

Interim Condensed Consolidated Statement of Financial Position

Unaudited

<i>In thousands of US dollars</i>	<i>Note</i>	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		8,899	17,862
Trade and other receivables, including derivatives	4, 6, 8	56,843	57,080
Prepaid expenses		5,890	4,806
Inventories	5	44,639	39,691
Current income taxes receivable	12	1,585	2,216
Total current assets		117,856	121,655
Non-current assets			
Property, plant and equipment		70,835	59,243
Intangible assets		49,849	50,634
Other assets	6	1,388	996
Total non-current assets		122,072	110,873
Total assets		239,928	232,528
LIABILITIES			
Current liabilities			
Loans and borrowings	7	5,117	3,794
Trade and other payables, including derivatives	8	41,055	41,561
Provisions	9	86	174
Current income taxes payable	12	1,714	—
Total current liabilities		47,972	45,529
Non-current liabilities			
Loans and borrowings	7	63,773	59,162
Employee benefits	14	476	474
Provisions	9	503	580
Deferred income tax liabilities	12	2,444	5,300
Total non-current liabilities		67,196	65,516
Total liabilities		115,168	111,045
EQUITY			
Share capital	10	39,579	39,579
Contributed surplus	10	1,267	1,157
Retained earnings		83,914	80,747
Total equity		124,760	121,483
Total liabilities and equity		239,928	232,528

The notes on pages 5 to 15 are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board



P.G. Schoch
Director



Robert L. McLeish
Director

Interim 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>		Three-month		Nine-month	
		Note	2019	2018	2019
Net Sales		77,173	77,773	242,364	240,119
Cost of sales		(66,588)	(68,211)	(206,856)	(205,434)
Gross profit		10,585	9,562	35,508	34,685
General and administrative expenses		(6,020)	(5,429)	(18,385)	(16,848)
Selling and marketing expenses		(1,310)	(1,374)	(3,916)	(4,120)
Research and development expenses		(492)	(272)	(1,260)	(1,392)
Other income (expenses)		(137)	166	1,278	(620)
		(7,959)	(6,909)	(22,283)	(22,980)
Results from operating activities		2,626	2,653	13,225	11,705
Finance costs	7, 8, 14	(901)	(743)	(2,981)	(1,913)
Profit before income tax		1,725	1,910	10,244	9,792
Income tax expense	12	(200)	(563)	(2,482)	(2,587)
Profit and total comprehensive income for the period		1,525	1,347	7,762	7,205
Earnings per share					
Basic	11	0.07	0.06	0.33	0.31
Diluted	11	0.07	0.06	0.33	0.31

The notes on pages 5 to 15 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

Unaudited

		Attributable to equity holders of the Company			
<i>In thousands of US dollars</i>	<i>Note</i>	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2018		37,860	2,067	77,234	117,161
Profit and total comprehensive income for the period		—	—	7,205	7,205
Contributions by and distributions to owners					
Stock options expensed		—	153	—	153
Stock options exercised		1,786	(852)	—	934
Share repurchases		(18)	(86)	—	(104)
Dividends to equity holders		—	—	(3,782)	(3,782)
Total contributions by and distributions to owners		1,768	(785)	(3,782)	(2,799)
Balance at September 30, 2018		39,628	1,282	80,657	121,567
2019					
Balance at January 1, 2019		39,579	1,157	80,747	121,483
Impact of change in accounting policy	3	—	—	(904)	(904)
Adjusted balance at January 1, 2019		39,579	1,157	79,843	120,579
Profit and total comprehensive income for the period		—	—	7,762	7,762
Contributions by and distributions to owners					
Stock options expensed		—	110	—	110
Dividends to equity holders		—	—	(3,691)	(3,691)
Total contributions by and distributions to owners		—	110	(3,691)	(3,581)
Balance at September 30, 2019		39,579	1,267	83,914	124,760

