AirBoss® of America Corp.

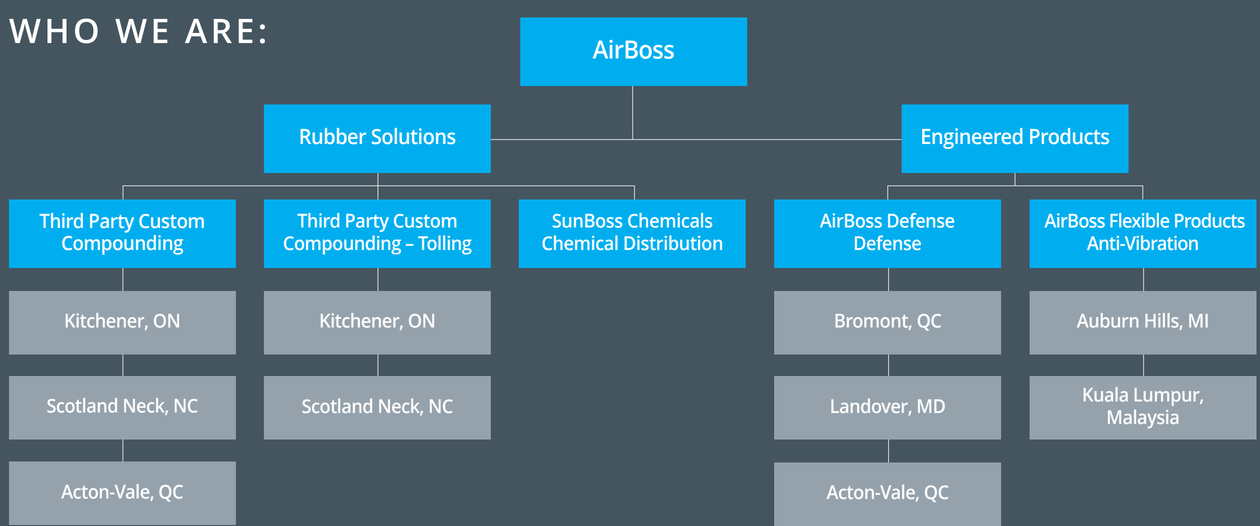
Annual Report

2018

Our Strategy is Working

AirBoss of America Corp. is a group of complementary businesses that use compounding technology and engineering expertise to create specialized rubber compounds and rubber-based finished goods. Our products solve problems, protect people, and help our customers gain competitive advantage.

WHO WE ARE:



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We're very pleased with the performances of Rubber Solutions and the defense business within the Engineered Products segment in 2018, however Flexible Products continued to experience challenges. We are moving in the right direction in our ongoing efforts to expand and diversify our product lines, customer base, and target market segments, and are fortunate to have dedicated teams in all of our businesses who are committed to executing on the growth path we've set.

Lisa Swartzman
President, AirBoss of America

2018 has been a year of massive change. We have rebuilt and strengthened the management teams in each of our business units. We have added experience, creativity and a sense of urgency to drive both continuous improvement and continuous growth. We have created structure and systems that allow data to flow seamlessly to leadership, facilitating immediate response to any variable.

Chris Bitsakakis
Chief Operating Officer, AirBoss of America

RUBBER SOLUTIONS

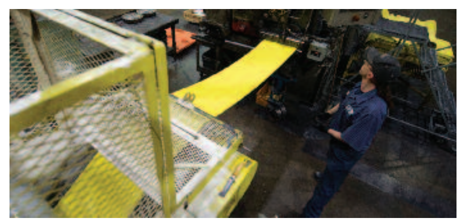
ENGINEERED PRODUCTS

Our businesses leverage each other's strengths. Rubber Solutions is one of North America's largest custom rubber compounders, mixing and converting natural and synthetic rubber polymers into high-performance rubber-based formulations for dozens of industries. Engineered Products is a key supplier of rubber-based anti-vibration and noise-reduction solutions needed primarily by SUV, light truck, and minivan OEMs, and a leading global supplier of Chemical, Biological, Radiological, and nuclear (CBRN) military and first-response personal protective equipment and portable shelters.

In 2018, in keeping with our strategy, we continued to invest in people, processes, and systems at all our facilities to maintain our leadership position and build sustainably profitable growth across our businesses.

RUBBER SOLUTIONS:

Differentiating With Chemistry & Quality



Rubber Solutions is a leading provider of customized rubber compounds and calendered and extruded materials.

We serve customers in conveyor belting, track, mining, infrastructure, automotive, tire manufacturing, and other industries. We manufacture from our flagship facility in Kitchener, Ontario, as well as in Acton Vale, Quebec, and Scotland Neck, North Carolina. Our facilities are highly automated and driven by the AirBoss Operating System. Precise controls enable us to monitor consistency from batch to batch, pull data for rapid troubleshooting and process optimization, and continually improve performance. Our scientific/technical staff is second to none in the industry.

DuraBoss

DuraBoss, a recent AirBoss breakthrough in tire re-treading compound, is formulated for the severest industrial applications, such as open-pit mines and rock quarries. DuraBoss outperforms all other re-tread compounds worldwide by a significant margin.

EcoBoss

Over the next few years, AirBoss Rubber Solutions will introduce an EcoBoss product line with more sustainable raw materials: devulcanized compound, reclaimed compound, non-crude-oil substitutes, and fibers from wood cellulose, hemp, and pulp.

At AirBoss Rubber Solutions, we are building a culture of change by embedding continuous-improvement processes in everything we do. Data is gathered, KPIs are monitored, and decisions are made based on delivering better products and better service at tighter tolerances. Our approach to change management is based on the principles and disciplines of Tier 1 automotive suppliers where there is a constant necessity to improve.

Carl Chapman
Senior Vice President & General Manager,
AirBoss Rubber Solutions

How We Are Driving Growth

In 2018, we continued to invest in our senior leadership at Rubber Solutions and launched the AirBoss Operating System. We are now better able to drive performance through our infrastructure and procedures to improve our customer's bottom lines. Our key differentiators are consistent quality, advanced chemistry, and outstanding customer service. This year, we pushed further on all three fronts initiating an approximately $10-million investment in a dedicated non-black/colour mixing line and a significant upgrade to our R&D technical centre at our Kitchener plant, and adding a second mixing line at our Scotland Neck plant. We intend to continue attracting the best scientific talent in the business while providing our customers with exceptional lab facilities to help them maintain their competitive advantages through continual breakthroughs in rubber formulation.

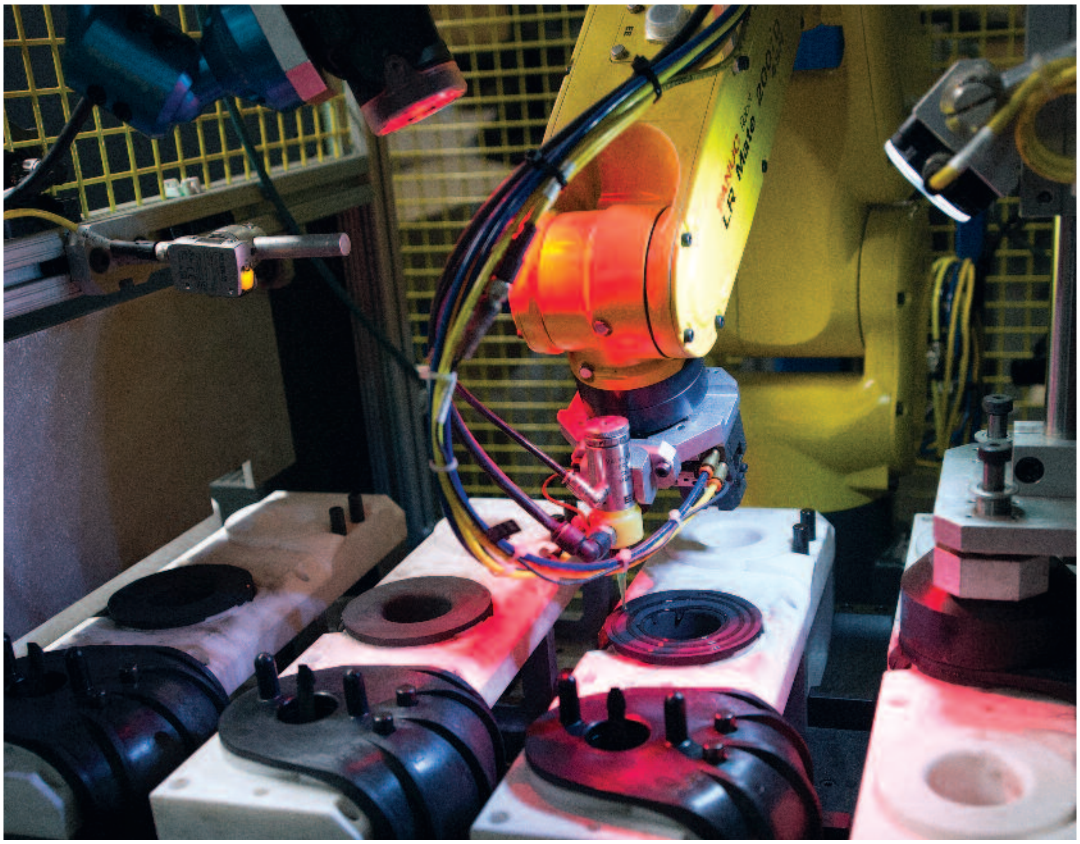
ENGINEERED PRODUCTS:

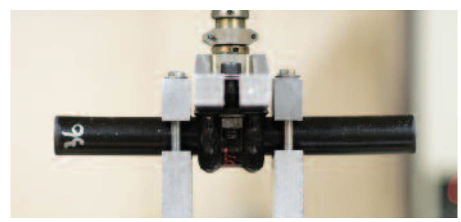
Adding Value to Our Rubber

In the two markets served by Engineered Products, anti-vibration and defense, our proprietary rubber formulations make critical performance differences in the products we make for our customers.

ANTI-VIBRATION BUSINESS:

Designing for the Next Generation





Our anti-vibration business is a leading supplier of molded and rubber-to-metal bonded parts, primarily for the North American SUV, light truck, and minivan markets.

We design and manufacture hundreds of parts used in suspension, chassis and exhaust, powertrain and drive, and steering applications. We combine the talents of experienced engineers with advanced molding technologies and rapid prototyping capabilities to help OEMs improve the comfort of their vehicles. AirBoss quality is recognized throughout the industry.

Induction Bonding

Our induction-bonded bushings and components are made faster and at lower cost than components produced by conventional large-tonnage molded processes. With induction bonding, we have reduced tooling and capital costs, lowered scrap rates, simplified logistics, and improved manufacturing efficiencies.

We continue to expand our development and prototype capabilities, focusing on drivetrain and chassis applications. Technical complexity is higher. Per-vehicle content is improving. We recently completed our first prototypes of two new coupling products that we feel have great market potential.

Chris Laycoe
Senior Vice President & General Manager,
AirBoss Flexible Products

Internal Compounding Expertise

Internal compounding expertise is a competitive advantage at Flexible Products. Combining that with our manufacturing knowledge, we are expanding opportunities outside traditional passenger vehicle applications. These include commercial and off-road vehicles and defense industry products.

How We Are Driving Growth

To improve profits, we are investing in our processes, technologies, and market development. New personnel hired in 2018 are leveraging their relationships with OEMs not yet our customers as well as customers in ancillary transportation-related markets.

In addition, we are hoping to leverage AirBoss' relationships with the military to explore possibilities in that sector. We are experts in the platforms that OEMs are emphasizing: SUVs, crossovers, pickup trucks, and minivans.

DEFENSE BUSINESS:

A Year of Exceptional Performance

Military and first-responder forces across the world rely on AirBoss for personal protective equipment.

Our defense business designs and manufactures world-class CBRN protective gas masks, filters, power air purifying respirators (PAPRs), gloves, and over boots, as well as individual isolation systems, fully integrated and scalable decontamination shelter systems, command-and-control/living/medical shelters, and extreme cold weather footwear. Our Canadian-based injection-molding operations specialize in tight-tolerance irregular shapes and difficult-to-inject polymers such as halo-butyls and FDA-grade silicones. Our Landover, Maryland location houses shelter production and a state-of-the-art gas mask filter R&D and production facility.

Low-Burden Mask

The AirBoss Defense Low Burden Mask (LBM) is part of an advanced protective respiration system that significantly reduces physical burden for military and first responders. Coupled with AirBoss CBRN filters, it offers a full personal protection solution currently being adopted in several NATO countries.

It is an exciting time for us. On the heels of releasing our next-generation LBM, we are preparing to release our next-generation PAPR that offers technological advances not yet available in the marketplace.

