AIRBOSS OF AMERICA CORP.
2021 THIRD QUARTER INTERIM REPORT

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

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of November 9, 2021 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and Notes for the three- and nine-month period ended September 30, 2021 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2020. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the third quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com and on the Company's website at www.airboss.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 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, notably including its impact on demand for rubber solutions and products; dependence on key customers; global defense budgets, notably in the Company's target markets, and success of the Company in obtaining new or extended defense contracts; 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; impact of global health situations; potential product liability and warranty claims and equipment malfunction. COVID-19 could also negatively impact the Company's operations and financial results in future periods. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has a credit facility that can provide financing up to $250,000. 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 Interim 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 Interim 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

Recent Highlights

(in US dollars)

- Completed the acquisition of 100% ownership of Ace Elastomer, Inc. ("Ace") for US$42.5 million in cash;
- Announced new credit facilities with increased revolving credit availability up to $250 million (from $150 million) with an accordion of $75 million (from $50 million);
- Received approval from the National Institute for Occupational Safety and Health ("NIOSH") for its new AirBoss 100™ Half Mask Respirator; and
- Continued deliveries of nitrile patient examination gloves under the previously announced order for the Strategic National Stockpile ("SNS") for the U.S. Department for Health and Human Services ("HHS") – Office of the Assistant Secretary for Preparedness and Response (ASPR) worth up to $288 million, anticipated to be completed in Q4 2021

Selected Financial Information

In thousands of US dollars, except share data	Three-months ended September 30		Nine-months ended September 30	
(unaudited)	**2021**	2020	**2021**	2020
Financial results:				
Net sales	**112,027**	162,745	**337,805**	369,392
Profit	**6,902**	21,160	**31,541**	36,330
Profit attributable to owners of the Company	**6,902**	11,646	**31,541**	17,801
Adjusted Profit attributable to owners of the Company[2]	**7,040**	11,681	**31,833**	20,164
Earnings per share (US$)				
– Basic	**0.26**	0.50	**1.17**	0.76
– Diluted	**0.24**	0.47	**1.11**	0.74
Adjusted Earnings per share[2] (US$)				
– Basic	**0.26**	0.50	**1.18**	0.86
– Diluted	**0.25**	0.47	**1.12**	0.83
EBITDA[2]	**13,752**	37,335	**53,056**	70,400
Adjusted EBITDA[2]	**13,922**	37,370	**53,380**	72,763
Net cash provided by (used in) operating activities	**(125,723)**	18,137	**(136,392)**	47,869
Free cash flow[2]	**(130,447)**	13,965	**(149,400)**	38,479
Dividends declared per share (CAD$)	**0.10**	0.07	**0.27**	0.21
Capital additions	**4,724**	4,544	**17,560**	10,561
Financial position:	**September 30, 2021**			December 31, 2020
Total assets	**546,889**			367,369
Debt[1]	**216,516**			90,734
Net Debt[2]	**186,057**			(9,718)
Shareholders' equity	**221,840**			194,588
Outstanding shares*	**26,987,068**			26,908,802
**26,987,068 at November 9, 2021*				

[1]Debt as at September 30, 2021 and December 31, 2020 include lease liabilities of $18,046 and $13,482, respectively.

[2]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, depreciation, amortization and impairment)
Adjusted EBITDA
Adjusted profit attributable to owners of the Company
Adjusted earnings per share
Free cash flow
Net Debt

The above terms are non-IFRS financial measures and are derived from the consolidated financial statements but do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measure presented by other issuers.

The Company discloses these terms for use in financial measurements made by interested parties and investors to monitor the ability of the Company to generate cash from operations for debt service, to finance working capital and capital expenditures, potential acquisitions and to pay dividends. These terms are not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

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

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
In thousands of US dollars	**2021**	2020	**2021**	2020
EBITDA:				
Profit	**6,902**	21,160	**31,541**	36,330
Finance costs	**1,740**	723	**3,421**	2,694
Depreciation, amortization and impairment	**4,885**	8,387	**14,378**	16,635
Income tax expense	**225**	7,065	**3,716**	14,741
EBITDA	**13,752**	37,335	**53,056**	70,400
Acquisition fees	**47**	35	**201**	2,363
Prospectus fees	**123**	—	**123**	—
Adjusted EBITDA	**13,922**	37,370	**53,380**	72,763

A reconciliation of net income to Adjusted profit attributable to owners of the Company and Adjusted earnings per share is presented below:

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
In thousands of US dollars	**2021**	2020	**2021**	2020
Adjusted profit attributable to owners of the Company:				
Profit attributable to owners of the Company	**6,902**	11,646	**31,541**	17,801
Acquisition fees	**47**	35	**201**	2,363
Prospectus fees	**91**	—	**91**	**—**
Adjusted profit attributable to owners of the Company	**7,040**	11,681	**31,833**	20,164
Basic weighted average number of shares outstanding	**26,985**	23,401	**26,964**	23,398
Diluted weighted average number of shares outstanding	**28,370**	24,600	**28,305**	24,193
Adjusted earnings per share (in US dollars):				
Basic	**0.26**	0.50	**1.18**	0.86
Diluted	**0.25**	0.47	**1.12**	0.83

A reconciliation of loans and borrowings to Net debt is presented below:

In thousands of US dollars	**September 30, 2021** (unaudited)	December 31, 2020
Net debt:		
Loans and borrowings - current	**3,023**	27,083
Loans and borrowings - non-current	**213,493**	63,651
Leases included in loans and borrowings	**(18,046)**	(13,482)
Cash and cash equivalents	**(12,413)**	(86,970)
Net debt	**186,057**	(9,718)

A reconciliation of net cash provided by (used in) operating activities to free cash flow is presented below:

	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
In thousands of US dollars	**2021**	2020	**2021**	2020
Free cash flow:				
Net cash provided by (used in) operating activities	**(125,723)**	18,137	**(136,392)**	47,869
Acquisition of property, plant and equipment	**(4,559)**	(4,065)	**(12,302)**	(9,174)
Acquisition of intangible assets	**(165)**	(107)	**(706)**	(716)
Proceeds from government grant	**—**	—	**—**	500
Free cash flow	**(130,447)**	13,965	**(149,400)**	38,479
Basic weighted average number of shares outstanding	**26,985**	23,401	**26,964**	23,398
Diluted weighted average number of shares outstanding	**26,985**	24,600	**26,964**	24,193
Free cash flow per share (in US dollars):				
Basic	**(4.83)**	0.60	**(5.54)**	1.64
Diluted	**(4.83)**	0.57	**(5.54)**	1.59

OVERVIEW

The Company has continued to focus on operational execution as well as growth initiatives and investments while mitigating the impact of on-going global freight, labor and logistics challenges, raw material price escalations and constraints and the continued impact of the COVID-19 pandemic. AirBoss continues to take advantage of ongoing opportunities supporting significant demand for PPE, which has offset the COVID-19-related impacts on the AEP and ARS segments. This quarter saw ongoing momentum at ADG as it continued the shipment of nitrile patient examination gloves to HHS pursuant to an order worth up to $288 million; the Company anticipates that delivery of this order will be primarily completed in the fourth quarter of 2021. New aggressive COVID-19 strains have prolonged global challenges even as countries reopened businesses and economies, with many regions again forced to shut down in an effort to manage outbreaks. AirBoss has continued to focus on its core segments despite these rapidly evolving global challenges, further solidifying its position in PPE, health care and survivability sectors and has remained focused on supporting its customers, employees and stakeholders during the pandemic, ensuring the highest standards for safety at all of its locations.

This was a solid quarter for AirBoss, despite numerous challenges. The COVID-19 pandemic resulted in government-mandated lockdowns which created 4-6 week production delays. Combined with global logistics difficulties, notably record backlogs at U.S. cargo ports, these delays resulted in a shift of revenue related to the nitrile patient examination gloves for the Strategic National Stockpile (SNS) for HHS into the fourth quarter. The continued recovery of volumes that have been impacted by COVID-19-related factors will be subject, in part, to the ongoing management of stable and sustained operations of businesses globally, which continues to be difficult to predict, especially in light of current COVID-19 impacts globally and across North America in particular, which remains a key market for the Company. Supply chain issues continue to present significant challenges due to global freight constraints, material availability and significant raw material price increases, as well as increasing demand outpacing traditional supply models. A combination of domestic sourcing, advanced buying tactics and the development of alternative sources have been utilized to attempt to mitigate the significant risks associated with these challenges. However, we expect and have anticipated further constraints on our supply chain throughout the remainder of 2021. Notwithstanding these challenges, the Company continues to believe that it is poised for continued success during the remainder of the year.