The notes on pages 5 to 15 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

For the nine-month period ended September 30 In thousands of US dollars	Note	2019	2018
Cash flows from operating activities			
Profit for the nine-month period ended September 30		7,762	7,205
Adjustments for:			
Depreciation		7,419	5,871
Amortization of intangible assets		2,239	2,367
Impairment of assets		366	
Finance costs	7,8,14	2,981	1,913
Unrealized foreign exchange losses (gains)		(795)	218
Share-based payment expense	9,10	264	752
SRED tax credits		(493)	(517)
Current income tax expense	12	5,107	2,206
Deferred income tax expense (recovery)	12	(2,625)	381
Other		(24)	(54)
		22,201	20,342
Change in inventories		(4,536)	536
Change in trade and other receivables		563	(7,771)
Change in prepaid expenses		(1,490)	(1,173)
Change in trade and other payables		15	392
Change in provisions	9	(133)	(1,485)
Net change in non-cash working capital balances		(5,581)	(9,501)
Interest paid		(2,307)	(2,085)
Income tax paid		(2,280)	(2,655)
Net cash provided by (used in) operating activities		12,033	6,101
Cash flows from investing activities			
Acquisition of property, plant and equipment		(11,597)	(3,009)
Acquisition of intangible assets		(1,438)	(780)
Net cash used in investing activities		(13,035)	(3,789)
Cash flows from financing activities			
Repayment of borrowings		(3,979)	(3,005)
Exercise of stock options (net of withholding taxes)		—	934
Issuance of share purchase loans	6, 16	(364)	(392)
Share repurchases		—	(104)
Interest received on share purchase loans	6, 16	7	5
Dividends paid	10	(3,677)	(3,805)
Net cash used in financing activities		(8,013)	(6,367)
Net decrease in cash and cash equivalents		(9,015)	(4,055)
Cash and cash equivalents at January 1		17,862	17,748
Effect of exchange rate fluctuations on cash held		52	(40)
Cash and cash equivalents at September 30		8,899	13,653

The notes on pages 5 to 15 are an integral part of these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements ("CFS")

For the nine-month periods ended September 30, 2019 and September 30, 2018*(Amounts in thousands of US dollars ("USD"), except per share amounts, unless otherwise specified)***NOTE 1 REPORTING ENTITY**

AirBoss of America Corp. is a public company listed on the Toronto Stock Exchange, incorporated and domiciled in Ontario. Its registered office is located at 16441 Yonge Street, Newmarket, Ontario, Canada. AirBoss of America Corp. and its subsidiaries are together referred to, in these interim condensed consolidated financial statements, as the "Company" or "AirBoss". The Company 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 interim condensed consolidated financial statements should be read in conjunction with the Company's 2018 audited annual consolidated financial statements and accompanying notes.

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2018, have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

Recently adopted accounting standards and policies

The Company has adopted IFRS 16, Leases ("IFRS 16") effective January 1, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company leases buildings, vehicles and equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Company presents right-of-use assets in the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

<i>In thousands of US dollars</i>	Property	Equipment	Vehicles	Total
Balance at January 1, 2019	7,020	342	125	7,487
Balance at September 30, 2019	6,061	274	636	6,971

The Company presents lease liabilities in "loans and borrowings" in the statement of financial position.

Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company applied judgment to determine the lease term for a lease contract running month-to-month, which significantly affects the amount of lease liability and right-of-use asset recognized.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

Impact on transition

On transition to IFRS 16, the Company recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

<i>In thousands of US dollars</i>	January 1, 2019
Right-of-use assets	7,244
Deferred tax asset	285
Write-off accrued rent	(199)
Lease liabilities	8,632
Retained earnings	(904)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 4.6%.

<i>In thousands of US dollars</i>	January 1, 2019
Operating lease commitment at December 31, 2018	9,683
Discounted using the incremental borrowing rate at 1 January 2019	8,638
Recognition exemption for leases of low-value assets	(1)
Recognition exemption for leases with less than 12 months of lease term at transition	(5)
	8,632
Finance lease liabilities recognized at December 31, 2018	235
Lease liabilities recognized at January 1, 2019	8,867

Impact on the period

As at September 30, 2019, the Company recognized \$6,971 of right-of-use assets and \$8,295 of lease liabilities. In relation to these leases the Company has recognized depreciation and interest costs. During the period, the Company recognized \$367 of depreciation charges (year-to-date \$1,068) and \$99 of interest costs (year-to-date \$300).