Daren Olson
Senior Vice President & General Manager,
AirBoss Defense

AirBoss Extreme Cold Weather Mukluk

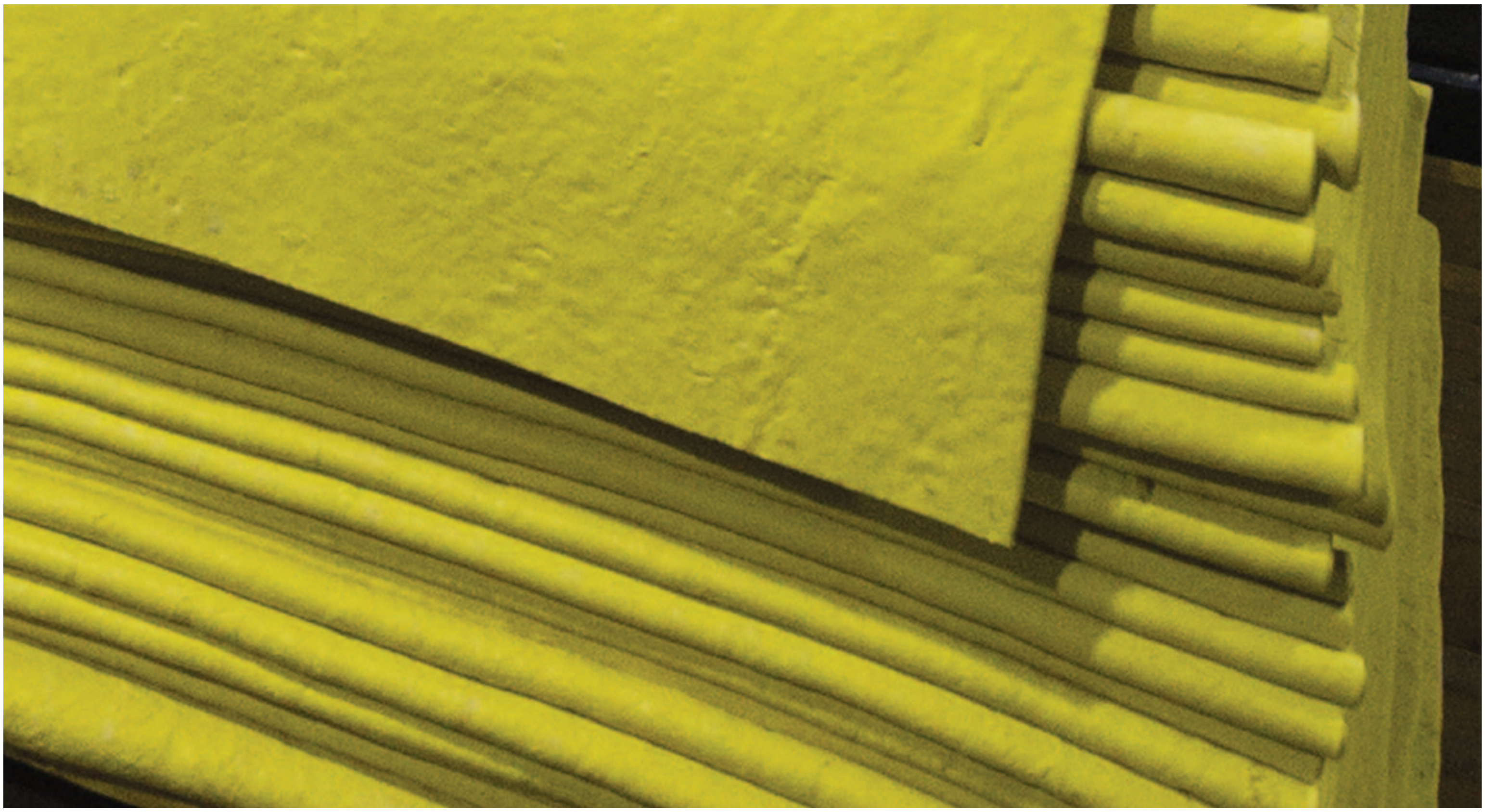
Designed and developed in Canada, the Extreme Cold Weather Mukluk balances weight, insulation, comfort, and durability. Breathable and anti-microbial, it is the world's top extreme-cold weather performer.

How We Are Driving Growth

Growth in our defense business relies not only on our ability to provide world-class protective products that meet the ongoing challenges of the modern war fighter and first responder, but also on the availability of defense budgets to procure these products. 2018 was a good year on all counts. As U.S. defense spending accelerated after several relatively dormant years, previously delayed awards significantly increased our production, and several outstanding tenders were awarded.

Throughout the year, we continued to fill an important award to supply gas mask filters. We started deliveries on a new cold weather footwear program. Additionally, our new Low Burden Mask (LBM) won two large gas mask awards from the Canadian and Australian militaries. The breadth and quality of our defense business product line, and our ongoing investment in developing new products, should ensure steady growth in years to come.

To Our Shareholders



Two of our three businesses performed well in 2018 with our anti-vibration business underperforming in the second year of disappointing results. Our cash position remained strong. Our balance sheet, already healthy, was further improved as we paid down debt from 2017. We are confident that in all three businesses we are taking the right steps to drive profitability.

Short Term: Investing & Positioning

Our investment in talent paid off in 2018. With new leadership in all three businesses, we further established the AirBoss Operating System. A "feedback loop" of continuous improvement, the system measures processes, procedures, and bottom-line results on a daily basis. That same ethos has been applied to health and safety at all our facilities, and resulted in a significant decline in recordable incidents.

Rubber Solutions had its second-best year financially in 2018, almost equaling the outstanding results of 2015. Sales were up by $19.9 million compared to the year prior. Tolling volumes were up by 101.9%, as were volumes across the majority of the sectors we serve. Mining-related orders increased significantly.

A $10-million capital investment program was initiated at Rubber Solutions, beginning with a major upgrade of our R&D technical centre at our Kitchener plant. A state-of-the-art non-black/colour mixing line in Kitchener and a second mixing line at our Scotland Neck plant will be operational in the first half of 2019. More efficient colour mixing capabilities should open further business opportunities in higher-margin specialty products such as colour hoses. The new Scotland Neck mixing line will double capacity there to approximately 100 million pounds annually. The R&D technical centre upgrade increases our advantage over competitors in rubber science. It will also help us recruit the best talent while providing our customers with a superb facility for co-developing new compounds.

In our anti-vibration business, new management hired in 2017 spent 2018 investing in R&D to develop a number of new products, and in new technologies on the plant floor, including robotics. We have also hired new personnel able to help expand our relationships with several key OEMs and manufacturers in ancillary markets, particularly heavy transportation and agriculture.

Our defense business had its second consecutive year of dramatic growth as we continued to execute on major orders for protective gloves and filters and began delivering on our first order from a large foreign military for our LBM. Demand remained strong for our PAPRs, overboots and shelter product lines. Overall demand for our products was driven by a higher U.S. defense budget, which had been on hold for five years, as well as geopolitical unrest and perceptions of instability.

Importantly, the new LBM won two significant military contracts, from Canada and Australia, which signaled a switch to our product from that of a competitor. The LBM excels in weight, fit, and functionality while offering exceptional protection.

Our next-generation fire-retardant glove, to be introduced to the market in 2019, is of interest to counter-terrorism organizations in addition to our traditional military customers. We continue to invest in our product development pipeline.

Medium Term: Strengthening & Integrating

We are well positioned with several investments and a number of contracts that will ensure profitability and growth over the coming years.

The investment in our Rubber Solutions R&D technical centre will pay off in attracting top scientific talent to the business, which in turn will be attractive to customers in search of competitive breakthroughs based on advanced rubber formulation. We expect the lab will also enhance the competitive advantages of our defense and automotive businesses.

Budgeted for late 2019 is the replacement of our largest mixing line at the Kitchener facility. Over the next two or three years, the new line will lower our conversion costs, improving profitability on high volume compounds that have traditionally been the foundation of our rubber business.

In our anti-vibration business, to diversify our product line, client base and target market segments, we have created an aggressive plan to leverage our unique rubber product and process expertise into non-automotive applications.

Over the next several years, we will also phase in a more advanced ERP system across the business. In addition to more robust and timely information, the system will provide customers with improved feedback for real-time fine-tuning of rubber formulations.

Long Term: Leading With Science & Service

We have three long-term goals that we believe will drive sustainable growth at AirBoss and improve profitability across all our businesses:

1. **True Customer Partnership - We intend to continue helping our customers be more competitive by investing in and refining capabilities that positively affect their bottom lines.**

2. **Quality & Service as Differentiators - In all our businesses, we intend to be the highest-quality producer with the best customer service.**

3. **Cutting-Edge Chemistry and Engineering Expertise - Our technical and product design talent, well equipped, will create ongoing breakthroughs for AirBoss businesses and our customers.**

In closing, we want to thank our shareholders and employees, financial partners, and other service providers and stakeholders for their continued support.

P.G. Schoch
Chairman and CEO

Lisa Swartzman
President

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 12, 2019 and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2018 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 INFORMATION

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 looking information" or "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could", "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions; dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information.

All of the forward-looking information in this Annual Report is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking information. All subsequent written and oral forward-looking information attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this Annual Report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly the forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

OVERALL PERFORMANCE

Fourth Quarter and Full Year Highlights

(In US dollars)

- AirBoss Defense, the defense products line of Engineered Products, was awarded four contracts expected to be worth up to an aggregate amount of $122.0 million to manufacture protective personal equipment for the Canadian, U.S. and Australian defense forces
- Net debt decreased by $6.4 million
- Earnings of $0.37 per common share outstanding
- Quarterly dividend paid of C$0.07 per common share for a total annual payment of C$0.28

Selected Financial Information

In thousands of US dollars, except share data

For years ended December 31	**2018**	2017	2016
Financial results:			
Net sales	**316,603**	289,855	267,628
Net income	**8,536**	12,632	13,822
Net income per share			
– Basic	**0.37**	0.55	0.60
– Diluted	**0.37**	0.54	0.59
EBITDA[1]	**25,675**	27,653	29,646
Net cash from operating activities	**19,867**	5,811	29,740
Dividends declared per share (CAD$)	**0.28**	0.28	0.26
Capital additions	**8,476**	7,294	6,402
Financial position:			
Total assets	**232,528**	225,948	225,118
Term loan and other debt	**62,956**	69,257	73,206
Shareholders' equity	**121,483**	117,161	109,283
Outstanding shares	**23,392,442**	23,091,113	23,074,183
**23,392,442 at March 12, 2019*			

[1]See Non-IFRS Financial Measures

[1]Non-IFRS Financial Measures

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

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

EBITDA is a non-IFRS financial measure directly derived from the consolidated financial statements but does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to a similar measure presented by other issuers.

The Company discloses EBITDA, a financial measurement used by interested parties and investors to monitor the ability of an issuer to generate cash from operations for debt service, financing working capital and capital expenditures and paying dividends. EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS. Because EBITDA excludes some, but not all, items that affect net income, EBITDA presented by the Company may not be comparable to the similarly titled measures of other companies under IFRS.

A reconciliation of net income to EBIDTA is presented below:

In thousands of US dollars	**2018**	2017	2016
Net Income	**8,536**	12,632	13,822
Finance costs	**2,921**	2,567	2,830
Depreciation and amortization of intangible assets	**10,966**	10,684	10,344
Income tax expense	**3,252**	1,770	2,650
EBITDA	**25,675**	27,653	29,646

RESULTS OF OPERATIONS – For years ended December 31, 2018 compared to 2017

NET SALES

Consolidated net sales for the year ended December 31, 2018 increased by 9.2% to $316,603, compared to 2017 and were up in both segments. In the Engineered Products segment, net sales were higher compared to 2017 in the defense business and lower in the automotive business, for reasons outlined below.

In thousands of US dollars		Rubber Solutions	Engineered Products	Total
Net Sales	**2018**	**145,264**	**171,339**	**316,603**
	2017	125,413	164,442	289,855
Increase $		19,851	6,897	26,748
Increase %		15.8	4.2	9.2

Rubber Solutions

Net sales for the year ended December 31, 2018 increased by 15.8%, to $145,264, from $125,413 in 2017. The growth in net sales was partly due to an increase of approximately 12.1% in raw material costs that resulted in price increases to customers. In addition, volume (measured in pounds shipped) increased by 15.1% compared to 2017.

The increase in net sales was reflected across the majority of sectors and primarily in the conveyor belt, mining, track, and off the road ("OTR") sectors. These increases were partly offset by softness in the third party automotive and chemical sectors.

Tolling volumes for the year ended December 31, 2018 increased by 101.9%, compared to 2017. The increase in volume was in both conventional and niche tolling applications. Non-tolling volumes for the year ended December 31, 2018 also increased compared to 2017, up 2.8%. Tolling rates for the year ended December 31, 2018 increased by 11.7% compared to 2017 with increases in niche applications that were partly offset by decreases in conventional tolling.

Engineered Products

Net sales in the Engineered Products segment increased by 4.2%, to $171,339, from $164,442 in 2017. Increased net sales in the defense business were partly offset by decreases in the automotive business compared to 2017.

Net sales for the year ended December 31, 2018 in the automotive business decreased by 1.8%, to $129,348 from $131,773 in 2017. The decrease was across most product lines and in particular spring isolators, muffler hangers, and dampers. The decrease in the spring isolator product was due to the previously disclosed end of a vehicle program. These decreases were partly offset by increased demand in the bushings and induction bonding product lines.

Net sales for the year ended December 31, 2018 in the defense business increased by 28.5% to $41,991 from $32,669 in 2017. The increased net sales were across most major product lines and primarily in powered air purifying respirators ("PAPRs"), filters, masks and shelters. These increases were partly offset by lower demand in the gloves product line due to the completion of a contract with final shipments in Q1 2018.

GROSS PROFIT

For the year ended December 31, 2018, consolidated gross profit was up by $471 to $44,991. Gross profit as a percentage of net sales decreased to 14.2% from 15.4%, primarily as a result of higher input costs, particularly with respect to rubber, maintenance, labour and training and in the case of Engineered Products, lower net sales combined with increased steel costs as a result of the tariffs introduced by the United States.