ADG continues to work on the significant opportunities in its sales pipeline, which are at record levels and are expected to help augment ADG's traction and momentum and help offset possible further COVID-19 related challenges which may still impact ARS and AEP during the last quarter of 2021. Management believes that the future sourcing of PPE for first responders and healthcare professionals will continue to be a necessity, a priority and a requirement for front line workers in response to the COVID-19 pandemic; this is evidenced by the strong pipeline of PPE-related opportunities that ADG is currently pursuing. As a part of overall future emergency preparedness planning, management expects a more unified and streamlined approach to PPE acquisition aimed at reducing complexity, shortening acquisition times and building strategic stockpiles, compared to the fragmented and complex distributor relationship arrangements seen previously. This is expected to continue to be a future driver for the business and ADG is refining its business development approach accordingly. In October 2021, AirBoss also announced that it has received approval from NIOSH for its new AirBoss 100™ Half Mask Respirator. Beyond this, ADG continues to target traditional defense contracts, potentially valued at hundreds of millions of dollars globally over the next several years, for its broader portfolio of survivability solutions. This includes opportunities for its low-burden mask as well as next-generation products like the Blast Gauge™ blast overpressure solution, Bandolier and Rollover Detection Warning System (RDWS).

The Rubber Solutions segment saw sustained demand that exceeded volumes for the same quarter in 2020, which was heavily impacted by COVID-19 disruptions. As stated previously, timing for a sustained and full recovery in volumes will be subject, at least in part, to the continued evolution of COVID-19 across North America, specifically in the U.S. which is seeing continued challenges including vaccination deployment. The segment continued to focus on optimizing its equipment capacity, specifically in Scotland Neck, NC, while focusing on the integration of the recent Ace acquisition. This new addition will increase ARS' proprietary color and specialty rubber compounding capacity, complementing investments made by AirBoss in color and specialty compounding with the addition of two new dedicated lines in Kitchener, ON in 2019 and is expected to significantly accelerate ARS' strategy to expand from traditional black, high volume product lines into lower volume, higher margin color and specialty markets. In addition, the acquisition expands ARS' reach into the U.S. South and Mid-West with minimal overlap in customer-base and presents opportunities for revenue synergies. The segment saw progressive traction this quarter with a healthy backlog, despite continued significant raw material price increases coupled with international freight constraints which are still proving challenging on the supply chain and pandemic-driven labor challenges. The Company's development and sales in niche products including colored rubber continued to grow in line with the Company's margin expansion strategy with new customers now accelerated following the Ace acquisition. The Company continues to take advantage of its scale and global supply chain management expertise to onboard new customers seeking new suppliers in the current environment to drive volume and growth in its core markets, which will now be expanded into the U.S. South and Mid-West by leveraging Ace's geographic footprint. ARS remains focused on operational excellence and supporting production of a broader array of compounded products (white and color), as well as providing enhanced flexibility in attracting and fulfilling new business. In Kitchener, AirBoss continued to invest in its R&D expertise and lab capital to support enhanced collaboration with customers and better reflect the Company's focus on innovative R&D and proprietary technical solutions.

The Engineered Products segment continued to be impacted by electronic chip shortages as original equipment manufacturers ("OEMs") continued to shutter production as auto vehicle inventories are at record lows while demand remains very strong. The segment continued to focus on its operational improvement plan including managing variable costs and focusing on sustaining a stable hourly workforce while dealing with the volume reductions in the automotive sector and specifically on AirBoss' products for SUV, light truck and mini-van platforms. Global supply chain challenges and shutdowns in Asia added to logistical challenges associated with the supply of certain molded products. Despite these challenges, the Company continued its focus and commitment to drive efficiencies and best-in-class automation including the installation of 22 injection presses in a multi-year investment in addition to a state of the art automated work cell with another one on order for delivery in November. The Engineered Products segment has also continued to sustain the production of certain molded defense products for ADG at its Auburn Hills, MI facility.

The Company remains in sound financial position. The strong performance of the business has continued to support increased balance sheet strength and will provide management enhanced flexibility to execute opportunistically on both organic and inorganic growth initiatives, particularly as potential acquisition targets may lack the balance sheet strength to weather a prolonged downturn. AirBoss believes it is well positioned to further leverage its significant recent investments in innovation, capacity expansion, and innovative solutions as industry conditions improve.

Despite the continued headwinds associated with COVID-19, the Company's longer-term priorities remain intact and include:

1. Growing the core Rubber Solutions segment by positioning it as a specialty supplier of choice in the consolidating North American market, with a growing focus on building defensible leadership positions in selected compounds;
2. Capitalizing on ADG's enhanced scale and capabilities to pursue an array of growth and value-creation opportunities in the broader survivability solutions segment serving both defense and first responder markets;
3. Driving improved performance from Engineered Products through a combination of disciplined cost containment, client relationship expansion, new product development and sector diversification; and
4. Targeting additional acquisition opportunities across the business with a focus on adding new compounds and products, technical capabilities, and geographic reach into selected North American and international markets.

As before, management remains dedicated to the creation of long-term value for all stakeholders through a combination of strategic initiatives that both drive organic growth and support possible accretive transactions.

RESULTS OF OPERATIONS - For the three- and nine-month periods ended September 30, 2021 compared to 2020

NET SALES

Consolidated net sales for Q3 2021 decreased by 31.2% to $112,027 compared with Q3 2020. Consolidated net sales for 2021 year-to-date decreased by 8.6% to $337,805 compared with 2020 year-to-date. The decreases were primarily attributable to ADG's delivery of the FEMA and HHS PAPR contracts in the prior year. These decreases were partially offset by the increased sales at Rubber Solutions across the majority of customer sectors for both periods.

Three-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Inter-segment net sales	Total
Net Sales	**2021**	**52,179**	**39,861**	**28,328**	**(8,341)**	**112,027**
	2020	108,430	29,757	37,828	(13,270)	162,745
Increase (decrease) $		(56,251)	10,104	(9,500)	4,929	(50,718)
Increase (decrease) %		(51.9)	34.0	(25.1)	(37.1)	(31.2)

Nine-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Inter-segment net sales	Total
Net Sales	**2021**	**154,026**	**118,937**	**88,312**	**(23,470)**	**337,805**
	2020	225,509	87,362	81,407	(24,886)	369,392
Increase (decrease) $		(71,483)	31,575	6,905	1,416	(31,587)
Increase (decrease) %		(31.7)	36.1	8.5	(5.7)	(8.6)

AirBoss Defense Group

Net sales in the AirBoss Defense Group segment for Q3 2021 decreased by 51.9% to $52,179, from $108,430 in Q3 2020. The decrease was primarily the result of the large FEMA and HHS PAPR contracts in Q3 2020, which was partially offset by the continued delivery of the HHS nitrile patient examination gloves in Q3 2021.

Net sales in the AirBoss Defense Group segment for 2021 year-to-date decreased by 31.7% to $154,026, from $225,509 for 2020 year-to-date. The decrease was primarily the result of the large PAPR contracts from FEMA and HHS delivered in the comparable period of 2020, partially offset by the continued deliveries under the new HHS nitrile examination glove order and other defense products.

Rubber Solutions

Net sales in the Rubber Solutions segment for Q3 2021 increased by 34.0% to $39,861, from $29,757 in Q3 2020. Volume was up 4.7% with increases across the vast majority of sectors due to increased momentum at most customer's operations despite continuing supply chain challenges related to raw material supply and elevated freight costs. Tolling volume was down 23.1% while non-tolling was up 14.3%. In tolling applications, the Company only realizes net sales on the provision of compounding services for customer-supplied material, versus non-tolling where AirBoss also supplies the raw material inputs that are reflected in net sales.