NOTE 4 TRADE AND OTHER RECEIVABLES

<i>In thousands of US dollars</i>	September 30, 2019	December 31, 2018
Trade receivables	55,219	55,858
Less: allowance for doubtful accounts	(506)	(399)
	54,713	55,459
Loan to Officers (note 6)	758	734
Other receivables	1,372	887
	56,843	57,080

Impairment losses

The aging of trade receivables at the reporting date was:

<i>In thousands of US dollars</i>	September 30, 2019		December 31, 2018	
	Gross	Impairment	Gross	Impairment
Within terms	46,111	—	41,196	—
Past due 0-30 days	5,510	—	10,756	—
Past due 31-120 days	3,598	(506)	3,906	(399)
	55,219	(506)	55,858	(399)

The continuity of the allowance for doubtful accounts was:

<i>In thousands of US dollars</i>	September 30, 2019	December 31, 2018
Balance at January 1	(399)	(185)
Impairment loss recognized	(269)	(361)
Collected	162	147
Balance	(506)	(399)

NOTE 5 INVENTORIES

<i>In thousands of US dollars</i>	September 30, 2019	December 31, 2018
Raw materials and consumables	32,124	28,769
Work in progress	3,355	3,142
Finished goods	12,366	9,848
Inventory in transit	327	787
	48,172	42,546
Provisions	(3,533)	(2,855)
	44,639	39,691

An inventory charge of \$678 (2018: \$49) was included in cost of sales for the increase in provisions.

AirBoss of America Corp.

Notes to CFS (cont'd)

NOTE 6 OTHER ASSETS

<i>In thousands of US dollars</i>	Share purchase loans	10% equity investment	Other	Total
Balance at January 1, 2018	997	313	139	1,449
Accrued interest	12	—	—	12
Interest received	(11)	—	—	(11)
New loan issuances	392	—	—	392
Effect of movements in exchange rates	(106)	—	(6)	(112)
Balance at December 31, 2018	1,284	313	133	1,730
Less: current portion (note 4)	(734)	—	—	(734)
	550	313	133	996
Accrued interest	12	—	—	12
Interest received	(7)	—	—	(7)
New loan issuances	364	—	—	364
Effect of movements in exchange rates	47	—	—	47
Balance at September 30, 2019	1,700	313	133	2,146
Less: current portion (note 4)	(758)	—	—	(758)
	942	313	133	1,388

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 March 2019, the calculation of one of the loan covenants on its revolving and term loan credit facilities was amended on a prospective basis.

During the third quarter of 2019, interest expense on the term debt was \$653 (2018: \$733), excluding gains and losses related to its interest rate swap agreement; year-to-date \$2,009 (2018: \$1,971).

NOTE 8 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

Foreign exchange hedge

At September 30, 2019, the Company had contracts to sell USD \$14,701 from October 2019 to September 2020 for Canadian dollars ("CAD") \$19,600. The fair value of these contracts, representing an unrealized gain of \$99, are included in trade and other receivables, including derivatives on the statement of financial position. For the quarter ended September 30, 2019, the unrealized changes in fair value, representing a loss of \$258 (2018: gain of \$192), are recorded on the statement of profit as other income (expense); year- to-date gain of \$896 (2018: loss of \$283).

At December 31, 2018, the Company had contracts to sell US \$25,427 from January 2019 to October 2019 for CAD \$33,601. The fair value of these contracts, representing an unrealized loss of \$797 are included in trade and other payables, including derivatives on the statement of financial position.

Interest rate swap

During the first quarter of 2017, the Company entered into an interest rate swap agreement for a notional amount of \$35 million. (\$28.7 million as at September 30, 2019) amortizing down to \$24.3 million at maturity. 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.

During the quarter, the interest income on the swap agreement was \$45 (2018: \$32); year-to-date \$164 (2018: \$33).

At September 30, 2019, the fair value of this agreement, representing a loss of \$23 (2018: gain of \$684), is included in loans and borrowings on the statement of financial position. For the quarter ended September 30, 2019, the change in the fair value, representing a loss of \$53 (2018: gain of \$45), is recorded on the statement of profit as finance costs; year-to-date loss of \$457 (2018: gain of \$419).

At December 31, 2018, the fair value of this agreement, representing a gain of \$434, was included in loans and borrowings on the statement of financial position.