In thousands of US dollars		Rubber Solutions	Engineered Products	Total
Gross Profit	**2018**	**22,364**	**22,627**	**44,991**
	2017	19,603	24,917	44,520
(Decrease) $		2,761	(2,290)	471
% net of sales	**2018**	**15.4**	**13.2**	**14.2**
	2017	15.6	15.2	15.4

Rubber Solutions

For the year ended December 31, 2018, gross profit for Rubber Solutions was $22,364 (15.4% of net sales), up $2,761 compared to $19,603 (15.6% of net sales) in 2017. The increase was principally due to higher volume, for reasons discussed above. The increase in gross profit was partly offset by increased maintenance, higher labour costs due in part to provincial changes to the Ontario Employment Standards, and training costs as a result of the increased volume.

Engineered Products

Gross profit for the year ended December 31, 2018 in the Engineered Products segment was $22,627 (13.2% of net sales), down $2,290 compared to $24,917 (15.2% of net sales) in 2017. The decrease in gross profit and gross profit as a percentage of net sales was principally due to lower net sales, unfavourable mix and higher input costs, particularly rubber and steel in the automotive business that were partly offset by increased net sales in the defense business.

OPERATING EXPENSES

Consolidated operating expenses for the year ended December 31, 2018 increased by $2,731 to $30,282, compared to 2017. The increase was principally due to foreign exchange losses (compared to a gain in 2017) resulting in an unfavourable net change of $2,090 and higher administrative costs, partly offset by lower product research costs as a result of higher R&D tax credits. As a percentage of net sales, operating expenses for the year ended December 31, 2018 increased marginally to 9.6% from 9.5% in 2017.

In thousands of US dollars		Rubber Solutions	Engineered Products	Corporate	Total
Operating Expenses	**2018**	**7,870**	**16,901**	**5,511**	**30,282**
	2017	8,153	16,918	2,480	27,551
Increase (decrease) $		(283)	(17)	3,031	2,731
% net of sales	**2018**	**5.4**	**9.9**	**N/A**	**9.6**
	2017	6.5	10.3	N/A	9.5

Rubber Solutions

Rubber Solutions' operating expenses for the year ended December 31, 2018 decreased by 3.5%, to $7,870, compared to $8,153 in 2017. The decrease was principally due to lower administrative costs of $313 and lower product research costs of $113. The decrease in product research costs was as a result of higher R&D tax credits. This decrease was partially offset by a foreign exchange loss (compared to a gain in 2017) for an unfavourable net change of $145 compared to 2017.

Engineered Products

Engineered Product's operating expenses for the year ended December 31, 2018 were in line with spending in 2017.

Unallocated Corporate Costs

Unallocated corporate costs for the year ended December 31, 2018 increased by $3,031 from 2017, primarily due to a foreign exchange loss (compared to a gain in 2017) resulting in an unfavourable net change of $1,803, and a $1,228 increase in administrative costs. The increase in administrative costs related to higher compensation including onboarding costs for new management, consulting fees for strategic growth, and professional fees to refine the Company's tax structure in response to changes in US and Canadian tax legislation.

FINANCE COST

In thousands of US dollars		Rubber Solutions	Engineered Products	Corporate	Total
Finance cost	**2018**	**4,583**	**3**	**(1,665)**	**2,921**
	2017	4,733	-	(2,166)	2,567
Increase (decrease) $		(150)	3	501	354
% of net sales	**2018**	**3.2**	**0.0**	**N/A**	**0.9**
	2017	3.8	0.0	N/A	0.9

Finance costs in 2018 were $2,921 (2017: $2,567). The increase reflected higher interest rates and a smaller gain on the interest rate swap agreement, partially offset by the continued reduction of term loan balances.

INCOME TAX EXPENSE

For the year ended December 31, 2018, the Company recorded an income tax expense of $3,252 (2017: $1,770) or an effective income tax rate of 27.6% (12.3% in 2017). The statutory rate in Canada in 2018 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.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that significantly revised the U.S. tax code by, among other changes, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense and performance based incentive compensation and implementing a modified territorial tax system. Changes introduced by the Tax Act were generally effective as of January 1, 2018. As a Canadian entity, the Company generally would be classified as a foreign entity (and, therefore, a non-U.S. tax resident) under general rules of U.S. federal income taxation. However, the Company has subsidiaries subject to U.S. federal income taxation and therefore the Tax Act impacted our consolidated results during 2017, and is expected to continue to impact our consolidated results in future periods. The impact to its consolidated statement in 2017 consists of the remeasurement of net deferred tax liabilities as of the enactment date.

As a result of the reduction in the U.S. corporate tax rate, the Company's U.S. net deferred tax liabilities were remeasured as of the enactment date of the Tax Act and the Company recognized a benefit of $956 in the provision for income taxes in 2017.

	Tax expense		Rate	
In thousands of US dollars	**2018**	2017	**2018**	2017
Expected statutory rate	**3,124**	3,817	**26.50%**	26.50%
Foreign rate differential	**179**	(140)	**1.52%**	(0.97%)
Effect of permanent differences	**(110)**	(902)	**(0.93%)**	(6.26%)
Change in tax rates and new legislation	**22**	(956)	**0.19%**	(6.64%)
Filing differences	**119**	(62)	**1.01%**	(0.43%)
Other	**(82)**	13	**(0.70%)**	0.08%
Actual tax	**3,252**	1,770	**27.59%**	12.28%

NET INCOME AND EARNINGS PER SHARE

Net income in 2018 amounted to $8,536, compared to $12,632 in 2017. The basic and fully diluted net earnings per share were $0.37 (2017: $0.55) and $0.37 (2017: $0.54) based on basic and fully diluted shares outstanding of 23,345,305 (2017: 23,082,270) and 23,383,248 (2017: 23,473,897), respectively. The decrease in net income and earnings per share was due to higher operating expenses and higher income tax rates, as discussed above.

QUARTERLY INFORMATION

In thousands of US dollars			Net income per share	
Quarter Ended	Net Sales	Net Income	Basic	Diluted
2018				
December 31, 2018	**76,484**	**1,331**	**0.06**	**0.06**
September 30, 2018	77,773	1,347	0.06	0.06
June 30, 2018	81,797	2,660	0.11	0.11
March 31, 2018	80,549	3,198	0.14	0.14
2017				
December 31, 2017	**74,214**	**3,772**	**0.17**	**0.16**
September 30, 2017	71,837	2,804	0.12	0.12
June 30, 2017	73,877	3,180	0.14	0.14
March 30, 2017	69,927	2,875	0.12	0.12

Fourth Quarter 2018 Results

NET SALES

Consolidated net sales for the three month period ended December 31, 2018 increased by 3.1%, to $76,484, from $74,214 for the same period in 2017, with increases in Rubber Solutions partially offset by decreases in the Engineered Products segment. Increased net sales in Engineered Products' automotive business were more than offset by decreases in the defense business for the three month period ended December 31, 2018 compared to the same period in 2017 for reasons outlined below.

Rubber Solutions

Net sales for the three month period ended December 31, 2018 in Rubber Solutions increased 13.9%, to $35,584, from $31,235 for the same period in 2017. The growth in net sales was partly due to an increase of approximately 10.3% in raw material costs that resulted in price increases to customers and a 14.8% increase in volume compared to the same period in 2017.

The increase in net sales for the three month period ended December 31, 2018 was across the majority of the sectors and primarily in the conveyor belt, track and OTR segments.

Tolling volumes for the three month period ended December 31, 2018 increased 53.9% compared to the same period in 2017, with increases in both niche and conventional applications. Non-tolling volumes increased 8.4% for the three month period ended December 31, 2018 compared to the same period in 2017. Tolling rates for the three month period ended December 31, 2018 were relatively flat.

Engineered Products

Engineered Products net sales for the three month period ended December 31, 2018 decreased by 4.8% to $40,900 compared to the same period in 2017. A $2,481 decrease in net sales for the defense business was partly offset by a $402 increase in the automotive business.

The decrease in the defense business for the three month period ended December 31, 2018, compared to the same period in 2017, was largely in the filter product line as a result of increased shipments in the second half of 2017 following the fulfillment of a previously delayed contract due to customer-specific changes. Net sales were further affected by lower glove, due to the timing of the completion of a contract discussed above, and shelter shipments. The decrease in the defense business was partly offset by increased net sales in the automotive business, due to higher demand in the bushings, grommets and induction bonding product lines. These increases were partly offset by softness in the dampers product line.

GROSS PROFIT

Consolidated gross profit for the three month period ended December 31, 2018 decreased to $10,306 (13.5% of net sales) from $11,562 (15.6% of net sales) compared to the same period in 2017 as increases in Rubber Solutions were more than offset by lower gross profit in both businesses of the Engineered Products segment for reasons outlined below.

Rubber Solutions

For the three month period ended December 31, 2018, gross profit at Rubber Solutions was $6,066 (17.0% of net sales), compared to $5,038 (16.1% of net sales) in the same period in 2017. The increase in gross profit was principally due to higher volume for the fourth quarter in 2018 compared to the same period in 2017.

Engineered Products

Gross profit for the three month period ended December 31, 2018 at Engineered Products decreased by $2,284 to $4,240 (10.4% of net sales) compared to $6,524 (15.2% of net sales) in 2017. The decrease was mainly due to the decrease in net sales in the defense business for the reasons discussed above and higher input costs, particularly rubber and steel, in the automotive business.

OPERATING EXPENSES

Consolidated operating expenses for the three month period ended December 31, 2018 decreased by $62, compared to same period in 2017. This was primarily due to lower product research costs as a result of higher research tax credits and lower administrative costs offset by a higher foreign exchange loss.

INCOME TAX EXPENSE

Tax expense for the three month period ended December 31, 2018 increased by $711 compared to the same period in 2017. The increase was due to a $956 tax benefit recorded in 2017 related to the Tax Act changes noted above.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its 2019 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 (2017: $60,000). No amount was drawn against this facility at December 31, 2018.

For the period ended December 31, 2018, $19,867 (2017: $5,811) of cash was provided by operations, $8,235 (2017: $7,294) was used for investing activities and $11,418 (2017: $8,691) was used in financing activities. Cash and cash equivalents increased by $114 from $17,748 to $17,862, adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

For the year ended December 31, 2018, cash provided by operating activities increased by $14,056 compared to 2017. The increase was due to a $16,890 decrease in cash used for net working capital and higher non-cash expenses of $2,393, which were partially offset by a $4,096 decrease in net income, increased tax payments of $853 due to higher tax installment payments, and higher interest payments of $278.

Cash used for working capital for the year ended December 31, 2018 decreased to $236 (2017: $17,126) as a result of the following factors:

- Cash used for accounts receivable was $5,163, of which $6,842 was attributable to Rubber Solutions which was consistent with higher net sales and a $1,395 decrease due to a decrease in fourth quarter net sales in the defense business within the Engineered Products segment;
- Cash used for Inventory was $1,400, primarily due to Rubber Solutions building up stock in preparation for high volume expected in January 2019;
- Cash used for prepaid expenses was $1,621, primarily at Engineered Products due to tooling costs at the automotive business that the Company expects to recover from customers, and prepayments to purchase raw materials in the Rubber Solutions segment;
- Cash from accounts payable was $9,433 due to increased raw material purchases and timing of payments; and
- Cash used for other provisions was $1,485, related to the exercise of vested restricted stock units.

Investing Activities

Property, Plant and Equipment

For the year ended December 31, 2018, the following investments were made in each segment:

Rubber Solutions made total investments of $4,693. This included $2,345 to replace capital and manufacturing equipment, $1,793 to support growth initiatives, and $555 for operational efficiencies.

Engineered Products invested $2,571. This included: a) investments in the automotive business of $572 to replace existing machinery and upgrade system requirements, $557 to support growth initiatives, and $114 for operational efficiencies; and b) investments in the defense business of $903 to support growth initiatives, $343 to replace machinery and equipment and $82 for operational efficiencies.

Intangible assets

The Company invested $971, made up of $753 of capitalized product development costs and the balance for a new financial reporting tool and software.

Financing activities

The Company's current credit facilities are 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), and an accordion feature of up to an additional $50,000 of availability, upon the satisfaction of customary conditions for such features. The revolving credit facility and term debt mature in December 2020.

During the fourth quarter of 2017, certain changes in the calculations for the covenant terms in the credit facilities were amended on a prospective basis.

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

The fees are being amortized over 5 years and $307 (2017: $262) has been amortized and is included in finance costs.

Interest expense on the term debt was $2,630 (2017: $2,097).

Commitments and contractual obligations

The Company's contractual obligations as at December 31, 2018 are summarized below:

	Payments Due In						
	2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Term loan and other debt	3,794	59,613	49	51	44	-	63,551
Operating leases - equipment	73	62	54	48	40	1	278
Operating leases - premises	1,734	1,734	1,698	1,302	1,302	1,635	9,405
Purchase obligations	14,879	-	-	-	-	-	14,879
Total	20,480	61,409	1,801	1,401	1,386	1,636	88,113

The Company has inventory purchase commitments at the end of 2018 for its Rubber Solutions and Engineered Products segments of $9,213 and $5,666 (2017: $5,382 and $5,430) respectively. The increase in Rubber Solutions was a result of the Company's efforts to secure raw materials in an environment of rising prices and/or constrained global supply. The increase in Engineered Products was due to increase demand in certain product lines in the defense business.

Government assistance

During 2018, Rubber Solutions recognized grants of $135 (2017: $106). Engineered Products did not recognize grants in 2018 or 2017.

Scientific research and investment tax credits of $780 (2017: $335) were recognized in 2018; research and development costs were reduced accordingly. No reduction to capital assets was recognized in respect of provincial tax credits (2017: $165).