Net sales in the Rubber Solutions segment for 2021 year-to-date increased by 36.1% to $118,937, from $87,362 for 2020 year-to-date. Volume was up 22.8% with increases across the majority of sectors and continued ramp up of most customer's operations despite residual softness due to the COVID-19 pandemic. Year-to-date tolling volume was up 15.6% while non-tolling was up 24.6%.

Engineered Products

Net sales in the Engineered Products segment for Q3 2021 decreased by 25.1% to $28,328, from $37,828 in Q3 2020. The decrease was due to lower volumes in the SUV, light truck and mini-van platform related to the global electronic chip shortages combined with raw material shortages and freight and logistics bottlenecks, which continue to challenge production schedules across all OEMs and Tier 1 suppliers. This was partially offset by production of certain molded defense products.

Net sales in the Engineered Products segment for 2021 year-to-date increased by 8.5% to $88,312, from $81,407 for 2020 year-to-date. The increase was due to stronger volumes in the SUV, light truck and mini-van platforms compared to the same period in the prior year, in addition to continued production of certain molded defense products. Compared to the same period of 2020, volume and sales improved earlier this year as the automotive sector continued to manage volume volatility given the challenges with the global electronic chip shortages combined with raw material shortages in addition to freight and logistics constraints. This softness is anticipated to continue in the foreseeable future.

GROSS PROFIT

Consolidated gross profit for Q3 2021 decreased by $19,937 to $25,776, compared with Q3 2020, driven by lower volumes at ADG related to the FEMA and HHS PAPR contracts recognized in the same period in the prior year, lower volume at Engineered Products and continued freight and raw material increases experienced across the organization. Gross profit as a percentage of net sales was reduced to 23.0% in Q3 2021 compared with 28.1% for Q3 2020 primarily due to a change in product mix at ADG, raw material, freight and labor related challenges impacting each segment to varying degrees in addition to government-directed wage subsidies recognized in Q3 2020.

Consolidated gross profit for 2021 year-to-date decreased by $10,813 to $84,854 compared with 2020 year-to-date, driven by lower volume at ADG due to the FEMA and HHS PAPR contracts in the prior year and margin compression at Rubber Solutions and Engineered Products due to labor, freight and raw material increases. Gross profit as a percentage of net sales decreased to 25.1% for 2021 year-to-date compared with 25.9% for 2020 year-to-date. These decreases were primarily as a result of lower margin in the Rubber Solutions and Engineered Products segments, partially due to higher government-directed wage subsidies recognized for the same period in the prior year partially offset by the continued management of controllable overhead costs in all segments.

Three-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Total
Gross Profit	**2021**	**22,827**	**4,268**	**(1,319)**	**25,776**
	2020	37,109	4,858	3,746	45,713
Increase (decrease) $		(14,282)	(590)	(5,065)	(19,937)
% of net sales	**2021**	**43.7**	**10.7**	**(4.7)**	**23.0**
	2020	34.2	16.3	9.9	28.1

Nine-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Total
Gross Profit	**2021**	**68,834**	**14,967**	**1,053**	**84,854**
	2020	76,019	14,679	4,969	95,667
Increase (decrease) $		(7,185)	288	(3,916)	(10,813)
% of net sales	**2021**	**44.7**	**12.6**	**1.2**	**25.1**
	2020	33.7	16.8	6.1	25.9

AirBoss Defense Group

Gross profit at AirBoss Defense Group for Q3 2021 decreased by 38.5% to $22,827 (43.7% of net sales), from $37,109 (34.2% of net sales) in Q3 2020. The decrease was primarily the result of the large contracts from FEMA and HHS for PAPRS and related accessories delivered in Q3 2020 and the reduction of government-directed wage subsidies compared to the same period in the prior year partially offset by favorable mix of certain other products in addition to the continued deliveries under the new HHS nitrile examination glove order.

Gross profit at AirBoss Defense Group for 2021 year-to-date decreased by 9.5% to $68,834 (44.7% of net sales), from $76,019 (33.7% of net sales) for 2020 year-to-date. The decrease was primarily due to higher volume associated with awards from FEMA and HHS in the same period in 2020 in addition to a decrease in government-directed wage subsidies offset by a continued focus on controllable operational cost containment and managing overhead costs.

Rubber Solutions

Gross profit at Rubber Solutions for Q3 2021 decreased by 12.1% to $4,268 (10.7% of net sales) from $4,858 (16.3% of net sales) in Q3 2020. This was primarily the result of increased raw material, labor and logistics costs and a decrease in government-directed subsidies, partially offset by an improvement in non-tolling volumes and managing controllable overhead costs.

Gross profit at Rubber Solutions for 2021 year-to-date increased by 2.0% to $14,967 (12.6% of net sales), from $14,679 (16.8% of net sales) for 2020 year-to-date, primarily as a result of increased tolling and non-tolling volumes compared to the same period in 2020, managing and reducing the impact of Covid related disruptions and managing controllable overhead costs, partially offset by higher raw material, labor and logistics costs and a decrease in government-directed subsidies.

Engineered Products

Gross profit at the Engineered Products segment for Q3 2021 decreased to $(1,319) from $3,746 in Q3 2020. This was primarily a result of lower volumes in part due to the global electronic chip shortages in the automotive sector combined with raw material shortages in addition to freight and logistics constraints partially offset by a continued focus on controllable operational cost containment.

Gross profit at the Engineered Products segment for 2021 year-to-date decreased by 78.8% to $1,053 (1.2% of net sales), from $4,969 (6.1% of net sales) for 2020 year-to-date. This was primarily a result of challenges associated with the global electronic chip shortages in the automotive sector combined with raw material shortages in addition to freight and logistics constraints higher labor, material and logistics costs partially offset by a continued focus on controllable operational cost containment and managing overhead costs, supported by government-directed subsidies.

OPERATING EXPENSES

Consolidated operating expenses for Q3 2021 increased by $144. The increase was primarily due to no government-directed subsidies in the current quarter, higher stock based compensation costs, and a foreign exchange loss (compared to a gain in the comparable period), partially offset by lower administrative costs, and impairment charges in the comparative period.

Consolidated operating expenses for 2021 year-to-date increased by $4,274. The increase was primarily due to higher stock based compensation expenses, higher selling costs and administrative costs partially offset by a foreign exchange gain (compared to a loss in the comparable period), and transaction costs and impairment charges in the comparative period.

Three-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total
Operating Expenses	**2021**	**8,652**	**2,186**	**2,785**	**3,286**	**16,909**
	2020	8,690	1,733	3,962	2,380	16,765
Increase (decrease) $		(38)	453	(1,177)	906	144
% of net sales	**2021**	**16.6**	**5.5**	**9.8**	**N/A**	**15.1**
	2020	8.0	5.8	10.5	N/A	10.3

Nine-months ended September 30 *In thousands of US dollars*		AirBoss Defense Group	Rubber Solutions	Engineered Products	Unallocated Corporate Costs	Total
Operating Expenses	**2021**	**22,117**	**6,222**	**7,504**	**10,333**	**46,176**
	2020	18,712	4,989	9,746	8,455	41,902
Increase (decrease) $		3,405	1,233	(2,242)	1,878	4,274
% of net sales	**2021**	**14.4**	**5.2**	**8.5**	**N/A**	**13.7**
	2020	8.3	5.7	12.0	N/A	11.3

AirBoss Defense Group

AirBoss Defense Group's operating expenses for Q3 2021 decreased by $38 to $8,652 due to managing administration costs, partially offset by lower government-directed wage subsidies to support businesses impacted by COVID-19, higher selling expenses, and an impairment charge in the comparative period.

AirBoss Defense Group's operating expenses for 2021 year-to-date increased by $3,405 to $22,117 due to higher selling expenses and administration costs and lower government-directed wage subsidies partially offset by an impairment charge in the comparative period.

Rubber Solutions

Rubber Solutions' operating expenses for Q3 2021 increased by $453 to $2,186. The change was primarily due to higher administration costs, no government-directed wage subsidies to support businesses impacted by COVID-19 recognized in the quarter, and an foreign exchange loss in the comparable period.

Rubber Solutions' operating expenses for 2021 year-to-date increased by $1,233 to $6,222. The change was primarily due to higher administration costs and lower government-directed wage subsidies, partially offset by a foreign exchange gain (compared to a loss in the comparable period).