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

NOTE 9 PROVISIONS

<i>In thousands of US dollars</i>	Site restoration	Restricted stock units	Performance and Deferred stock units	Lease incentives	Total
Balance at January 1, 2018	74	1,202	366	239	1,881
Provisions accrued during the year	—	316	184	—	500
Payments during the year	—	(1,485)	—	—	(1,485)
Forfeitures during the year	—	—	(26)	—	(26)
Amortization during the year	—	—	—	(40)	(40)
Foreign exchange	—	(33)	(43)	—	(76)
Balance at December 31, 2018	74	—	481	199	754
Less: current principal due within one year	—	—	(120)	(54)	(174)
Non-current balance at December 31, 2018	74	—	361	145	580
Balance at December 31, 2018	74	—	481	199	754
Impact of change in accounting policy	—	—	—	(199)	(199)
Provisions accrued during the period	—	—	154	—	154
Payments during the period	—	—	(133)	—	(133)
Forfeitures during the period	—	—	(3)	—	(3)
Foreign exchange	—	—	16	—	16
Total	74	—	515	—	589
Less: current portion due within one year	—	—	(86)	—	(86)
Non-current balance at September 30, 2019	74	—	429	—	503

No legal provisions are recognized at September 30, 2019 and December 31, 2018.

Restricted Stock Units

Pursuant to the Omnibus Plan, the Company issued to certain executives an aggregate of 150,000 restricted stock units. 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, 2019	December 31, 2018	September 30, 2018
January 1	—	150,000	150,000
Exercised	—	(150,000)	(150,000)
Balance	—	—	—

During the second quarter of 2018, 150,000 fully vested restricted stock units were exercised for \$1,485 in cash. No new restricted stock units were issued after the second quarter of 2018. During the third quarter of 2019, the Company did not recognize any employee costs related to the plan (2018: \$nil); year-to-date \$nil (2018: \$316).

Performance Stock Units

AirBoss of America Corp.

Notes to CFS (cont'd)

The Company has issued certain executives with an aggregate of 94,774 performance stock units 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 stock units vest three years following the grant date.

<i>Performance stock units</i>	September 30, 2019	December 31, 2018	September 30, 2018
January 1	114,908	93,333	93,333
New issuances	26,643	29,933	29,933
Forfeitures	(3,787)	(8,358)	(1,628)
Settlements	(42,990)	—	—
Balance	94,774	114,908	121,638

During the quarter the Company recognized employee cost of \$7 (2018: cost recoveries of \$42) related to the plan; year-to-date \$54 (2018: cost of \$149).

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: (a) one common share; (b) a cash payment equal to the fair market value of a common share as of the redemption date; or (c) 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 the 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, 2019	December 31, 2018	September 30, 2018
January 1	43,088	30,005	30,005
New issuances	29,584	13,083	13,083
Balance	72,672	43,088	43,088

At September 30, 2019, independent directors held 72,672 DSUs. During the quarter the Company recognized employee costs of \$15 (2018: cost recoveries of \$72) related to DSUs issued under the Omnibus Plan; year-to-date \$100 (2018: \$132).

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, 2019	December 31, 2018	September 30, 2018
January 1	23,392	23,091	23,091
Exercise of stock options	—	342	342
Share repurchases	—	(41)	(2)
Balance	23,392	23,392	23,431

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.

Stock options outstanding as at September 30

	2019	2018
Stock options granted and outstanding	711,963	529,452

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 stock options and assumptions

<i>In Canadian dollars</i>	May 2019		March 2018	
Fair value at grant date	\$	2.04	\$	3.11
Share price at grant date	\$	9.58	\$	12.08
Exercise price	\$	9.49	\$	11.56
Expected volatility (weighted average volatility)		30.7%		31.8%
Option life (expected weighted average life)		5 years		5 years
Expected dividends		2.9%		2.3%
Risk-free interest rate (based on government bonds)		1.5%		2.1%

Stock option expense

During the quarter the Company recognized as employee costs \$61 (2018: \$54) relating to option grants in general and administrative expenses of the statement of profit; year-to-date \$110 (2018: \$154).

Dividends

Dividends on common shares were paid to shareholders of record quarterly in 2019 and in 2018 as follows:

Shareholder of record at:	2019		2018	
	\$CAD/share	Date Paid	\$CAD/share	Date Paid
September 30	0.07	October 15, 2019	0.07	October 15, 2018
June 30	0.07	July 15, 2019	0.07	July 16, 2018
March 31	0.07	April 15, 2019	0.07	April 16, 2018

The dividend payable at September 30, 2019 was \$1,236 (September 30, 2018: \$1,267).

