With the restructuring work accomplished in 2016, a strong leadership team and ongoing improvement initiatives, the defense business is well positioned to win awards. However, there can be no certainty as to the timing or nature of government policy changes and their impact on defense budgeting, nor with respect to timing or size of expected tenders and awards of new business.

Under the leadership of its new president, the Automotive segment's primary focus in 2017 will be to align engineering and sales resources for customer support and product development in all markets. Automotive's platform life-cycle management will be strengthened by selling more aggressively in its traditional automotive markets, while rolling out campaigns for ancillary markets where anti-vibration and noise abatement solutions are required, such as industrial and agricultural. However, the uncertainty created by rapidly changing political conditions that could affect globalized industries, such as automotive, may impact our ability to realize these objectives and affect our ability to plan effectively until specific policy changes, if any, are announced.

AirBoss is committed to enhance shareholder value by driving sustainable profitable growth. With its strong balance sheet and ongoing free cash flow reducing debt, the Company remains well positioned to do so in the right circumstances and in a prudent fashion.