Engineered Products

Engineered Products' operating expenses for Q3 2021 decreased by $1,177 to $2,785 due to lower administration costs and an impairment charge in the comparative period.

Engineered Products' operating expenses for 2021 year-to-date decreased by $2,242 to $7,504 due to lower administration costs, government-directed subsidies and an impairment charge in the comparative period.

Unallocated Corporate Costs

Unallocated corporate costs for Q3 2021 increased by $906 to $3,286. The increase was principally due to stock based compensation expense, a foreign exchange loss (compared to a gain in the comparable period) and lower government-directed wage subsidies.

Unallocated corporate costs for 2021 year-to-date increased by $1,878 to $10,333. The increase was principally due to increased stock based compensation expenses and lower government-directed wage subsidies partially offset by a lower foreign exchange loss and transaction costs in the comparable period.

FINANCE COSTS

Finance costs for three- and nine-months ended September 30, 2021 were $1,740 (2020: $723) and 3,421 (2020: 2,694). The increase was primarily due to borrowing to acquire nitrile patient examination glove inventory to fulfill a contract for HHS. For 2021 year-to-date this increase was partially offset by lower interest on term debt and lower losses on the interest rate swap.

INCOME TAX EXPENSE

The Company recorded an income tax expense of $225 in Q3 2021 (Q3 2020: $7,065) for an effective income tax rate of 3.2% (25.0% in Q3 2020). The effective tax rate was lower in the current quarter primarily due to the recognition of permanent differences and temporary differences not previously recognized.

The Company recorded a 2021 year-to-date income tax expense of $3,716 (2020: $14,741) for an effective income tax rate of 10.5% (2020: 28.9%). The effective tax rate was lower in the current year primarily due to the recognition of temporary differences not previously recognized.

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.

PROFIT AND EARNINGS PER SHARE

Profit totaled $6,902 for Q3 2021, compared with $21,160 for Q3 2020. Profit totaled $31,541 for 2021 year-to-date compared with $36,330 for 2020 year-to-date. The decrease was primarily attributable to lower gross profit for the reasons noted above, partially offset by lower tax expense.

Basic and fully diluted net earnings per share in Q3 2021 were $0.26 and $0.24, respectively compared with $0.50 and $0.47, respectively, for Q3 2020. The decrease in profitability is for the reasons noted above, partially offset by owning 100% of ADG, compared to owning 55% in Q3 2020.

Basic and fully diluted net earnings per share for 2021 year-to-date was $1.17 and $1.11, respectively compared with $0.76 and $0.74, respectively, for 2020 year-to-date. The increase in profitability is due to owning 100% of ADG, compared to owning 55% in 2020 year-to-date.

QUARTERLY INFORMATION

In thousands of US dollars			Earnings per share	
Quarter Ended	Net Sales	Profit	Basic	Diluted
2021				
September 30, 2021	**112,027**	**6,902**	**0.26**	**0.24**
June 30, 2021	118,449	18,320	0.68	0.65
March 31, 2021	107,329	6,319	0.23	0.22
2020				
December 31, 2020	132,180	15,902	0.61	0.59
September 30, 2020	162,745	11,646	0.50	0.47
June 30, 2020	112,450	6,675	0.29	0.27
March 31, 2020	94,197	(520)	(0.02)	(0.02)
2019				
December 31, 2019	85,762	2,457	0.11	0.11

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its remaining 2021 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to $250 million. $199,500 was drawn against this facility as at September 30, 2021 to acquire nitrile patient examination glove inventory to fulfill a contract for HHS, and finance the acquisition of ACE.

During 2021 year-to-date cash of $136,392 was used by operations, (2020: $47,869 provided), $58,997 was used by investing activities (2020: $3,527), and $120,631 was provided by financing activities (Q3 2020: $1,792 used). Cash and cash equivalents decreased by $74,557 from $86,970 to $12,413, adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

Cash used by operating activities increased by $184,261 compared with 2020. The increase was due to $169,353 more cash used for working capital needs, lower non-cash expenses of $13,450, and lower profit of $4,789, partially offset by lower income tax payments of $3,415.

Cash used for working capital for 2021 increased to $177,040 (2020: $7,687) as a result of the following factors:

- Cash used for accounts receivable was $21,195, primarily related to AirBoss Defense Group's delivery of nitrile gloves to HHS, and increased sales at the Rubber Solutions Segment.

- Cash used for inventory was $152,110, primarily related to AirBoss Defense Group's contract to deliver nitrile gloves to HHS, and at the Rubber Solutions Segment for raw material safety stock.
- Cash used for prepaid expenses was $11,374, primarily for shipping costs to deliver nitrile gloves for AirBoss Defense Group's HHS contract.
- Cash from accounts payable was $8,708 due to increased inventory purchases and extending payment terms with suppliers.
- Cash used for provisions of $1,069 related to the payout of preferred share units.

Investing Activities

Property, Plant and Equipment

During 2021 year-to-date, the following investments were made:

- ADG invested $2,211. $867 was invested in growth initiatives, $1,252 to replace or upgrade existing property, plant and equipment, and the balance in cost savings initiatives;
- Rubber Solutions invested $3,708. $1,919 was invested in growth initiatives, $1,320 to replace or upgrade existing property, plant and equipment and the balance in cost savings initiatives; and
- Engineered Products invested $6,383. $4,228 was invested in cost savings initiatives, $1,238 in growth initiatives and the balance to replace or upgrade existing property, plant and equipment.

Intangible Assets

During 2021 year-to-date, the Company invested $706 in intangible assets for financial reporting and productivity software.

Financing activities

In September 2021 the Company updated its credit facilities to increase revolving credit availability to $250 million from $150 million with an accordion of $75 million (from $50 million) upon the satisfaction of customary conditions for such features. The new facility bears interest at LIBOR plus applicable margins from 145 to 250 basis points, depending on covenants, and matures on September 23, 2026. Proceeds from the new facility were used to repay the Company's term loan and fund upfront payments related to acquisition of finished goods and other inventories, related primarily to execution on existing contracts.

In April 2021 the Company's credit facility was amended to increase the revolving facility from $60 million to $150 million.

During 2021 year-to-date, the Company made debt payments of $71,250 made up of $2,813 (2020 year-to-date: $2,813) for principal repayments related to the term loan under the credit facility, $15,000 under the purchase agreement to acquire the non-controlling interest in ADG, and $53,437 to settle the balance of the term loan as part of the updated credit facilities noted above. In addition, the Company paid $1,662 (2020: $1,288) of principal payments for its lease obligations.

The Company paid dividends of $5,180 during the 2021 year-to-date (2020: $3,617).

Government assistance

On May 1, 2020, the Company received a $6,422 loan pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, to fund certain payroll and business expenses of the Company's Michigan and North Carolina operations. This loan bore interest at 1.0% and was scheduled to mature on May 1, 2022. On June 30, 2021, the loan and accrued interest was forgiven and the Company recorded a reduction to cost of sales and operating expenses of $5,560 and $936, respectively, in the consolidated statement of profit.

The Government of Canada provided the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") to support businesses affected by COVID-19 based on certain criteria, including demonstration of revenue declines as result of COVID-19. The Company recorded CEWS and CERS as a reduction to cost of sales and operating expenses in the consolidated statement of profit.

During the first quarter of 2020, the Company recognized a grant of $500 that was offset against the cost of plant and equipment.

Scientific research and investment tax credits of $227 (2020: $75) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date $715 (2020: $533).

Dividends

A quarterly dividend of CAD $0.10 per share was declared on August 10, 2021 and paid on October 15, 2021. Total annual dividends declared during 2020 were CAD $0.28 per common share.

Outstanding shares

As at November 9, 2021, the Company had 26,987,068 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, the Company paid rent for the corporate office of CAD $45 (2020: CAD $45) to a company controlled by the Chairman of the Company; year-to-date $135 (2020: $135).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately $5 (2020: $4) to a company in which the Chairman is an officer; year-to-date $20 (2020: $20).