Dividends

A quarterly dividend of $0.07 per share was declared on November 7, 2018 and paid on January 15, 2019. Total dividends declared during the year were $0.28 per common share compared to $0.28 per common share in 2017.

Outstanding shares

As at December 31, 2018 the Company had 23,392,442 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 CAD $180 (2017: CAD $180).

During the year, the Company paid fees for the use of a facility in South Carolina of approximately $26 (2017: $14) to a company in which the CEO and Chairman is an officer.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

December 31 *In thousands of US dollars*	**2018**	2017
Salaries and other short term benefits	**3,378**	2,397
Pension/Post-employment benefits	**-**	24
Share-based payment expense	**633**	839
	4,011	3,260

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.

The Company previously maintained an unfunded supplementary employment retirement plan for an executive ("executive supplemental plan") and an insurance policy to cover the obligation, in event of the executive's death. The executive supplemental plan was a non-registered plan. During 2017, in advance of the retirement of the executive covered by the Supplemental Plan, the Company reached an agreement with the executive to convert the defined benefit pension promise provided for under the Supplemental Plan into a notional defined contribution account balance of value that was equal to the December 31, 2016 defined benefit balance sheet liability of $1,223 effective January 1, 2017. This notional defined contribution account balance was credited with interest at an agreed rate of 3.75% per annum, until it was paid out. During 2017, the defined contribution amount of $1,247, which includes interest of $11 and foreign exchange of $13, was paid to the executive, eliminating the liability in full.

Key management own 26.4% of the outstanding common shares as at December 31, 2018.

During 2014, the Company provided a share purchase loan of CAD $1,000 to the President to purchase common shares of the Company. The loan to the President is 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 fourth quarter of 2016, the Company provided a share purchase loan of CAD $250 to the Chief Financial Officer. The loan to the CFO is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or December 20, 2021. During the first quarter of 2018, the Company provided a share purchase loan of CAD $500 to the Chief Operating Officer. The loan to the COO is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or March 28, 2023. All share purchase loans bear interest at 1% annually with full recourse and interest is due and payable semi-annually. In total, 161,300 shares of the Company having a fair value of $1,035 were pledged as collateral on these three loans. At December 31, 2018, the promissory notes of $1,284, including accrued interest of $1, were included in other assets. During the year, interest of $11 (2017 $11) was paid.

NEW STANDARDS ADOPTED

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 using the full retrospective approach. The adoption of the standard did not result in any restatement of previously reported results and did not have a material impact on the consolidated financial statements. The Company's revenue recognition accounting policy has been updated accordingly as described in note 2 (h).

IFRS 9 - Financial Instruments ("IFRS 9")

The adoption of IFRS 9 did not have a material impact on the consolidated financial statements. The Company's accounting policies on financial instruments have been updated accordingly as described in note 2 (b).

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

The following table summarizes the classification impacts upon adoption of IFRS 9:

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and cash equivalents	Fair value through profit and loss	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Share purchase loans	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Interest rate swap	Fair value through profit and loss	Fair value through profit and loss
Foreign exchange hedge	Fair value through profit and loss	Fair value through profit and loss
Loans and borrowings	Other financial liabilities	Amortized cost

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss "ECL" model. The new impairment model is applied, at each period end date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments. The Company adopted the practical expedient to determine the ECL on trade and other receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The provision matrix applied did not have a material impact on trade and other receivables of the Company.

FUTURE ACCOUNTING STANDARDS

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The 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.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with cumulative effects of initial application recorded in opening retained earnings as at December 31, 2018, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

The impact of adoption will result in the recognition of right-of-use assets estimated in the range of $7 million to $9 million, with corresponding lease liabilities in the same range. The adoption of IFRS 16 will also result in a decrease in operating rent expense, and increases in finance and depreciation expenses recognized in the consolidated statement of profit.

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, net sales 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 net sales 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

As at December 31, 2018, Engineered Products' automotive business recorded a $281 allowance for impairment and Rubber Solutions recorded a $118 allowance for impairment.

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, 2018, a reserve for impaired inventory in Rubber Solutions represents $1,773 (2017: $1,509). Engineered Products maintains a provision of $489 (2017: $125) in the defense business and $593 (2017: $706) for the automotive business.

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 2018 or 2017.

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 2018 or 2017.

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 14 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, 2018, the Company had contracts to sell USD $25,427 in 2019 for Canadian dollars ("CAD") $33,601. The fair value of these contracts, representing a loss of $797 was included in trade and other payables, including derivatives (2017: gain of $252 was included in trade and other receivables, including derivatives) on the statement of financial position. The change in fair value was recorded on the statement of income as a loss.

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 ($30.8 million as at December 31, 2018) 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 2018, the net interest income of the swap agreement was $77 (2017: expense of $195).

For the year ended December 31, 2018, the fair value of this agreement, representing a gain of $434 (2017: gain of $275), is recorded on the statement of financial position included in loans and borrowings. The change in fair value is 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 Solutions 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 Engineered Products 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 and a significant decline in defense budget and spending from current levels could have a material adverse effect on the profitability of our Engineered Product segment.

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 8% (2017: 9%) of consolidated net sales in 2018. Five customers represented 33% (2017: 29%) of consolidated net sales in 2018. 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 or supplies, increase our costs and decrease our 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"), steel 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:

	Earnings before tax	
$Millions	**2018**	2017
Natural and synthetic rubber	**(2.98)**	(2.66)
Steel	**(3.00)**	(2.66)
Carbon black	**(1.71)**	(1.17)
EPDM	**(0.34)**	(0.78)
Silicone	**(0.82)**	(0.83)
	(8.85)	(8.10)

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, including having a direct local presence in international markets where the Company does not, 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, the 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 the rubber compounding and automotive business, 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 net sales 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 borrowings 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-flows. 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):

	Earnings before tax	
$Millions	**2018**	2017
Sales (1)	**(2.9)**	(2.8)
Purchases (2)	**6.1**	4.8

(1) Based upon Canadian dollar-denominated sales

(2) Based upon Canadian dollar-denominated debt repayments, 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 liable for 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 regulations. 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 such 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

Our rubber compounding facilities have an annual capacity to process 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, the Company expects that it can be readily sourced in the market, however any material failure of our equipment or inability to purchase additional required equipment could have a material adverse effect on the Company.

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 acquisitions 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, 2018, 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, 2018 and believe the design and effectiveness of the internal controls to be effective.

OUTLOOK

The Company is starting to see accelerated improvements from the ramp up of the AirBoss Operating System, particularly in Rubber Solutions. Management will continue to focus on scaling and increasing the pace of these improvements across the business and anticipates this will offset continued volatility with respect to raw material pricing and other input costs. While there has been some relief, uncertainty in global trading relationships resulting from the current tariff environment and the corresponding impact on some of our customers' confidence in their future demand continues, particularly in the automotive business within Engineered Products. Despite these headwinds, the current pipeline remains solid and broad-based across our business segments and among the sectors we serve. The recently announced awards at AirBoss Defense, the defense products line of the Engineered Products segment, are particularly encouraging.

In the Rubber Solutions segment, operational improvement initiatives have started to result in meaningful gains and we are entering 2019 with a robust pipeline of diversified business. Management expects that the combination of this pipeline and the traction from the operational improvements will continue to deliver strong results in 2019. The Company's strategic focus remains on maintaining its leadership position as a rubber-based solutions provider to its broad customer base while also continuing to increase and expand the breadth of its portfolio of higher margin compounds. In support of this, the Company recently announced expansion plans to add a second mixing line in its Scotland Neck, NC facility as well as a dedicated white and colour mixing line and a significant enhancement of its R&D and laboratory capabilities in its flagship Kitchener, ON facility. Once fully operational, these investments in mixing assets are expected to increase operational efficiencies and profitability particularly in our growing white and colour portfolio.

In the Engineered Products' automotive business, the implementation of the operational and commercial initiatives introduced in 2018 in conjunction with aggressive continuous improvement initiatives are anticipated to lead to improved results as 2019 progresses. Management is confident that the automotive business' strong leadership in sales and business development, engineering, and operations will enable it to increasingly win shares of new platforms going forward. In addition, the Company is making some inroads and will continue to pursue its strategy of diversifying its anti-vibration and noise abatement solutions into ancillary markets. The defense business is expected to continue performing strongly in 2019 across its suite of products, anchored by the four previously announced contracts as well as securing additional awards for the future, although there is some uncertainty as to the timing and size of orders under existing contracts and new tenders.

With its enhanced senior management team across all businesses and an experienced and dedicated workforce, the Company is committed to delivering predictable and sustainable growth, quality, customer satisfaction and profitability. Combined with its strong balance sheet the Company is well positioned to achieve this goal through organic and in-organic growth opportunities.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of AirBoss of America Corp. and all the information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management, in accordance with IFRS. When alternate accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented in this annual report and has ensured that it is consistent with that presented in the financial statements.

AirBoss of America Corp. maintains systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and all members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers the engagement or re-appointment of the external auditors for review by the Board and approval by the shareholders.

KPMG LLP, the Company's external auditors, who are appointed by the shareholders, audited the consolidated financial statements as of and for the years ended December 31, 2018 and December 31, 2017 in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. KPMG LLP has full and free access to the Audit Committee.

March 12, 2019

P. Gren Schoch	**Daniel Gagnon**
Chairman & Chief Executive Officer	Chief Financial Officer

Independent Auditors' Report

To the Shareholders of AirBoss of America Corp.

Opinion

We have audited the consolidated financial statements of AirBoss of America Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of profit and other comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is William J. Stephen.

Vaughan, Canada
March 12, 2019

Consolidated Statement of Financial Position

In thousands of US dollars	*Note*	**December 31, 2018**	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		**17,862**	17,748
Trade and other receivables, including derivatives	*4,9*	**56,346**	51,778
Prepaid expenses		**4,806**	3,205
Inventories	*5*	**39,691**	38,291
Current income taxes receivable	*14*	**2,216**	1,104
Other current assets	*8*	**734**	-
Total current assets		**121,655**	112,126
Non-current assets			
Property, plant and equipment	*6*	**59,243**	59,591
Intangible assets	*7*	**50,634**	52,782
Other assets	*8*	**996**	1,449
Total non-current assets		**110,873**	113,822
Total assets		**232,528**	225,948
LIABILITIES			
Current liabilities			
Loans and borrowings	*10*	**3,794**	6,398
Trade and other payables, including derivatives		**41,561**	31,942
Provisions	*11*	**174**	1,242
Total current liabilities		**45,529**	39,582
Non-current liabilities			
Loans and borrowings	*10*	**59,162**	62,859
Employee benefits	*17*	**474**	560
Provisions	*11*	**580**	639
Deferred income tax liabilities	*14*	**5,300**	5,147
Total non-current liabilities		**65,516**	69,205
Total liabilities		**111,045**	108,787
EQUITY			
Share capital	*12*	**39,579**	37,860
Contributed surplus	*12*	**1,157**	2,067
Retained earnings		**80,747**	77,234
Total equity		**121,483**	117,161
Total liabilities and equity		**232,528**	225,948

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

On behalf of the Board

P.G. Schoch
Director

Robert L. McLeish
Director

Consolidated Statement of Profit and Comprehensive income

For the year ended December 31 *In thousands of US dollars*	*Note*	**2018**	2017
Net Sales		**316,603**	289,855
Cost of sales	*5*	**(271,612)**	(245,335)
Gross profit		**44,991**	44,520
General and administrative expenses	*3*	**(22,230)**	(20,644)
Selling and marketing expenses		**(5,343)**	(5,149)
Research and development expenses	*15*	**(1,555)**	(2,153)
Other income (expenses)		**(1,154)**	395
Operating expenses		**(30,282)**	(27,551)
Results from operating activities		**14,709**	16,969
Finance costs	*10,17*	**(2,921)**	(2,567)
Profit before income tax		**11,788**	14,402
Income tax expense	*14*	**(3,252)**	(1,770)
Profit and total comprehensive income for the year		**8,536**	12,632
Earnings per share			
Basic	*13*	**0.37**	0.55
Diluted	*13*	**0.37**	0.54

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			
In thousands of US dollars	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2017	37,826	1,899	69,558	109,283
Total comprehensive income for the year				
Profit for the year	-	-	12,632	12,632
Contributions by and distributions to owners				
Stock options expensed	-	337	-	337
Share options exercised	52	(109)	-	(57)
Share repurchases	(18)	-	-	(18)
Share options forfeited	-	(60)	-	(60)
Dividends to equity holders	-	-	(4,956)	(4,956)
Total contributions by and distributions to owners	34	168	(4,956)	(4,754)
Balance at December 31, 2017	37,860	2,067	77,234	117,161

	Attributable to equity holders of the Company			
In thousands of US dollars	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2018	37,860	2,067	77,234	117,161
Total comprehensive income for the year				
Profit for the year	-	-	8,536	8,536
Contributions by and distributions to owners				
Stock options expensed	-	206	-	206
Share options exercised	1,786	(852)	-	934
Share options forfeited	-	(12)	-	(12)
Share repurchases	(67)	(252)	-	(319)
Dividends to equity holders	-	-	(5,023)	(5,023)
Total contributions by and distributions to owners	1,719	(910)	(5,023)	(4,214)
Balance at December 31, 2018	39,579	1,157	80,747	121,483