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	
	2019	2018	2019	2018
Numerator for basic and diluted earnings per share: Net income	1,525	1,347	7,762	7,205
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	23,392	23,428	23,392	23,328
Dilution effect of stock options	—	43	—	24
Dilution of effect of deferred stock units	57	35	50	30
Diluted weighted average number of shares outstanding	23,449	23,506	23,442	23,382
Net income per share:				
Basic	0.07	0.06	0.33	0.31
Diluted	0.07	0.06	0.33	0.31

For the three- and nine- month periods ended September 30, 2019, 711,963 options (2018: 150,250) 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 In thousands of US dollars	Three-month		Nine-month	
	2019	2018	2019	2018
Current tax expense:				
Current period	1,300	587	4,858	2,100
Adjustment for prior period(s)	(9)	106	249	106
	1,291	693	5,107	2,206
Deferred tax expense:				
Origination and reversal of temporary differences	(758)	(24)	(1,988)	487
Adjustment for prior period(s)	(333)	(106)	(637)	(106)
	(1,091)	(130)	(2,625)	381
Total income tax expense	200	563	2,482	2,587

NOTE 13 GOVERNMENT ASSISTANCE

During the quarter the Company recognized grants of \$41 (2018: \$30) to support certain initiatives that were offset against expenses; year-to-date \$88 (2018: \$113).

Scientific research and investment tax credits of \$161 (2018: \$321) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date \$493 (2018: \$517).

NOTE 14 POST RETIREMENT BENEFITS

September 30 In thousands of US dollars	2019	2018
The amounts recognized in the income statement are as follows:		
Post-retirement benefits expense (recovery)	2	(26)
Interest cost	13	14
Exchange differences	14	(16)
Expense	29	(28)

The current service charge is included in general and administrative expense, the interest cost is included in finance costs, and exchange differences in Other income (expenses) in the statement of profit.

Defined Contribution Plan

AirBoss Flexible Products Co. ("AFP") maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were \$106 (2018: \$150); year-to-date \$310 (2018: \$335).

Immediate Response Technologies, LLC maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were \$22 (2018: \$22); year-to-date \$67 (2018: \$65).

AirBoss Rubber Compounding (NC) Inc. maintains a 401(k) plan for its employees. Total expenses for this plan during the period were \$21 (2018: \$11); year-to-date \$50 (2018: \$33).

AirBoss of America Corp. maintains registered retirement savings plan and defined contribution plans for its employees. Total expenses for this plan during the period were \$69 (2018: \$76); year-to-date \$261 (2018: \$219).

AirBoss Engineered Products Inc. employees are covered under various registered and unregistered defined contribution plans. Total expenses for these plans during the period were \$40 (2018: \$37); year-to-date \$135 (2018: \$121).

Multi-Employer Pension Plan

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 \$71 (2018: \$69); year-to-date \$206 (2018: \$210) to the multi-employer pension plan. The unfunded vested benefit ratio was 8.2% at December 31, 2018 (2017: 15.6%). The Steel Workers Pension Trust was in a net deficit at December 31, 2018 and AFP's portion of the deficit was unknown. The collective bargaining agreement requires that AFP contributes \$0.40 for each hour worked by eligible employees during the preceding wage month.

NOTE 15 SEGMENTED INFORMATION

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

- Rubber Solutions. Includes manufacturing and distribution of rubber compounds 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 includes the manufacture and distribution of anti-vibration and noise dampening automotive parts.
- Corporate. Includes corporate activities and certain unallocated costs.

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 Company'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>	2019	2018	2019	2018	2019	2018	2019	2018
Segment net sales	46,432	45,149	41,274	40,755	—	—	87,706	85,904
Inter-segment sales	(10,530)	(7,956)	(3)	(175)	—	—	(10,533)	(8,131)
External net sales	35,902	37,193	41,271	40,580	—	—	77,173	77,773
Depreciation, amortization, and impairment	1,534	1,235	1,790	1,444	45	18	3,369	2,697
Finance cost	1,104	1,193	82	—	(285)	(450)	901	743
Reportable segment profit (loss) before income tax	2,367	1,953	99	272	(741)	(315)	1,725	1,910
Income tax expense / (recovery)	974	1,127	(399)	(37)	(375)	(527)	200	563
Net Income (loss)	1,393	826	498	309	(366)	212	1,525	1,347
Reportable segment assets ¹	96,002	97,263	132,519	122,395	11,407	12,870	239,928	232,528
Reportable segment liabilities ¹	31,281	19,859	20,264	15,902	63,623	68,341	115,168	104,102
Capital additions ²	3,707	514	1,633	529	295	—	5,635	1,043

¹ Comparative figures as at December 31, 2018.