In December 2016, the Company provided a share purchase loan of CAD $250 to the former Chief Financial Officer that was repaid in June 2020. In March 2018, the Company provided a share purchase loan of CAD $500 to the President and Chief Operating Officer. On June 28, 2019, the Company provided share purchase loans of CAD $300 to the Executive Vice President, General Counsel; and CAD $92 to the President and Chief Operating Officer. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities, or the fifth anniversary of the issuance date. All share purchase loans issued prior to 2019 bear interest at 1% annually and all subsequent loans share purchase loans bear interest at 2% annually. In all cases, loans are full recourse and interest is due and payable semi-annually. In total, 86,807 shares of the Company having a fair value of $2,466 were pledged as collateral on these loans. At September 30, 2021, the loan receivables of $704, including accrued interest, were included in Other Assets on the statement of financial position. During the quarter, interest revenue of nil (2020: $3) was received; year-to-date $5 (2020: $13).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2020, have been applied consistently to all periods presented in these interim condensed consolidated financial statements for the period ended September 30, 2021.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At September 30, 2021, the Company had contracts to sell USD $19,854 from October 2021 to May 2022 for Canadian dollars ("CAD") $24,700. The fair value of these contracts, representing an unrealized loss of $467, are included in trade and other payables, including derivatives on the statement of financial position. For the quarter ended September 30, 2021, the unrealized changes in fair value, representing a loss of $699 (2020: loss of $1,040), are recorded on the statement of profit as other income (expense); year-to-date $1,087 (2020: loss of $333).

At December 31, 2020, the Company had contracts to sell US $16,031 from January 2021 to July 2021 for CAD $21,200. The fair value of those contracts, representing an unrealized gain of $620 are included in trade and other receivables, including derivatives on the statement of financial position.

Interest rate swap

In December 2020, the Company entered into an interest rate swap agreement for a notional amount of $28,125 ($26,719 as at September 30, 2021) amortizing down to $24,375 at maturity in January 2023. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.265%. This swap agreement replaces an old swap agreement that matured in December 2020 that calculated interest based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%.

For the quarter ended September 30, 2021, interest expense on the swap agreement was $12 (2020: 79); year-to-date $32 (2020: $174).

At September 30, 2021, the fair value of this agreement, representing a loss of $118, is included in loans and borrowings on the statement of financial position. For the quarter ended September 30, 2021, the change in the fair value, representing a loss of $85 (2020: gain of $99) is recorded on the statement of profit as finance costs; year-to-date $61 (2020: $72).

At December 31, 2020, the fair value of this agreement, representing a loss of $57, was included in loans and borrowings on the statement of financial position.

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

November 9, 2021

Gren Schoch
Chairman and Chief Executive Officer

Frank Ientile
Chief Financial Officer

Interim Condensed Consolidated Statement of Financial Position

Unaudited

In thousands of US dollars	*Note*	**September 30, 2021**	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	*4, 5*	**12,413**	86,970
Trade and other receivables, including derivatives	*7, 11*	**91,500**	68,602
Prepaid expenses		**18,337**	6,176
Inventories	*8*	**199,881**	45,525
Current income taxes receivable	*15*	**7,120**	1,452
Total current assets		**329,251**	208,725
Non-current assets			
Property, plant and equipment		**91,885**	81,254
Intangible assets	*4, 5, 6*	**124,033**	71,774
Deferred income tax assets	*15*	**570**	3,973
Other assets	*9*	**1,150**	1,643
Total non-current assets		**217,638**	158,644
Total assets		**546,889**	367,369
LIABILITIES			
Current liabilities			
Loans and borrowings	*10, 16*	**3,023**	27,083
Trade and other payables, including derivatives	*11*	**87,354**	74,295
Provisions	*12*	**2,630**	573
Current income taxes payable	*15*	**—**	747
Total current liabilities		**93,007**	102,698
Non-current liabilities			
Loans and borrowings	*10*	**213,493**	63,651
Employee benefits	*17*	**648**	664
Provisions	*12*	**15,789**	2,058
Deferred income tax liabilities	*15*	**2,112**	3,710
Total non-current liabilities		**232,042**	70,083
Total liabilities		**325,049**	172,781
EQUITY			
Share capital	*13*	**87,998**	87,060
Contributed surplus	*13*	**2,195**	1,578
Retained earnings		**131,647**	105,950
Total equity		**221,840**	194,588
Total liabilities and equity		**546,889**	367,369

The notes on pages 16 to 28 are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board

P.G. Schoch
Director

Robert L. McLeish
Director

Interim Condensed Consolidated Statement of Profit and Comprehensive Income

Unaudited

For the three- and nine-month periods ended September 30 *In thousands of US dollars*	*Note*	Three-month **2021**	 2020	Nine-Month **2021**	 2020
Net Sales		**112,027**	162,745	**337,805**	369,392
Cost of sales	*16*	**(86,251)**	(117,032)	**(252,951)**	(273,725)
Gross profit		**25,776**	45,713	**84,854**	95,667
General and administrative expenses	*16*	**(11,786)**	(11,290)	**(34,591)**	(31,434)
Selling and marketing expenses		**(3,782)**	(1,954)	**(8,890)**	(4,863)
Research and development expenses		**(974)**	(1,304)	**(2,576)**	(2,342)
Other income (expenses)		**(367)**	(2,217)	**(119)**	(3,263)
		(16,909)	(16,765)	**(46,176)**	(41,902)
Results from operating activities		**8,867**	28,948	**38,678**	53,765
Finance costs	*10, 11*	**(1,740)**	(723)	**(3,421)**	(2,694)
Profit before income tax		**7,127**	28,225	**35,257**	51,071
Income tax expense	*15*	**(225)**	(7,065)	**(3,716)**	(14,741)
Profit and total comprehensive income for the period		**6,902**	21,160	**31,541**	36,330
Profit attributable to:					
Owners of the Company		**6,902**	11,646	**31,541**	17,801
Non-controlling interest		**—**	9,514	**—**	18,529
		6,902	21,160	**31,541**	36,330
Earnings per share:					
Basic	*14*	**0.26**	0.50	**1.17**	0.76
Diluted	*14*	**0.24**	0.47	**1.11**	0.74

The notes on pages 16 to 28 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

Unaudited

In thousands of US dollars	Note	Share Capital	Contributed Surplus	Retained Earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company					
Balance at January 1, 2020		39,579	1,262	85,138	125,979	—	125,979
Total comprehensive income for the period		—	—	17,801	17,801	18,529	36,330
Contributions by and distributions							
Stock options expensed		—	295	—	295	—	295
Stock options exercised		(6)	(44)	—	(50)	—	(50)
Stock options forfeited		—	(270)	—	(270)	—	(270)
Acquisition and partial sale of subsidiaries	6	—	13,655	—	13,655	23,538	37,193
Shares issued for director compensation		68	—	—	68	—	68
Dividends to equity holders		—	—	(3,629)	(3,629)	—	(3,629)
Total contributions by and distributions		62	13,636	(3,629)	10,069	23,538	33,607
Balance at September 30, 2020		39,641	14,898	99,310	153,849	42,067	195,916
Balance at January 1, 2021		87,060	1,578	105,950	194,588	—	194,588
Total comprehensive income for the period		—	—	31,541	31,541	—	31,541
Contributions by and distributions							
Stock options expensed		—	832	—	832	—	832
Stock options exercised		938	(215)	—	723	—	723
Dividends to equity holders		—	—	(5,844)	(5,844)	—	(5,844)
Total contributions by and distributions		938	617	(5,844)	(4,289)	—	(4,289)
Balance at September 30, 2021		87,998	2,195	131,647	221,840	—	221,840

The notes on pages 16 to 28 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