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31 *In thousands of US dollars*	*Note*	**December 31, 2018**	December 31, 2017
Cash flows from operating activities			
Profit for the year		**8,536**	12,632
Adjustments for:			
Depreciation	*6*	**7,847**	7,379
Amortization of intangible assets	*7*	**3,119**	3,305
Finance costs	*10,17*	**2,921**	2,567
Unrealized foreign exchange losses		**891**	71
Share-based payment expense	*11,12*	**668**	897
SRED tax credits	*15*	**(780)**	(181)
Current income tax expense	*14*	**3,014**	3,109
Deferred income tax recovery	*14*	**238**	(1,339)
Other	*17*	**(84)**	(367)
		26,370	28,073
Change in inventories		**(1,400)**	(5,911)
Change in trade and other receivables		**(5,163)**	(9,096)
Change in prepaid expenses		**(1,621)**	713
Change in trade and other payables		**9,433**	(2,243)
Change in provisions		**(1,485)**	(589)
Net change in non-cash or working capital balances		**(236)**	(17,126)
Interest paid		**(2,814)**	(2,536)
Income tax paid		**(3,453)**	(2,600)
Net cash provided by operating activities		**19,867**	5,811
Cash flows from investing activities			
Acquisition of property, plant and equipment	*6*	**(7,264)**	(5,540)
Acquisition of intangible assets	*7*	**(971)**	(1,754)
Net cash used in investing activities		**(8,235)**	(7,294)
Cash flows from financing activities			
Repayment of borrowings		**(6,591)**	(4,005)
Exercise of stock options (net of withholding taxes)		**934**	-
Repayment of share purchase loan	*8*	**-**	193
Share purchase loans	*8*	**(392)**	-
Share repurchases		**(319)**	(18)
Interest received on share purchase loan		**11**	12
Dividends paid	*12*	**(5,061)**	(4,873)
Net cash used in financing activities		**(11,418)**	(8,691)
Net (decrease) / increase in cash and cash equivalents		**214**	(10,174)
Cash and cash equivalents at January 1		**17,748**	27,971
Effect of exchange rate fluctuations on cash held		**(100)**	(49)
Cash and cash equivalents at December 31		**17,862**	17,748

The notes on pages 34 to 59 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements ("CFS")

For the years ended December 31, 2018 and 2017
(Amounts in thousands of US dollars, 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 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 18).

Subsidiaries are consolidated based on control which is assessed on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

List of Subsidiaries

Set out below is a list of operating subsidiaries of the Company.

Operating Subsidiaries	Jurisdiction	Ownership % (2018 & 2017)
AirBoss of America Corp.	Ontario	100%
AirBoss Rubber Compounding (NC) Inc.	North Carolina	100%
AirBoss Engineered Products Inc.	Quebec	100%
SunBoss Chemicals Corp.	Ontario	100%
AirBoss Flexible Products Co.	Michigan	100%
Immediate Response Technologies, LLC	Delaware	100%

AirBoss, through its Rubber Solutions segment, is engaged in custom rubber compounding, supplying mixed rubber for use in mining, transportation, industrial rubber products, military, automotive, conveyor belting, oil and gas and other products, primarily in North America. The Rubber Solutions segment also operates our industrial products business, which as well as custom rubber compounding, develops and manufactures calendered, extruded and molded products for a broad range of applications and industries, out of Acton Vale, Quebec. SunBoss Chemicals Corp. sources chemicals used in the rubber compounding business for both internal consumption and external sales to customers who mix compounds internally, and its financial results are included in the financial disclosure provided in respect of the Rubber Solutions segment.

The Engineered Products segment operates a defense products line out of Acton Vale, Quebec, Bromont, Quebec and Landover, Maryland, USA and an automotive products business out of Auburn Hills, Michigan. AirBoss Engineered Products Inc. /AirBoss Produits d'Ingénierie Inc. ("AEP") and Immediate Response Technologies, LLC ("IRT") collectively operate our defense business (under the trade name "AirBoss Defense"). AirBoss Defense is a leader in the development, manufacture and sale of Chemical, Biological, Radiological and Nuclear ("CBRN") protective equipment and related products for military, first response and healthcare applications. AirBoss Flexible Products Co. operates our automotive business and is a leading manufacturer and supplier of innovative and cost-effective anti-vibration and noise dampening solutions primarily to the North American automotive market. Our automotive business designs, engineers and manufactures rubber, synthetic rubber and rubber-to-metal bonded products that are used to eliminate or control undesired vibration and noise, to enhance interior comfort, increase the durability of a vehicle and improve the overall experience of a vehicle's passengers.

NOTE 2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- certain property, plant and equipment was re-measured at fair value on the adoption of IFRS
- forward contracts are measured at fair value
- liabilities for cash settled share-based payment arrangements are initially and thereafter measured at fair value
- equity settled share based payment arrangements are measured at fair value at the grant date
- recognition of future income taxes on foreign exchange differences where the currency of the tax basis on non-monetary assets and liabilities differ from the functional currency
- the employee benefit liability is recognized as the net total of the plan assets, at fair value, less the present value of the defined benefit obligation

(c) Functional and presentation currency

These consolidated financial statements are presented in US dollars ("USD"), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand, except where otherwise indicated.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant areas requiring the use of estimates include valuation of accounts receivable, inventory, intangibles, accounting for income taxes, share-based payments, measurement of post-retirement benefits and fair value of assets acquired through business combination. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 4 – trade and other receivables

Note 5 – inventories

Note 7 – intangible assets

Note 14 – income taxes

Note 15 – government assistance

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 7 – intangible assets - key assumptions used in value-in-use calculations;

Note 11 – provisions;

Note 12 – capital and other components of equity;

Note 14 – income taxes;

Note 16 – commitments and contingencies; and

Note 17 – post retirement benefits.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in USD, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to functional currencies at exchange rates at the dates of the transactions, or valuation where items are re-measured. Monetary assets and liabilities denominated in a currency other than the functional currency are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities are recognized in profit or loss on the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses are presented on a net basis in the income statement within other income (expense).

(b) Financial instruments

(i) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on the following classifications:

Fair value through profit or loss (FVTPL):

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes derivative assets and derivative liabilities that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated statement of financial position at fair value and recognizes subsequent changes in the consolidated statements of profit. Transaction costs incurred are expensed in the consolidated statement of profit. The Company does not currently hold any liabilities designated as FVTPL.

Fair value through other comprehensive income (FVTOCI):

This category includes the Company's investments in equity securities. Subsequent to initial recognition, they are measured at fair value on the consolidated statement of financial position and changes therein are recognized in other comprehensive income. When an investment is derecognized, the accumulated gain or loss in other comprehensive income is transferred to the statement of profit.

Amortized cost:

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash and cash equivalents, trade and other receivables, and share purchase loans. The Company initially recognizes the carrying amount of such assets on the consolidated statements of financial position at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Financial liabilities that are not classified as FVTPL include trade and other payables and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated statement of financial position.

(ii) Impairment of financial assets

The Company uses the forward looking "expected credit loss" model to determine the allowance for impairment as it relates to trade and other receivables. The Company's allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

(iii) Dercognition

The Company derecognizes a financial asset when the contractual rights to the cash flows and benefits from the asset expire or are settled. The difference between the carrying amount of the financial asset and the sum of consideration received and receivable is recognized in the consolidated statements of profit.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of profit.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivative financial instruments

The Company holds stand-alone derivative financial instruments to reduce its foreign currency risk exposures. Such derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized immediately in the consolidated statements of profit.

(c) Property, plant and equipment

(i) Recognition and measurement

Land and buildings comprise mainly manufacturing facilities and offices. Items of property, plant and equipment are measured at historical cost (net of government grants) less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Land is not depreciated. For other property, plant and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset, revalued amount or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, with certain manufacturing equipment being depreciated on a units of production basis since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	15-40 years
• plant and manufacturing equipment	5-15 years
• vehicles	3-5 years
• furniture, office, lab and computer equipment	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of a business is included in intangible assets. At initial recognition, goodwill is measured as the excess of purchase price over the fair value of identifiable net assets.

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, the amount recorded prior to the transition to IFRS.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested at least annually for impairment. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Customer Relationships

Customer Relationships that arise upon the acquisition of a business are included in intangible assets. At initial recognition, customer relationships are measured at fair value based on total sales to customers, estimating an annual attrition rate and future growth based on current market conditions and historical data.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Investment tax credits and other related government assistance are recorded as a reduction of R&D department costs. Investment tax credits related to capital assets reduce property, plant and equipment accordingly.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Other intangible assets

Other intangible assets, such as software, that are acquired or developed by the Company and have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Costs associated with annual licenses and maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when there is an ability to use the software product and it can be demonstrated how the software product will generate probable future economic benefits.

Directly attributable costs that are capitalized as part of the software product include the incremental software development or contracted employee costs. Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

(v) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and intellectual property, are recognized in profit or loss as incurred.

(vi) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

• software	5 years
• capitalized development costs	3-5 years
• customer relationships	10 years

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. Impairment charges are recorded against cost of sales, when it is determined the net realizable value is less than cost.

(f) Employee benefits

(i) Other long-term employee benefits

The Company provides certain employees with post retirement life insurance benefits that are unfunded. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries. The Company's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains and losses are recognized in other comprehensive income and retained earnings in the period in which they arise.

(ii) Defined Contribution Plan

US operating subsidiaries of Airboss maintain 401(k) defined contribution plans for their respective employees. The Company and its Canadian operating subsidiaries maintain registered and unregistered defined contribution plans for their employees. Contributions to these plans are expensed as incurred.

(iii) Multi-Employer Pension Plan

The Company contributes to the Steel Workers Pension Trust, a defined benefit multi-employer pension plan (MEPP) under the terms of collective-bargaining agreements that cover its union-represented employees in the State of Michigan. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plan is not available due to the size and number of contributing employees in the plan. The risks of participating in a MEPP are different from participation in a single-employer plan in the following aspects:

(a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

(iv) Bonus Plan

The Company recognizes a liability for unpaid bonuses and an expense for all bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders, after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Defined Benefit plan

The Company provided designated employees with defined post-employment benefits based upon their years of service. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These benefits are accrued by the Company and remain unfunded unless certain events occur. The Company's net obligation, in respect of defined benefit pension plans, is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets (if any) are deducted. The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Company recognize all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and reports them in retained earnings.

Settlements are approved by the Board of Directors and any difference between the final cash settlement and the Company's net obligation, are recognized at that time as a gain or loss to the current Statement of Income.

(g) Provisions

Provisions for environmental restoration and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(h) Net Sales:

(i) Goods Sold

Net sales from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Net sales for production of finished goods is recognized at the point in time control of the goods is transferred to the customer. Control of finished goods production transfers upon shipment to, or receipt by, customers depending on the terms of the contract. Generally, the buyer has no right of return except if the product did not comply with the agreed upon specifications.

(ii) Services

Net sales for tolling services is recognized over time as value is added to the raw materials which are controlled and provided by the customer.

(i) Government grants

An unconditional government grant is recognized as a reduction of the cost of the asset acquired or expenses incurred when the grant becomes receivable.

(j) Lease payments

Payments made under operating leases are recognized in profit or loss, on a straight-line basis, over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized, as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and the financing component of employee benefits. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax also includes any tax arising from dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(m) Segment reporting

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Operating segments are aggregated if they are similar and demonstrate similar economic characteristics. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), and head office expenses.

(n) Share-based payments

In 2015, the shareholders approved the Company's 2015 Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan is a share-based compensation plan, under which the entity receives services from directors, employees and certain advisors as consideration for equity instruments of the Company. The fair value of the services received in exchange for the grant of the equity awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

Under the Omnibus Plan, the Company can issue restricted stock units, performance share units, deferred share units and stock options pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

Non-market vesting conditions are included in assumptions about the number of equity awards that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of equity awards that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Unless net settled, when options are exercised the Company issues new shares. The proceeds received, together with the amount recorded in contributed surplus, are credited to share capital when the options are exercised. The beneficiary can elect to convert the fair value of the vested options to the market value of shares on a cash-less basis on the exercise date. Liabilities related to performance share units are settled through cash payment, and liabilities related to deferred share units are settled through the issuance of shares, or equivalent cash value, at the Company's sole discretion

The dilutive effect of outstanding equity awards is reflected as additional share dilution in the computation of diluted earnings per share.

(o) New Standards adopted

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 using the full retrospective approach. The adoption of the standard did not result in any restatement of previously reported results and did not have a material impact on the consolidated financial statements. The Company's revenue recognition accounting policy has been updated accordingly as described in note 2 (h).

IFRS 9 - Financial Instruments ("IFRS 9")

The adoption of IFRS 9 did not have a material impact on the consolidated financial statements. The Company's accounting policies on financial instruments have been updated accordingly as described in note 2 (b).

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

The following table summarizes the classification impacts upon adoption of IFRS 9:

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and cash equivalents	Fair value through profit and loss	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Share purchase loans	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Interest rate swap	Fair value through profit and loss	Fair value through profit and loss
Foreign exchange hedge	Fair value through profit and loss	Fair value through profit and loss
Loans and borrowings	Other financial liabilities	Amortized cost

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss "ECL" model. The new impairment model is applied, at each period end date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments. The Company adopted the practical expedient to determine the ECL on trade and other receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The provision matrix applied did not have a material impact on trade and other receivables of the Company.

(p) Future Accounting Standards

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The 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.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with cumulative effects of initial application recorded in opening retained earnings as at December 31, 2018, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

The impact of adoption will result in the recognition of right-of-use assets estimated in the range of $7 million to $9 million, with corresponding lease liabilities in the same range. The adoption of IFRS 16 will also result in a decrease in operating rent expense, and increases in finance and depreciation expenses recognized in the consolidated statement of profit.