² Comparative figures as at September 30, 2018.

AirBoss of America Corp.

Notes to CFS (cont'd)

Information about reportable segments nine-months ended September 30	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<i>In thousands of US dollars</i>								
Segment net sales	145,465	137,401	128,741	130,896	—	—	274,206	268,297
Inter-segment sales	(31,787)	(27,721)	(55)	(457)	—	—	(31,842)	(28,178)
External net sales	113,678	109,680	128,686	130,439	—	—	242,364	240,119
Depreciation, amortization, and impairment	4,642	3,882	5,252	4,304	130	52	10,024	8,238
Finance cost	3,254	3,539	256	1	(529)	(1,627)	2,981	1,913
Reportable segment profit (loss) before income tax	10,523	6,692	1,967	5,482	(2,246)	(2,382)	10,244	9,792
Income tax expense / (recovery)	3,989	3,266	432	1,272	(1,939)	(1,951)	2,482	2,587
Net Income (loss)	6,534	3,426	1,535	4,210	(307)	(431)	7,762	7,205
Reportable segment assets ¹	96,002	97,263	132,519	122,395	11,407	12,870	239,928	232,528
Reportable segment liabilities ¹	31,281	19,859	20,264	15,902	63,623	68,341	115,168	104,102
Capital additions ²	9,126	1,223	3,684	2,358	775	208	13,585	3,789

¹ Comparative figures as at December 31, 2018.

² Comparative figures as at September 30, 2018.

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		Nine-months ended September 30		September 30		December 31	
	2019	2018	2019	2018	2019	2018	2018	
Canada	12,741	11,759	41,908	33,778	46,733	44,339	44,314	
United States	57,447	56,884	177,513	172,075	75,339	65,391	66,559	
Other countries	6,985	9,130	22,943	34,266	—	—	—	
	77,173	77,773	242,364	240,119	122,072	109,730	110,873	

Major customers

Net sales from one customer represented approximately 10% (2018: 7%) of the Company's total net sales. Five customers represented 36% (2018: 30%) 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	
	2019	2018	2019	2018
Rubber Solutions				
Tolling	2,452	1,842	7,131	5,842
Mixing	26,582	27,355	84,628	80,948
Industrial	6,868	7,996	21,919	22,890
	35,902	37,193	113,678	109,680
Engineered Products				
Defense	9,562	9,613	33,346	32,105
Anti-vibration	31,709	30,967	95,340	98,334
	41,271	40,580	128,686	130,439
Total	77,173	77,773	242,364	240,119

NOTE 16 RELATED PARTIES**Transactions with Related Parties**

During the quarter, the Company paid rent for the corporate office of CAD \$45 (2018: CAD \$45) to a company controlled by the Chairman of the Company; year to date CAD \$135 (2018: CAD \$135).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately \$6 (2018: \$5); year-to-date \$21 (2018: \$18) to a company in which the Chairman is an officer.

On November 24, 2014, the Company provided a share purchase loan of CAD \$1,000 to the Vice-Chair to purchase common shares of the Company. On December 20, 2016, the Company provided a share purchase loan of CAD \$250 to the Chief Financial Officer. On March 28, 2018, the Company provided a share purchase loan of CAD \$500 to the President and Chief Operating Officer. On June 28, 2019, the Company provided share purchase loans of CAD \$300 to the Executive Vice President, Corporate; CAD \$92 to the President and Chief Operating Officer; and CAD \$100 to the Vice President Human Resources. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or the fifth anniversary of the issuance date. All share purchase loans issued prior to 2019 bear interest at 1% annually and all subsequent loans share purchase loans bear interest at 2% annually. In all cases, loans are full recourse and interest is due and payable semi-annually. In total, 220,685 shares of the Company having a fair value of \$1,300 were pledged as collateral on these loans. At September 30, 2019, the loan receivables of \$1,699, including accrued interest of \$5, were included in other assets, and trade and other receivables, including derivatives. During the quarter, interest of \$nil (2018: \$nil) was paid; year to date \$7 (2018: \$5).

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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Chris Bitsakakis

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