For the nine-month period ended September 30 In thousands of US dollars	*Note*	**2021**	2020
Cash flows from operating activities			
Profit for the nine-month period ended September 30		**31,541**	36,330
Adjustments for:			
Depreciation		**9,751**	9,556
Amortization of intangible assets		**4,627**	4,252
Impairment of assets		**—**	2,827
Finance costs	*10, 11*	**3,421**	2,694
Government assistance loan forgiveness	*16*	**(6,496)**	—
Unrealized foreign exchange losses		**1,487**	(20)
Share-based payment expense	*12, 13*	**6,151**	1,865
SRED tax credits		**(715)**	(533)
Income tax expense	*15*	**3,716**	14,741
Other		**(93)**	(83)
		53,390	71,629
Change in inventories		**(152,110)**	(5,462)
Change in trade and other receivables		**(21,195)**	(25,956)
Change in prepaid expenses		**(11,374)**	(4,336)
Change in trade and other payables		**8,708**	28,117
Change in provisions	*12*	**(1,069)**	(50)
Net change in non-cash working capital balances		**(177,040)**	(7,687)
Interest paid		**(2,258)**	(2,174)
Income tax paid		**(10,484)**	(13,899)
Net cash provided by (used in) operating activities		**(136,392)**	47,869
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(12,302)**	(9,174)
Acquisition of intangible assets		**(706)**	(716)
Proceeds from government grant		**—**	500
Proceeds from asset disposals		**9**	1,365
Cash paid to acquire subsidiary	*4, 5*	**(47,944)**	—
Cash acquired on acquisition of subsidiary	*4, 5, 6*	**1,946**	4,498
Net cash used in investing activities		**(58,997)**	(3,527)
Cash flows from financing activities			
Repayment of borrowings	10	**(71,250)**	(2,813)
Proceeds from operating line of credit	10	**199,500**	—
Principal payments for lease liabilities		**(1,662)**	(1,288)
Proceeds from government loan	*16*	**—**	6,432
Payment of debt refinancing fees		**(1,505)**	(717)
Repayment (issuance) of share purchase loans	*9, 19*	**—**	248
Exercise of options (net of withholding taxes)		**723**	(50)
Interest received on share purchase loans	*9, 19*	**5**	13
Dividends paid	*13*	**(5,180)**	(3,617)
Net cash provided by (used in) financing activities		**120,631**	(1,792)
Net change in cash and cash equivalents		**(74,758)**	42,550
Cash and cash equivalents at January 1		**86,970**	121
Effect of exchange rate fluctuations on cash held		**201**	420
Cash and cash equivalents at September 30		**12,413**	43,091

The notes on pages 16 to 28 are an integral part of these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements (“CFS”)

For the nine-month periods ended September 30, 2021 and September 30, 2020
(Amounts in thousands of US dollars ("USD"), except per share amounts, unless otherwise specified)

NOTE 1 REPORTING ENTITY

AirBoss of America Corp. is a public company listed on the Toronto Stock Exchange and cross-traded on the OTCQX® Best Market in the United States, incorporated and domiciled in Ontario. Its registered office is located at 16441 Yonge Street, Newmarket, Ontario, Canada. AirBoss of America Corp. and its subsidiaries are together referred to, in these interim condensed consolidated financial statements, as the "Company” or "AirBoss". The Company has operations in Canada and the US and is involved primarily in the manufacture of high-quality rubber-based products to resource, military, automotive and industrial markets (see Note 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 % 2021 (2020)
AirBoss Rubber Compounding (NC), LLC ("ANC") (formerly AirBoss Rubber Compounding (NC) Inc.)	North Carolina	100% (100%)
SunBoss Chemicals Corp.	Ontario	100% (100%)
AirBoss Flexible Products, LLC ("AFP") (formerly AirBoss Flexible Products Co.)	Michigan	100% (100%)
AirBoss Defense Group Ltd. ("ADG Canada")	Quebec	100% (55%*)
AirBoss Defense Group, LLC ("ADG USA")	Delaware	100% (55%*)
Critical Solutions International, LLC ("CSI") (formerly Critical Solutions International, Inc.)	Texas	100% (55%*)
Blackbox Biometrics, Inc. ("B3")	New York	100% (2.5%)
Ace Elastomer, Inc. ("Ace")	South Carolina	100% (nil)

* See Note 6, AirBoss Defense Group Transactions

NOTE 2 BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements should be read in conjunction with the Company’s 2020 audited annual consolidated financial statements and accompanying notes.

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2021.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2020, have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

NOTE 4 ACQUISITION OF ACE ELASTOMER INC.

On August 31, 2021, the Company closed of the previously announced acquisition of 100% ownership of Ace Elastomer, Inc. for US$42.5 million in cash, adjusted for working capital.

Acquisition-related costs

The Company incurred acquisition-related costs of $47 on professional fees and due diligence costs that were included in "general and administrative expenses" in 2021.

Consideration transferred

The following table summarizes acquisition date fair value of consideration transferred

In thousands of US dollars	
Cash paid on closing	39,958
Cash held back and to be settled in accordance with purchase agreement	2,542
	42,500
Cash for excess working capital	371
Total consideration transferred	42,871

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date on the basis of management's preliminary estimates of fair values as follows:

In thousands of US dollars	
Fair value of assets acquired:	
Cash and cash equivalents	540
Restricted cash to settle Ace's outstanding debt	638
Trade and other receivables	2,522
Prepaid expenses	429
Inventories	2,169
Property, plant, and equipment	1,691
Trade name	6,600
Customer relationships	15,160
Unpatented know-how	5,110
Non-compete agreements with employees	90
Total assets	34,949
Value of liabilities assumed:	
Trade and other payables	1,852
Debt	633
Total liabilities assumed	2,485
Net assets acquired	32,464

The fair value of Ace's intangible assets have been measured through an independent valuation based on the following key assumptions: financial forecasts, estimated technical obsolescence rates, discount rates and royalty rates. The following methodologies were used: Relief From Royalty, Multi Period Excess Earnings, and With and Without Income approach.

Goodwill

Goodwill arising from the acquisition has been recognized as follows.

In thousands of US dollars	
Consideration transferred	42,871
Fair value of identifiable net assets	(32,464)
Goodwill	10,407

The valuation of goodwill is attributable mainly to the skills and technical talent of Ace's work force, and the synergies expected to be achieved from integrating Ace into AirBoss Rubber Solutions.

NOTE 5 ACQUISITION OF BLACKBOX BIOMETRICS, INC.

On May 17, 2021, the Company closed the previously announced transaction to acquire B3. $7.6 million in cash was paid on closing and up to an additional $20 million will be paid in royalties over eight years, based on revenues earned from B3 products.

Acquisition-related costs

The Company incurred acquisition-related costs of $154 on professional fees and due diligence costs that were included in "general and administrative expenses" in 2021.

Consideration transferred

The following table summarizes acquisition date fair value of consideration transferred:

In thousands of US dollars	
Cash	7,615
Contingent consideration	9,008
Total consideration transferred	16,623

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date on the basis of management's preliminary estimates of fair values as follows:

In thousands of US dollars	
Fair value of assets acquired:	
Cash and cash equivalents	768
Trade and other receivables	121
Prepaid expenses	357
Inventories	77
Property, plant, and equipment	102
Computer software	42
Patents and trademarks	13,410
Total assets	14,877
Value of liabilities assumed:	
Trade and other payables	320
Deferred taxes	2,878
Total liabilities assumed	3,198
Net assets acquired	11,679

The fair value of B3's intangible assets (patents and trademarks) have been measured through an independent valuation based on the following key assumptions: financial forecasts, estimated technical obsolescence rates, discount rates and royalty rates using the following methodologies: Relief From Royalty and Multi Period Excess Earnings.

Contingent consideration was measured on a discounted cash flow basis, reflecting the present value of undiscounted expected future payments of $20 million which is the expected payout based on forecast revenues at that date, discounted using a risk adjusted discount rate of 25 percent.

Goodwill

Goodwill arising from the acquisition has been recognized as follows.

In thousands of US dollars	
Consideration transferred	16,623
Fair value of pre-existing interest in B3	417
Fair value of identifiable net assets	(11,679)
Goodwill	5,361

The remeasurement to fair value of the Company's pre-existing 2.5% interest in B3 resulted in a loss of $76 ($417 less the $493 carrying amount of the investment). This amount has been included in finance costs.

The goodwill is attributable mainly to the skills and technical talent of B3's work force, and the synergies expected to be achieved from integrating B3 into AirBoss Defense Group.

NOTE 6 AIRBOSS DEFENSE GROUP TRANSACTIONS

On January 1, 2020, the Company closed the previously announced transaction to form the AirBoss Defense Group segment ("ADG") through the merger of its AirBoss Defense businesses and other operations in Acton Vale, Quebec with CSI. CSI is a U.S.-based company and is the leading global supplier of route clearance vehicles; countermine capability and survivability products to U.S. and foreign military forces. This merger created a dedicated defense player better positioned to capitalize on emerging opportunities arising from the current geopolitical environment by combining AirBoss Defense's strengths in manufacturing and engineering design with CSI's expertise in global marketing and distribution of defense products. The merger also diversified the Company's product offerings and provides significant cross-selling opportunities to an increasingly global combined customer base.