NOTE 4 TRADE AND OTHER RECEIVABLES

December 31 *In thousands of US dollars*	**2018**	2017
Trade receivables	**55,858**	50,870
Less: allowance for impairment	**(399)**	(185)
	55,459	50,685
Other receivables	**887**	1,093
	56,346	51,778

Impairment losses

The aging of trade receivables at the reporting date was:

December 31	**2018**		2017	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**41,196**	**-**	39,387	-
Past due 0-30 days	**10,756**	**-**	8,935	-
Past due 31-120 days	**3,906**	**(399)**	2,548	(185)
	55,858	**(399)**	50,870	(185)

The continuity of the allowance for impairment was:

In thousands of US dollars	**2018**	2017
Balance at January 1	**(185)**	(95)
Impairment loss recognized	**(361)**	(90)
Collected	**147**	-
Balance at December 31	**(399)**	(185)

NOTE 5 INVENTORIES

December 31 *In thousands of US dollars*	**2018**	2017
Raw materials and consumables	**28,769**	26,663
Work in progress	**3,142**	3,657
Finished goods	**9,848**	8,299
Inventory in transit	**787**	2,012
	42,546	40,631
Provisions	**(2,855)**	(2,340)
	39,691	38,291

An inventory charge of $515 (2017: charge of $1,154) was included in cost of sales.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

In thousands of US dollars	Land and buildings	Plant and equipment	Furniture and equipment	Under construction	Total
Cost or deemed cost					
Balance at January 1, 2017	17,936	76,559	1,709	2,022	98,226
Additions	346	490	75	4,629	5,540
Disposals	-	(654)	-	-	(654)
Transfers	508	1,995	29	(2,532)	-
Balance at December 31, 2017	18,790	78,390	1,813	4,119	103,112
Additions	138	1,030	233	6,104	7,505
Disposals	-	(772)	(7)	-	(779)
Transfers	491	4,164	162	(4,817)	-
Balance at December 31, 2018	19,419	82,812	2,201	5,406	109,838
Accumulated depreciation					
Balance at January 1, 2017	5,349	30,178	1,339	-	36,866
Depreciation for the year	975	6,261	143	-	7,379
Disposals	-	(724)	-	-	(724)
Balance at December 31, 2017	6,324	35,715	1,482	-	43,521
Depreciation for the year	990	6,703	154	-	7,847
Disposals	-	(766)	(7)	-	(773)
Balance at December 31, 2018	7,314	41,652	1,629	-	50,595

Carrying amounts

In thousands of US dollars	Land and buildings	Plant and equipment	Furniture and equipment	Under construction	Total
At December 31, 2017	12,466	42,675	331	4,119	59,591
At December 31, 2018	12,105	41,160	572	5,406	59,243

Depreciation expense of $7,625 (2017: $7,192) was charged to costs of sales, $108 (2017: $62) was charged to general and administrative expense and $114 (2017: $125) was charged to research and development expenses.

Government assistance grants relating to capital assets were $nil in 2018 (2017: $165); land and buildings and property, plant and equipment were adjusted accordingly.

NOTE 7 INTANGIBLE ASSETS

In thousands of US dollars	Customer Relationships	Goodwill	Software and Development costs	Total
Cost				
Balance at January 1, 2017	28,250	32,225	4,092	64,567
Purchases	-	-	1,754	1,754
Balance at December 31, 2017	28,250	32,225	5,846	66,321
Purchases	-	-	971	971
Balance at December 31, 2018	28,250	32,225	6,817	67,292
Amortization				
Balance at January 1, 2017	6,962	-	3,272	10,234
Amortization for the year	2,825	-	480	3,305
Balance at December 31, 2017	9,787	-	3,752	13,539
Amortization for the year	2,825	-	294	3,119
Balance at December 31, 2018	12,612	-	4,046	16,658
Carrying amounts				
At December 31, 2017	18,463	32,225	2,094	52,782
At December 31, 2018	15,638	32,225	2,771	50,634

Amortization expense of $3,119 (2017: $3,305) was charged to general and administrative expense. Remaining amortization for customer relationships acquired is 4.8 to 6.5 years.

Goodwill

December 31 *In thousands of US dollars*	**2018**	2017
Defense	**22,160**	22,160
Automotive	**10,065**	10,065
	32,225	32,225

Indefinite-life intangible assets – customer relationships

December 31 *In thousands of US dollars*	**2018**	2017
Defense	**7,963**	9,188
Automotive	**7,675**	9,275
	15,638	18,463

Impairment

Goodwill is allocated to those Cash Generating Units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. As at December 31, 2018 and December 31, 2017, there was no goodwill impairment.

Recoverable amount

Recoverable amount was based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit.

Key assumptions used in value-in-use calculations

The calculations of value in use for the Cash Generating Units are most sensitive to the following assumptions:

- Discount rate used 9.8%
- Growth rate of 2-5% for operating expenses used in the budget
- Projected sales used to extrapolate cash flows beyond the budget date

Cash flows were projected based on past experience, actual operating results and the business plan for a 1 year period. Cash flows for a further four year period were extrapolated using projected sales and a growth rate of 2-5% for operating expenses.

Net sales and margins in the business plan were budgeted based on discussions with customers, contracts on-hand and industry information, past experience and trends, as well as initiatives. The anticipated annual net sales have been based on expected growth levels (net of the inflationary effect of rising raw material prices).

The values assigned to the key assumptions represent management's assessment of future trends in the rubber, engineered products industries and are based on both external sources and internal sources (historical data).

NOTE 8 OTHER ASSETS

In thousands of US dollars	Share purchase loan	10% equity investment	Other	Total
Balance at January 1, 2017	1,119	313	133	1,565
Accrued interest	11	-	-	11
Interest paid	(11)	-	-	(11)
Repayment of loan	(193)	-	-	(193)
Effect of movements in exchange rates	71	-	6	77
Balance at December 31, 2017	997	313	139	1,449
Accrued interest	12	-	-	12
Interest received	(11)	-	-	(11)
New loan issuances (note 19)	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	(734)	-	-	(734)
	550	313	133	996

NOTE 9 DERIVATIVES NOT DESIGNATED IN A FORMAL HEDGING RELATIONSHIP

Foreign exchange hedge

At December 31, 2018, the Company had contracts to sell USD $25,427 in 2019 for Canadian dollars ("CAD") $33,601. The fair value of these contracts, representing a loss of $797 was included in trade and other payables, including derivatives (2017: gain of $252 was included in trade and other receivables, including derivatives) on the statement of financial position. The change in fair value was recorded on the statement of income as a loss.

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 ($30.8 million as at December 31, 2018) 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 2018, the net interest income of the swap agreement was $77 (2017: expense of $195).

For the year ended December 31, 2018, the fair value of this agreement, representing a gain of $434 (2017: gain of $275), is recorded on the statement of financial position included in loans and borrowings. The change in fair value is 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.

NOTE 10 LOANS AND BORROWINGS

December 31 *In thousands of US dollars*	**2018**	2017
Non-current		
Term debt	**59,757**	63,761
Less: deferred financing	**(595)**	(902)
	59,162	62,859
Current		
Term debt	**3,794**	6,398

December 31 *In thousands of US dollars*	**2018**	2017
CAD $5,000 term debt, bearing interest at 5.25%, five year term, amortized over 20 years, with principal and interest payable quarterly. Repaid October 2018.	**-**	2,923
$75,000 term debt, bearing interest at LIBOR plus applicable margins from 75 to 175 basis points depending on covenants, five year term, amortized by specific installments of principal plus interest payable quarterly and the balance repayable in December 2020.	**63,316**	67,236
Finance lease bearing interest at 4.93%, maturing October 2023.	**235**	-
Subtotal	**63,551**	70,159
Less principal due within one year	**(3,794)**	(6,398)
	59,757	63,761
Less deferred financing	**(595)**	(902)
	59,162	62,859

The Company's current credit facilities are 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), and an accordion feature of up to an additional $50,000 of availability, upon the satisfaction of customary conditions for such features. The revolving credit facility and term debt mature in December 2020.

During the fourth quarter of 2017, certain changes in the calculations for the covenant terms in the credit facilities were amended on a prospective basis.

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

The fees are being amortized over 5 years and $307 (2017: $262) has been amortized and is included in finance costs.

Interest expense on the term debt was $2,630 (2017: $2,097).

Principal repayments on the loans and borrowings are as follows:

In thousands of US dollars	**Total**	**2019**	**2020**	**2021**	**2022**	**2023**
Term debt and finance lease	63,551	3,794	59,613	49	51	44

In 2018 and 2017, under the Company's current credit facilities, the revolving facility consisted of $30,000 US Revolving Credit facility and a $30,000 US equivalent Canadian Revolving Credit Facility. $60,000 of this facility is unused as at December 31, 2018.

All obligations under the current credit facility and related loan documentation are secured by a first charge against all of the Company's present and after acquired property in favor of the lenders.

At December 31, 2018 the Company is not in default, nor has it breached any terms of the credit agreement relating to the current credit facilities.

The contractual re-pricing dates at the end of the reporting period are as follows:

December 31 *In thousands of US dollars*	**2018**	2017
Less than 1 year	**3,794**	6,398
1 to 5 years	**59,162**	62,859
	62,956	69,257

The carrying amount and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
In thousands of US dollars	**2018**	2017	**2018**	2017
Term debt and finance lease	**62,956**	69,257	**63,838**	69,968

The fair value of current borrowings approximate the carrying amount, as the impact of discounting at current market rates will not have a material impact. The fair values are based on cash-flows discounted using a rate based on the borrowing rate of 4.21% (2017: 3.47%) for the term loan and the capital lease and nil (2017: 4.82%) for CAD fixed rate term loan.

NOTE 11 PROVISIONS

In thousands of US dollars	Site restoration	Restricted stock units	Performance awards and Deferred stock units	Lease incentives	Total
Balance at January 1, 2017	74	1,337	105	265	1,781
Provisions accrued during the year	-	329	240	-	569
Payments during the year	-	(549)	-	-	(549)
Amortization during the year	-	-	-	(26)	(26)
Foreign exchange	-	85	21	-	106
Balance at December 31, 2017	74	1,202	366	239	1,881
Less amount due within one year	-	(1,202)	-	(40)	(1,242)
	74	-	366	199	639
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 amount due within one year	-	-	(120)	(54)	(174)
	74	-	361	145	580

Restricted Stock Units

Pursuant to the Omnibus Incentive 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.

Restricted stock units	**December 31, 2018**	December 31, 2017
January 1	**150,000**	224,000
Forfeitures	**-**	(15,000)
Exercised	**(150,000)**	(59,000)
Balance	**-**	150,000

During 2018 and 2017, no restricted stock units were issued. In 2018, no restricted stock units were forfeited, 150,000 fully vested restricted stock units were exercised for $1,485 in cash (2017: 15,000 forfeited and 59,000 units exercised for $549). At December 31, 2018 the Company has recognized as employee costs $316 (2017: $329) related to the plan.

Performance Awards

The Company has issued certain executives with an aggregate of 114,908 performance awards pursuant to the terms and conditions of the Omnibus Plan. Each performance award entitles the holder to receive on vesting a cash payment equal to the product of (a) the fair market value of a common share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined performance objectives over the vesting period generally. The performance awards vest three years following the grant date.

Performance stock units	**December 31, 2018**	December 31, 2017
January 1	**93,333**	50,680
New issuances	**29,933**	55,830
Forfeitures	**(8,358)**	(13,177)
Balance	**114,908**	93,333

During 2018, the Company recognized as employee costs $87 (2017: $95) related to the plan.

Deferred Stock Units

The Company has issued deferred stock units ("DSUs") to non-executive directors pursuant to the terms and conditions of the Omnibus Plan. Each vested DSU entitles the holder to receive, on redemption, either: (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 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.

Deferred stock units	**December 31, 2018**	December 31, 2017
January 1	**30,005**	11,428
New issuances	**13,083**	18,577
Balance	**43,088**	30,005

At December 31, 2018, independent directors held 43,088 DSUs. During 2018, 13,083 DSUs were issued. During 2018, the Company recognized as employee costs $71 (2017: $145) related to DSUs issued under the Omnibus Plan.

NOTE 12 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Share Capital: Authorized - Unlimited number of Class A shares without par value designated as common shares.

Unlimited number of Class B preference shares without par value and issuable in series subject to the filing or articles of amendment. The directors may fix, from time to time before such issue, the number of shares that is to comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series.

Under the Omnibus plan, a maximum of 10% of issued and outstanding shares are available for issuance under any type of share-based compensation plan. As at December 31, 2018, 1,661,976 shares are available (2017: 1,524,111).

Issued share capital is as follows:

In thousands of shares	**2018**	2017
January 1	**23,091**	23,074
Exercise of share options	**342**	19
Share repurchase	**(41)**	(2)
December 31	**23,392**	23,091

Issuance of common shares

During 2018, 495,000 options (2017: 62,500) were exercised resulting in the issuance of 341,949 (2017: 19,030) common shares.

During the fourth quarter of 2017, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 1,359,443 of its common shares, representing approximately 10% of the Company's public float. The Company purchased 40,620 (2017: 2,100) shares under its NCIB in 2018.