The Company contributed the shares of ADG Canada and the membership interests of ADG USA to newly formed Canadian and U.S. entities that formed AirBoss Defense Group, in exchange for a note receivable of $45,000 and equity interests. Critical Solutions Holdings Inc. ("CSH") contributed all the shares of CSI and transferred a $15,000 receivable from CSI in exchange for equity interests. Following these transactions AirBoss owned 55% of the equity in ADG and a $60,000 Vendor Takeback Notes due from ADG, with the remaining 45% of the equity interest in ADG owned by CSH. The acquisition of control of the CSI business has been accounted for as a business combination and recognized at fair value. The sale of a non-controlling interest in the Company's former ADG Canadian and US businesses resulted in a gain of $13,655, which is recognized in other equity.

Acquisition-related costs

The Company incurred acquisition-related costs of $3,785 on professional fees and due diligence costs that were included in "general and administrative expenses" in 2020 and 2019. During the quarter the Company recorded nil expenses (2020: $35); year-to-date: nil (2020: $2,363).

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date on the basis of management's estimates of fair values as follows:

In thousands of US dollars	
Fair value of assets acquired:	
Cash and cash equivalents	4,498
Trade and other receivables	2,203
Prepaid expenses	184
Inventories	3,360
Property, plant, and equipment	1,335
Customer relationships	17,900
Brand	6,000
Other intangible assets	2,150
Investments	493
Total assets	38,123
Value of liabilities assumed:	
Trade and other payables	3,758
Vendor Takeback Note	15,000
Total liabilities assumed	18,758
Net assets acquired	19,365

The fair value of CSI's intangible assets (customer relationships, brand and patented technology) have been measured through an independent valuation based on the following key assumptions: revenue forecasts, estimated annual attrition rates, discount rates and a royalty rates and using the following methodologies: Relief From Royalty, Multi Period Excess Earnings, and Cost Avoidance.

Goodwill

Goodwill arising from the acquisition has been recognized as follows.

In thousands of US dollars	
Consideration transferred:	
NCI, based on their proportionate interest in ADG Canada, ADG USA and CSI	23,538
Paid in capital on dilution of ownership interest in ADG Canada and ADG USA	13,655
Vendor Takeback Note transferred from CSH	(15,000)
Less: Fair value of net assets acquired	**(19,365)**
Goodwill	2,828

Non-controlling interest ("NCI") was measured using the fair value method.

The goodwill is attributable mainly to the skills and technical talent of CSI's work force, and the synergies expected to be achieved from integrating CSI into AirBoss Defense Group.

Acquisition of non-controlling interest in ADG

On October 26, 2020, the Company acquired the 45% ownership of AirBoss Defense Group held by CSH in return for 3.5 million shares of the Company having a fair value of $47,597 (less issuance costs of $178) and $20,000, with $5,000 paid at closing, and installments of $5,000 paid at each three-month anniversary. The fair value of the Company's shares issued was based on the listed share price at October 23, 2020 of CAD $17.87 per share. The excess of the total consideration over the carrying value of the non-controlling interest of $46,097 was accounted in the contributed surplus of $13,655 and retained earnings of $7,844.

NOTE 7 TRADE AND OTHER RECEIVABLES

In thousands of US dollars	**September 30, 2021**	December 31, 2020
Trade receivables	**90,230**	66,692
Less: expected credit loss	**(599)**	(750)
	89,631	65,942
Other receivables	**1,869**	2,660
	91,500	68,602

Impairment losses

The aging of trade receivables at the reporting date was:

	September 30, 2021		December 31, 2020	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**74,465**	**—**	49,544	—
Past due 0-30 days	**9,228**	**—**	12,621	—
Past due 31-120 days	**6,537**	**(599)**	4,527	(750)
	90,230	**(599)**	66,692	(750)

The continuity of the allowance for doubtful accounts was:

In thousands of US dollars	**September 30, 2021**	December 31, 2020
Balance at January 1	**(750)**	(481)
Written-off	**36**	—
Impairment loss recognized	**(150)**	(755)
Collected	**265**	486
Balance	**(599)**	(750)

NOTE 8 INVENTORIES

In thousands of US dollars	**September 30, 2021**	December 31, 2020
Raw materials and consumables	**49,328**	33,147
Work in progress	**3,990**	3,743
Finished goods	**154,980**	14,229
Inventory in transit	**622**	863
	208,920	51,982
Provisions	**(9,039)**	(6,457)
	199,881	45,525

An inventory charge of $2,582 (2020: charge of $2,961) was included in cost of sales for the increase in provisions.

NOTE 9 OTHER ASSETS

In thousands of US dollars	Share purchase loans	Other	Total
Balance at January 1, 2020	961	446	1,407
Accrued interest	11	—	11
Interest paid	(15)	—	(15)
Repayment of loan	(248)	—	(248)
Acquired on acquisition of subsidiary	—	493	493
Effect of movements in exchange rates	(5)	—	(5)
Balance at December 31, 2020	704	939	1,643
Investment eliminated upon acquiring control of B3 (note 5)	—	(493)	(493)
Accrued interest	7	—	7
Interest received	(5)	—	(5)
Effect of movements in exchange rates	(2)	—	(2)
Balance at September 30, 2021	704	446	1,150

NOTE 10 LOANS AND BORROWINGS

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

In September 2021 the Company updated its credit facilities to increase revolving credit availability to $250 million from $150 million with an accordion of $75 million (from $50 million) upon the satisfaction of customary conditions for such features. The new facility bears interest at LIBOR plus applicable margins from 145 to 250 basis points, depending on covenants, and matures on September 23, 2026. Proceeds from the new facility were used to repay the Company's term loan and fund upfront payments related to acquisition of finished goods and other inventories, related primarily to execution on existing contracts.

In April 2021 the Company's credit facility was amended to increase the revolving facility from $60 million to $150 million.

During the third quarter of 2021, interest expense under the credit facility was $1,584 (2020: $285), excluding gains and losses related to its interest rate swap agreement; year-to-date $2,096 (2020: $1,163).

NOTE 11 DERIVATIVES NOT DESIGNATED IN A FORMAL HEDGE RELATIONSHIP

Foreign exchange hedge

At September 30, 2021, the Company had contracts to sell USD $19,854 from October 2021 to May 2022 for Canadian dollars ("CAD") $24,700. The fair value of these contracts, representing an unrealized loss of $467, are included in trade and other payables, including derivatives on the statement of financial position. For the quarter ended September 30, 2021, the unrealized changes in fair value, representing a loss of $699 (2020: loss of $1,040), are recorded on the statement of profit as other income (expense); year-to-date $1,087 (2020: loss of $333).

At December 31, 2020, the Company had contracts to sell US $16,031 from January 2021 to July 2021 for CAD $21,200. The fair value of those contracts, representing an unrealized gain of $620 are included in trade and other receivables, including derivatives on the statement of financial position.

Interest rate swap

In December 2020, the Company entered into an interest rate swap agreement for a notional amount of $28,125 ($26,719 as at September 30, 2021) amortizing down to $24,375 at maturity in January 2023. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.265%. This swap agreement replaces an old swap agreement that matured in December 2020 that calculated interest based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%.

For the quarter ended September 30, 2021, interest expense on the swap agreement was $12 (2020: 79); year-to-date $32 (2020: $174).

At September 30, 2021, the fair value of this agreement, representing a loss of $118, is included in loans and borrowings on the statement of financial position. For the quarter ended September 30, 2021, the change in the fair value, representing a loss of $85 (2020: gain of $99) is recorded on the statement of profit as finance costs; year-to-date $61 (2020: $72).

At December 31, 2020, the fair value of this agreement, representing a loss of $57, was included in loans and borrowings on the statement of financial position.