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

The term of an option shall not exceed 10 years from the date of grant. Options granted to directors and officers of the Company, which were outstanding at December 31, 2018, are as follows:

Range of exercise price ($CAD)	**Options outstanding Quantity**	**Weighted average contract life**	**Options exercisable Quantity**
10.98	33,200	3.87	9,500
11.56	31,685	4.22	6,200
12.05	240,000	1.00	240,000
12.26	62,007	3.22	27,600
15.40	50,000	1.25	46,900
16.69	87,380	2.25	60,200
17.86	15,000	2.00	11,300
	519,272		401,700

Options granted and outstanding:

A summary of the status of the Company's stock option plan as of December 31, 2018 and 2017 and changes during the years then ended, is presented below:

	2018		2017	
	Quantity	**Weighted average exercise price ($CAD)**	Quantity	Weighted average exercise price ($CAD)
Outstanding beginning of year	**988,710**	**9.86**	986,400	9.57
Granted	**38,109**	**11.56**	142,796	11.96
Exercised	**(495,000)**	**6.35**	(62,500)	6.92
Forfeited	**(12,547)**	**13.31**	(77,986)	12.45
Outstanding end of year	**519,272**	**13.25**	988,710	9.86

Inputs for measurement of grant date fair values

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

Fair value of share options and assumptions

In Canadian dollars	**March 2018**	November 2017	March 2017
Fair value at grant date	**$ 3.11**	$ 2.26	$ 2.35
Share price at grant date	**$ 12.08**	$ 10.50	$ 11.08
Exercise price	**$ 11.56**	$ 10.98	$ 12.26
Expected volatility (weighted average volatility)	**31.8%**	32.0%	34.2%
Option life (expected weighted average life)	**5 years**	5 years	5 years
Expected annual dividend rate	**2.3%**	2.7%	2.5%
Risk-free interest rate (based on government bonds)	**2.1%**	1.7%	1.2%

The stock options issued vest as follows:

	Quantity
Vested at December 31, 2018	401,700
2019	60,000
2020	37,280
2021	18,507
2022	1,785
	519,272

Stock option expense

During 2018, the Company recognized as employee costs $194 (2017: $277) relating to option grants in general and administrative expenses of the statement of income.

Dividends

Dividends on common shares were paid to shareholders of record quarterly in 2018 and in 2017 as follows:

	2018		2017	
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
March 31	**0.07**	**April 16, 2018**	0.07	April 14, 2017
June 30	**0.07**	**July 16, 2018**	0.07	July 14, 2017
September 30	**0.07**	**October 15, 2018**	0.07	October 13, 2017
December 31	**0.07**	**January 15, 2019**	0.07	January 15, 2018
	0.28		0.28	

The dividend payable at December 31, 2018 was $1,200 (2017: $1,288).

NOTE 13 EARNINGS PER SHARE

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

December 31 *In thousands of US dollars except per share amounts*	**2018**	2017
Numerator for basic and diluted earnings per share:		
Net income	**8,536**	12,632
Denominator for basic and diluted earnings per share:		
Basic weighted average number of shares outstanding	**23,345**	23,082
Dilution effect of stock options	**6**	242
Dilution of effect of restricted share units	**-**	136
Dilution of effect of deferred stock units	**32**	13
Diluted weighted average number of shares outstanding	**23,383**	23,473
Net income per share:		
Basic	**0.37**	0.55
Diluted	**0.37**	0.54

As of December 31, 2018, 214,387 options (2017: 220,510) 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 14 INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian statutory income tax rate to income before income taxes for the following reasons:

December 31 *In thousands of US dollars*	**2018**	2017
Combined federal and provincial statutory income tax	**3,124**	3,817
Foreign tax differential	**179**	(140)
Effect of permanent differences	**(110)**	(902)
Change in tax rates and new legislation	**22**	(956)
Difference arising on filing and assessments	**119**	(62)
Other	**(82)**	13
Total expense	**3,252**	1,770
The components of the provision for income taxes are as follows:		
Current	**3,014**	3,109
Deferred	**238**	(1,339)
Total	**3,252**	1,770

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

December 31 *In thousands of US dollars*	**2018**	2017
Deferred income tax assets:		
Non-capital income tax loss carry-forwards	**2,116**	1,844
Deferred income tax deductions relating to long-term liabilities	**126**	141
Equity Compensation	**175**	475
Alternative minimum tax	**97**	97
Capital assets	**156**	167
Other	**242**	13
	2,912	2,737
Deferred income tax liabilities:		
Deferred income tax deductions relating to long-term liabilities	**(6)**	(21)
Financing fees	**(70)**	(49)
Capital assets	**(8,136)**	(7,814)
	(8,212)	(7,884)
Net deferred income tax liabilities	**(5,300)**	(5,147)

In assessing the valuation of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of deferred taxable income during the period in which the temporary differences are deductible.

Management considers the scheduled reversals of deferred income tax liabilities, the character of the income tax asset and the tax planning strategies in making this assessment. Management would not recognize deferred income tax assets if the more likely than not realization criterion is not met.

The Company has $2,018 (2017: $1,789) available to offset deferred income taxes in the US and has recognized a related deferred income tax asset of $2,018 (2017: $1,789).

The aggregate amount of taxable temporary differences associated with investments in subsidiaries, branches and associated and interests in joint ventures, for which no deferred tax liabilities have been recognized, is $43,687 (2017: $42,968).

Deferred tax assets have not been recognized in respect of capital losses because it is not probable that future capital gains will be available against the capital losses.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that significantly revises the U.S. tax code generally effective January 1, 2018 by, among other changes, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense and performance based incentive compensation and implementing a modified territorial tax system. As a Canadian entity, the Company generally would be classified as a foreign entity (and, therefore, a non-U.S. tax resident) under general rules of U.S. federal income taxation. However, the Company has subsidiaries subject to U.S. federal income taxation and therefore the Tax Act impacted our consolidated results during 2017, and is expected to continue to impact our consolidated results in future periods. The impact to its consolidated statement in 2017 consists of the remeasurement of net deferred tax liabilities as of the enactment date.

As a result of the reduction in the U.S. corporate tax rate, it remeasured our U.S. net deferred tax liabilities as of the enactment date and recognized a benefit of $956 in the provision for income taxes in 2017, which is a reduction in net deferred tax liabilities as of December 31, 2017.

NOTE 15 GOVERNMENT ASSISTANCE

During 2018, Rubber Solutions recognized grants of $135 (2017: $106). Engineered Products did not recognize grants in 2018 or 2017.

Scientific research and investment tax credits of $780 (2017: $335) were recognized in 2018; research and development costs were reduced accordingly. No reduction to capital assets was recognized in respect of provincial tax credits (2017: $165).

NOTE 16 COMMITMENTS AND CONTINGENCIES

Commitments

The Company is committed, under non-cancellable operating lease agreements, to minimum rentals for equipment and premises as follows:

In thousands of US dollars	Equipment	Premises	Total
2019	73	1,734	1,807
2020	62	1,734	1,796
2021	54	1,698	1,752
2022	48	1,302	1,350
2023	40	1,302	1,342
Thereafter	1	1,635	1,636
Total	278	9,405	9,683

Litigation

No legal provisions are recognized at December 31, 2018 and 2017.

NOTE 17 POST RETIREMENT BENEFITS

The Company provides post retirement life insurance benefits to eligible retirees ("other benefit plan"). The post-retirement life insurance benefits under the other benefit plan are for non-unionized and unionized employees of AirBoss Engineered Products Inc., which are unfunded defined benefit plans covering life insurance.

The methods of accounting, assumptions and frequency of valuations for the other benefit plan are similar to those used for defined benefit pension schemes. This plan is funded through proceeds from an insurance policy. Total estimated contribution to this plan for the next fiscal year is $19. This plan is unfunded as such there is no plan asset to be disclosed. At December 31, 2018, the weighted average duration of the defined benefit obligation was 12 years (2017: 12 years).

The Company previously maintained an unfunded supplementary employment retirement plan for an executive ("executive supplemental plan") and an insurance policy to cover the obligation, in event of the executive's death. The executive supplemental plan was a non-registered plan. During 2017, in advance of the retirement of the executive covered by the Supplemental Plan, the Company reached an agreement with the executive to convert the defined benefit pension promise provided for under the Supplemental Plan into a notional defined contribution account balance of value that was equal to the December 31, 2016 defined benefit balance sheet liability of $1,223 effective January 1, 2017. This notional defined contribution account balance was credited with interest at an agreed rate of 3.75% per annum, until it was paid out. During 2017, the defined contribution amount of $1,247, which includes interest of $11 and foreign exchange of $13, was paid to the executive, eliminating the liability in full.

This benefit plan exposes the Company to actuarial risks, such as interest rate risk and longevity risk.

December 31 *In thousands of US dollars*	**2018**	2017
Statement of Financial Position obligations for:		
Other benefit plan	**474**	560
	474	560
Income statement charge for:		
Executive supplemental plan	**-**	24
Other benefit plan	**(78)**	22
	(78)	46

December 31 *In thousands of US dollars*	**Executive Supplemental Plan** **2018**	2017	**Other benefit plan** **2018**	2017
Present value of unfunded obligation and Liability in the Statement of Financial Position	**-**	-	**474**	560
Movement in the defined benefit obligation is as follows:				
At January 1	**-**	1,223	**560**	507
Current service cost	**-**	-	**2**	-
Interest cost	**-**	11	**17**	18
Benefit payment	**-**	(1,247)	**(45)**	-
Actuarial gain	**-**	-	**(17)**	-
Exchange differences	**-**	13	**(43)**	35
	-	-	**474**	560
At December 31				
The amounts recognized in the income statement are as follows:				
Post-retirement benefits expense	**-**	-	**(52)**	(31)
Interest cost	**-**	11	**17**	18
Exchange differences	**-**	13	**(43)**	35
Expense (recovery)	**-**	24	**(78)**	22

The current service charge was included in "general and administrative expense" and the interest cost is included in "finance costs" in the income statement.

December 31 *In thousands of US dollars*	**Other benefit plan** **2018**	2017
The principal actuarial valuation assumptions used were as follows:		
Discount rate	**3.60%**	3.00%
Mortality	**CPM mortality table projected with scale MI-2017 for the private sector**	CPM mortality table projected with scale B for the private sector
Retirement age:		
Percentage of members with spouses at retirement	**N/A**	N/A

The sensitivity of the executive supplemental plan to changes in assumptions is set out below. The sensitivity analysis was performed by recalculating the defined benefit obligation and the current service cost at the same valuation date, but only changing the assumption for which the sensitivity was required. This obligation was then used to calculate the difference against the actual amount established as at December 31, 2016. The effect of a variation in a particular assumption on the change in obligation has been calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (e.g. due to correlations between economic assumptions), which may magnify or counteract the sensitivities.

The sensitivity of the "other benefit plan" to changes in assumptions is set out below. The sensitivity analysis was performed by changing each assumption individually. If actual changes occur, some of these assumptions are likely to be correlated and result in a combined impact.

Fiscal Year ending December 31	**2018**	2017
Effect of an increase of 1%		
Post-employment benefit obligation	**(48)**	(58)
Effect of a decrease in 1%		
Post-employment benefit obligation	**60**	73
Mortality Sensitivity Analysis		
Effect of an increase of 10% on mortality rates		
Post-employment benefit obligation	**5**	9
Effect of a decrease of 10% on mortality rates		
Post-employment benefit obligation	**(6)**	(10)

Defined Contribution Plan

AirBoss Flexible Products Co. ("Flexible") maintains a 401(k) defined contribution plan for its employees. Total contributions and expense to this plan during 2018 were $362 (2017: $373).

Immediate Response Technologies, LLC maintains a 401(k) defined contribution plan for its employees. Total contributions and expense to this plan during 2018 were $88 (2017: $53).

AirBoss Rubber Compounding (NC) Inc. maintains a 401(k) plan for its employees. Total contributions and expense to this plan during 2018 were $45 (2017: $41).

AirBoss of America Corp. maintains a registered retirement savings plan defined contribution plan for all of their employees. Total contribution and expense to this plan for 2018 were $281 (2017: $298).

AirBoss Engineered Products Inc. employees are covered under various registered and unregistered defined contribution plans. Total contribution and expense to these plans for 2018 were $159 (2017: $147).

Multi-Employer Pension Plan

Flexible 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:

(a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

During 2018, the Company made contributions of $284 (2017: $279) 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 the Company's portion of the deficit was unknown. The collective bargaining agreement requires that the Company contributes $0.40 for each hour worked by eligible employees during the preceding wage month.

NOTE 18 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 semi-finished rubber related products, 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.

For the year ended December 31	Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment net sales	**184,065**	153,608	**172,077**	164,706	**-**	-	**356,142**	318,314
Inter-segment net sales	**(38,801)**	(28,195)	**(738)**	(264)	**-**	-	**(39,539)**	(28,459)
External net sales	**145,264**	125,413	**171,339**	164,442	**-**	-	**316,603**	289,855
Depreciation and amortization	**5,186**	5,174	**5,710**	5,466	**70**	44	**10,966**	10,684
Finance cost	**4,583**	4,733	**3**	-	**(1,665)**	(2,166)	**2,921**	2,567
Reportable segment profit (loss) before income tax	**9,910**	6,715	**5,723**	8,000	**(3,845)**	(313)	**11,788**	14,402
Income tax expense (recovery)	**5,126**	2,249	**1,457**	1,228	**(3,331)**	(1,707)	**3,252**	1,770
Net Income	**4,784**	4,466	**4,266**	6,772	**(514)**	1,394	**8,536**	12,632
Reportable segment assets	**97,263**	91,079	**122,395**	123,689	**12,870**	11,180	**232,528**	225,948
Reportable segment liabilities	**26,802**	18,193	**15,902**	14,975	**68,341**	75,619	**111,045**	108,787
Capital expenditures	**4,693**	3,637	**3,553**	2,700	**230**	957	**8,476**	7,294

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 are 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.

	December 31, 2018		December 31, 2017	
In thousands of US dollars	**Net sales**	**Non-current assets**	Net sales	Non-current assets
Canada	**47,209**	**44,314**	45,361	45,450
United States	**227,311**	**66,559**	213,633	68,372
Other countries	**42,083**	**-**	30,861	-
	316,603	**110,873**	289,855	113,822

Major customers

Net sales from one customer represent approximately 8% (2017: 9%) of consolidated net sales in 2018. Five customers represented 33% (2017: 29%) of consolidated net sales in 2018.

Major Products

In thousands of US dollars	**2018**	2017
Rubber Solutions		
Tolling	**7,484**	7,624
Industrial	**30,945**	31,286
Mixing	**106,835**	86,503
	145,264	125,413
Engineered Products		
Industrial	**129,348**	131,773
Defense	**41,991**	32,669
	171,339	164,442
	316,603	289,855

NOTE 19 RELATED PARTIES

Related Party Transactions

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 CAD $180 (2017: CAD $180).

During the year, the Company paid fees for the use of a facility in South Carolina of approximately $26 (2017: $14) to a company in which the CEO and Chairman is an officer.

Transactions with key management personnel

Key management includes directors, CEO, President, COO, CFO, and senior management. The compensation expense to key management for employee services is shown below:

December 31 *In thousands of US dollars*	**2018**	2017
Salaries and other short term benefits	**3,378**	2,397
Pension/Post-employment benefits	**-**	24
Share-based payment expense	**633**	839
	4,011	3,260

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. During 2017, an executive was paid $1,247 in advance of retirement relating to the executive supplemental plan. See Note 17 - Post Retirement Benefits.

Key management own 26.4% of the outstanding common shares as at December 31, 2018.

During 2014, the Company provided a share purchase loan of CAD $1,000 to the President to purchase common shares of the Company. The loan to the President is 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 fourth quarter of 2016, the Company provided a share purchase loan of CAD $250 to the Chief Financial Officer. The loan to the CFO is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or December 20, 2021. During the first quarter of 2018, the Company provided a share purchase loan of CAD $500 to the Chief Operating Officer. The loan to the COO is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or March 28, 2023. All share purchase loans bear interest at 1% annually with full recourse and interest is due and payable semi-annually. In total, 161,300 shares of the Company having a fair value of $1,035 were pledged as collateral on these three loans. At December 31, 2018, the promissory notes of $1,284, including accrued interest of $1, were included in other assets. During the year, interest of $11 (2017 $11) was paid.

NOTE 20 FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities result in exposure to a variety of financial risks, including risks related to commodity prices, currency fluctuation, interest rates, credit and liquidity.

Market Risk

Commodity prices and supplies

The Company's financial performance depends on certain outside sources for raw materials, including carbon black, synthetic and natural rubber, ethylene propylene diene monomer ("EPDM"), steel and silicone used in the production of its products, the price and availability of which are subject to fluctuations from such factors as weather, exchange rates and the price of oil, changes in industry production capacity, changes in world inventory levels and other factors beyond the Company's control.

The Company manages its commodity price and supply risk by matching purchase commitments to its customers' requirements during term of the price quote, generally ranging from 1 to 3 months and maintains supply sources in different areas of the world.

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements; such contracts are not settled net.

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:

	Earnings before tax	
$Millions	**2018**	2017
Natural and synthetic rubber	**(2.98)**	(2.66)
Steel	**(3.00)**	(2.66)
Carbon black	**(1.71)**	(1.17)
EPDM	**(0.34)**	(0.78)
Silicone	**(0.82)**	(0.83)
	(8.85)	(8.10)

A small portion of the Company's products are sold at prices denominated in CAD dollars or based on prevailing CAD dollar prices; most of the raw material purchases are denominated in US dollars and a significant portion of its operational costs and expenses are incurred in Canadian dollars. Therefore, an increase in the value of the US dollar relative to the Canadian dollar decreases the net sales in US dollar terms realized by the Company from sales made in Canadian dollars, partially offset by lower Canadian dollar operational costs/expenses, which decreases operating margin and the cash flow available to fund operations. The net Canadian monetary assets of its Canadian operations represent a currency risk as the balances are re-measured at the month end spot rate creating an unrealized exchange gain or loss.

The Company manages its currency risk relating to monetary assets and liabilities denominated in Canadian dollars by increasing or decreasing the proportion of operating or term loan denominated in Canadian funds or forward currency contracts. The Rubber Solution segment's profit and loss is somewhat naturally hedged in that sales denominated in US dollars offset US dollar expenses and debt service costs.

The following table approximates the following impact on the Company of a $0.10 decrease in the value of one Canadian dollar in US currency:

$Millions	Earnings before tax **2018**	 2017
Sales (1)	**(2.9)**	(2.8)
Purchases (2)	**6.1**	4.8

(1) Based upon Canadian dollar-denominated sales
(2) Based upon Canadian dollar-denominated debt repayments, purchases and expenses

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on cash and floating rate debt. Canadian dollar borrowings are on a fixed rate basis. The US dollar borrowings are on a variable rate basis. The Company has no formal policy to manage a certain proportion of borrowings on a fixed rate basis.

During the first quarter of 2017, the Company entered into an interest rate swap agreement for a notional amount of $35 million ($30.8 million as at December 31, 2018) 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 2018, the net interest income of the swap agreement was $77 (2017: expense of $195).

For the year ended December 31, 2018, the fair value of this agreement, representing a gain of $434 (2017: gain of $275), is recorded on the statement of financial position included in loans and borrowings. The change in fair value is 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 is not intended for trading or speculation purposes.

At the reporting date, the interest profile of the Company's interest-bearing financial instruments was:

December 31 *In thousands of US dollars*	**2018**	2017
Fixed rate instruments		
Financial assets	**1,284**	997
Financial liabilities	**(235)**	(2,923)
Variable rate instruments		
Financial liabilities	**(63,750)**	(66,833)
Total	**(62,701)**	(68,759)

Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates for the year would have increased or decreased net income and equity by:

In thousands of US dollars	Net income and equity 100bp increase	 100bp decrease
2018		
Variable rate instruments	**(191)**	**191**
2017		
Variable rate instruments	(178)	276

This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Credit Risk

The Company held cash and cash equivalents of $17,862 at December 31, 2018 (2017: $17,748), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard and Poor's ratings.

The Company sells its products to a variety of customers under various payment terms in the normal course of its operations and therefore is exposed to credit risks. The Company's exposure to credit risk is influenced by general economic conditions, the default risk of the industry and the relative concentration of business. A majority of the Company's trade receivables are derived from sales to distributors and manufacturers who have been transacting with the Company for over five years. In monitoring credit risk, the Company considers industry, volume and aging trends, maturity and other relevant factors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. Purchase limits established for certain accounts represent the maximum open balance permitted without approval from the CEO. The Company maintains reserves for potential credit losses relating to specific exposures, and any such losses to date have been within management's expectations. Net sales from one customer represent approximately 8% (2017: 9%) of consolidated net sales in 2018. Five customers represented 33% (2017: 29%) of consolidated net sales in 2018.The loss of any such customers or the delay or cancellation of any orders under certain high-volume contracts could have a significant impact on the Company.

The Company believes that its five significant customers are credit worthy and has not recorded a provision for credit risk relating to these accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions.

The Company manages liquidity by maintaining adequate cash balances, having appropriate lines of credit available and monitoring cash requirements to meet expected operational expenses, including debt service and capital requirements. In addition, the Company maintains a facility permitting the Company an accordion feature of up to an additional US $50,000 availability, upon the satisfaction of customary conditions for such features. At year end, the Company had cash of $17,862 and unused revolving credit facilities of $60,000 (2017: cash of $17,748 and unused facility of $60,000).

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, share purchase loans, convertible promissory note, demand loan, accounts payable and accrued liabilities, interest rate swap, term loan and other debt and foreign exchange hedges. The fair values of cash and cash equivalents, accounts receivable, share purchase loans, convertible promissory note, demand loan, accounts payable and accrued liabilities, interest rate swap and foreign exchange hedges, as recorded in the consolidated balance sheets approximate their carrying amounts due to the short term maturities of these instruments. The fair value of the long term loan has been discounted using current market interest rates.

The carrying value and fair value are as follows:

December 31, 2018

In thousands of US dollars	**Amortized cost**	**Fair value through profit and loss**	**Total carrying amount**	**Total fair value**
Cash and cash equivalents	17,862	-	17,862	17,862
Trade and other accounts receivable	56,346	-	56,346	56,346
Share Purchase loans	1,284	-	1,284	1,284
Total financial assets	75,492	-	75,492	75,492
Trade and other payables	40,764	-	40,764	40,764
Interest rate swap	-	(434)	(434)	(434)
Foreign Exchange Hedge	-	797	797	797
Loans and borrowings	63,390	-	63,390	63,838
Total financial liabilities	104,154	363	104,517	104,965

December 31, 2017

In thousands of US dollars	Amortized cost	Fair value through profit and loss	Total carrying amount	Total fair value
Cash and cash equivalents	17,748	-	17,748	17,748
Trade and other accounts receivable	51,526	-	51,526	51,526
Share Purchase loans	997	-	997	997
Total financial assets	70,271	-	70,271	70,271
Trade and other payables	31,942	-	31,942	31,942
Interest rate swap	-	(275)	(275)	(275)
Foreign Exchange Hedge	-	(252)	(252)	(252)
Loans and borrowings	69,532	-	69,532	69,968
Total financial liabilities	101,474	(527)	100,947	101,383

The fair value of the share purchase loans and long term loan has been based on market interest rate (level 2) in 2018 and 2017. The Company has not disclosed the fair values for financial instruments (trade and other accounts receivable and other liabilities) as their carrying amounts approximate their fair values (level 3). There were no reclassifications between classes of financial assets and financial liabilities in 2018 and 2017. There were no transfers between levels of the fair value hierarchy in 2018 and 2017.

Capital Management

The Company has defined its capital as follows:

December 31 *In thousands of US dollars*	**2018**	2017
Cash and cash equivalents	**(17,862)**	(17,748)
Term loan and other debt	**62,956**	69,257
Net debt	**45,094**	51,509
Shareholders' equity	**121,483**	117,161
	166,577	168,670

The Company's business is cyclical and it experiences significant changes in cash flow over the business cycle. In addition, the Company's financial performance can be materially influenced by changes in the relative value of the Canadian and US dollar.

The Company's fundamental objective in managing capital is to ensure adequate liquidity and financial flexibility at all times, but particularly at the bottom of the business cycle and in a strong Canadian dollar environment. The Company constantly monitors and assesses its financial performance in order to ensure that its net debt levels are prudent, taking into account the anticipated direction of the business cycle. When reviewing financing decisions, the Company considers the impact of debt and equity financing on its existing and future shareholders.

The Company has established a $60,000 committed revolving line of credit that provides liquidity and flexibility when capital markets are restricted.

Key management currently own 26.4% or 6,178,454 shares of the Company. Each director is required to hold shares having a value equal to three times their annual retainer fee in order to align objectives with that of shareholders. There is no plan to extend availability of options beyond key management and senior employees. The Company has a dividend policy to provide an additional return to shareholders; the decision to pay dividends is reviewed quarterly.

During the fourth quarter of 2017, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 1,359,443 of its common shares, representing approximately 10% of the Company's public float. The Company purchased 40,620 (2017: 2,100) shares under its NCIB in 2018.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 21 RECLASSIFICATION OF COMPARATIVE AMOUNTS

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

Corporate Information

Board of Directors

Mary Matthews, CPA, CA, ICD.D. (1) (2) (3)
Toronto, Ontario

Brian A. Robbins (1)
President and CEO, Exco Technologies Limited
Aurora, Ontario

P. Grenville Schoch
Chairman and CEO, AirBoss of America Corp.
Aurora, Ontario

Alan J. D. Watson (2) (3)
Sydney, Australia

Robert Hagerman
Aurora, Ontario

Robert L. McLeish (1) (2) (3)
Aurora, Ontario
Port Carling, Ontario

Solicitors

Davies Ward Phillips & Vineberg LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario

Transfer Agent And Registrar

Computershare Investor Services, Inc.
Toronto, Ontario

Stock Symbol Toronto Stock Exchange: BOS
Web Site Address: www.airbossofamerica.com
Email Address: info@airbossofamerica.com

Our Annual Meeting is Thursday, May 9, 2019
at 4:30 pm at Magna Golf Club,
14780 Leslie Street, Aurora, Ontario

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of Corporate Governance Committee

AirBoss of America Corp.

Corporate Information

CORPORATE OFFICE

AirBoss of America Corp.

16441 Yonge Street
Newmarket, Ontario, Canada L3X 2G8
Telephone: 905-751-1188
Facsimile: 905-751-1101

Chairman and CEO:
P. G. (Gren) Schoch

President:
Lisa Swartzman

Chief Financial Officer:
Daniel Gagnon

Chief Operating Officer:
Chris Bitsakakis

Designed and Produced by Spark Creative. Printed in Canada.

♻ Paper is FSC® Certified, Rainforest Alliance Certified™
and 10% Post-Consumer recycled content & fibre.

2018

AirBoss® of America Corp.