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

NOTE 12 PROVISIONS

In thousands of US dollars	Site restoration	PSUs and DSUs	Payable to former owners of acquired businesses	Total
Balance at January 1, 2020	74	655	—	729
Provisions accrued during the year	—	1,936	—	1,936
Payments during the year	—	(117)	—	(117)
Forfeitures during the year	—	(93)	—	(93)
Foreign exchange	—	176	—	176
Balance at December 31, 2020	74	2,557	—	2,631
Less: amount due within one year	—	(573)	—	(573)
Non-current balance at December 31, 2020	74	1,984	—	2,058
Balance at December 31, 2020	74	2,557	—	2,631
Provisions accrued during the period	—	5,319	—	5,319
Payments during the period	—	(1,069)	—	(1,069)
Issued to acquire B3 (note 5)	—	—	9,008	9,008
Funds withheld on acquisition of ACE (note 4)	—	—	2,542	2,542
Foreign exchange	5	(17)	—	(12)
Balance at September 30, 2021	79	6,790	11,550	18,419
Less: current portion due within one year	—	(497)	(2,133)	(2,630)
Non-current balance at September 30, 2021	79	6,293	9,417	15,789

No legal provisions are recognized at September 30, 2021 and December 31, 2020.

Performance Stock Units ("PSUs")

The Company has issued certain executives with an aggregate of 230,317 PSUs 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 1.5, based on the level of achievement of predetermined performance objectives over the vesting period generally. The performance stock units vest three years following the grant date.

Performance stock units	**September 30, 2021**	December 31, 2020	September 30, 2020
January 1	**201,210**	83,998	83,998
New issuances	**54,350**	191,233	183,619
Forfeitures	**—**	(46,906)	(42,762)
Settlements	**(25,243)**	(27,115)	(27,115)
Balance	**230,317**	201,210	197,740

During the quarter the Company recognized costs of $825 (2020: $807) related to the plan; year-to-date $3,340 (2020: $1,042).

Deferred Stock Units ("DSUs")

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

Deferred stock units	**September 30, 2021**	December 31, 2020	September 30, 2020
January 1	**97,060**	72,672	72,672
New issuances	**12,546**	31,976	27,344
Settlements	**—**	(7,588)	(7,588)
Balance	**109,606**	97,060	92,428

At September 30, 2021, independent directors held 109,606 DSUs. During the quarter the Company recognized costs of $229 (2020: $20) related to DSUs issued under the Omnibus Plan; year-to-date $1,979 (2020: $798).

NOTE 13 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Issued share capital is as follows:

In thousands of shares	**September 30, 2021**	December 31, 2020	September 30, 2020
January 1	**26,909**	23,392	23,392
Issued to acquire subsidiary	**—**	3,500	—
Exercise of stock options	**78**	9	9
Exercise of deferred share units	**—**	8	8
Balance	**26,987**	26,909	23,409

Capital and other components of equity

Contributed surplus

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

Stock options outstanding as at September 30

In thousands of options	**2021**	2020
Stock options granted and outstanding	**1,691**	1,630

Notes to CFS (cont'd)

Inputs for measurement of grant date fair values

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

Fair value of stock options and assumptions

In Canadian dollars	**March 2021**	November 2020	June 2020	March 2020
Fair value at grant date	**$15.18**	$4.67	$5.06	$0.66
Share price at grant date	**$39.77**	$16.68	$16.68	$4.84
Exercise price	**$36.01**	$17.53	$16.30	$5.14
Expected volatility (weighted average volatility)	**41.8%**	39.4%	39.7%	32.6%
Option life (expected weighted average life)	**5 years**	5 years	5 years	5 years
Expected dividends	**0.7%**	1.7%	1.7%	5.8%
Risk-free interest rate (based on government bonds)	**1.0%**	0.5%	0.4%	0.8%

Stock option expense

During the quarter the Company recognized as costs of $367 (2020: $129) relating to option grants in general and administrative expenses of the statement of profit; year-to-date $832 (2020: $25).

Dividends

Dividends on common shares were paid to shareholders of record in 2021 and 2020 as follows:

		2021		2020
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
September 30	**0.10**	**October 15, 2021**	0.07	October 15, 2020
June 30	**0.10**	**July 15, 2021**	0.07	July 15, 2020
March 31	**0.07**	**April 15, 2021**	0.07	April 15, 2020

The dividend payable at September 30, 2021 was $2,123 (September 30, 2020: $1,226).

NOTE 14 EARNINGS PER SHARE

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

For the three- and nine-month periods ended September 30	Three-month		Nine-Month	
In thousands of US dollars, except share amounts outstanding, per share amounts in US dollars	**2021**	2020	**2021**	2020
Numerator for basic and diluted earnings per share: Net income	**6,902**	11,646	**31,541**	17,801
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	**26,985**	23,401	**26,964**	23,398
Dilution effect of stock options	**1,280**	1,111	**1,242**	710
Dilution of effect of deferred stock units	**105**	88	**99**	85
Diluted weighted average number of shares outstanding	**28,370**	24,600	**28,305**	24,193
Net income per share: Basic	**0.26**	0.50	**1.17**	0.76
Diluted	**0.24**	0.47	**1.11**	0.74

For the quarter ended September 30, 2021, nil options (2020: nil) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive; year-to-date nil options (2020: 81,370).

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 15 INCOME TAXES

For the three- and nine-month periods ended September 30 *In thousands of US dollars*	Three-month **2021**	2020	Nine-Month **2021**	2020
Current tax expense:				
Current period	**(1,080)**	11,266	**4,809**	18,885
Adjustment for prior period(s)	**9**	—	**(21)**	(106)
	(1,071)	11,266	**4,788**	18,779
Deferred tax expense:				
Origination and reversal of temporary differences	**1,296**	(4,192)	**(1,081)**	(4,052)
Adjustment for prior period(s)	**—**	(9)	**9**	14
	1,296	(4,201)	**(1,072)**	(4,038)
Total income tax expense	**225**	7,065	**3,716**	14,741

NOTE 16 GOVERNMENT ASSISTANCE

On May 1, 2020, the Company received a $6,422 loan pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, to fund certain payroll and business expenses of the Company's Michigan and North Carolina operations. This loan bore interest at 1.0% and was scheduled to mature on May 1, 2022. On June 30, 2021, the loan and accrued interest was forgiven and the Company recorded a reduction to cost of sales and operating expenses of $5,560 and $936, respectively, in the consolidated statement of profit.

The Government of Canada provided the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") to support businesses affected by COVID-19 based on certain criteria, including demonstration of revenue declines as result of COVID-19. The Company recorded CEWS and CERS as a reduction to cost of sales and operating expenses of nil and nil, respectively, in the consolidated statement of profit and comprehensive income (2020: $1,433 and $416); year-to-date $2,380 and $569 (2020: $5,262 and $1,264).

During the first quarter of 2020, the Company recognized a grant of $500 that was offset against the cost of plant and equipment.

Scientific research and investment tax credits of $227 (2020: $75) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date $715 (2020: $533).

NOTE 17 POST RETIREMENT BENEFITS

Defined Contribution Plan

AirBoss of America Corp. maintains registered retirement savings plan and defined contribution plans for its employees. Total expenses for this plan during the period were $113 (2020: $112); year-to-date $438 (2020: $302).

ANC maintains a 401(k) plan for its employees. Total expenses for this plan during the period were $32 (2020: $21); year-to-date $99 (2020: $52).

AFP maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $129 (2020: $184); year-to-date $375 (2020: $327).

ADG USA maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $38 (2020: $25); year-to-date $120 (2020: $79).

ADG Canada employees are covered under various registered and unregistered defined contribution plans. Total expenses for these plans during the period were $50 (2020: $54); year-to-date $154 (2020: $164).

CSI maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $54 (2020: $101); year-to-date $118 (2020: $272).

Multi-Employer Pension Plan

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

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

During the quarter AFP made contributions of $78 (2020: $24) to the multi-employer pension plan; year-to-date $220 (2020: $95). The unfunded vested benefit ratio was 12.8% at December 31, 2020. The Steel Workers Pension Trust was in a net deficit at December 31, 2020 and AFP's portion of the deficit was unknown. The collective bargaining agreement requires that AFP contributes $0.40 for each hour worked by eligible employees during the preceding wage month.

NOTE 18 SEGMENTED INFORMATION

The Company has the following 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 anti-noise, vibration and harshness dampening parts.
- AirBoss Defense Group - Includes the manufacture and distribution of personal protection and safety products, primarily for CBRN-E threats, and the manufacture of semi-finished rubber related products
- Unallocated Corporate Costs - 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 finance costs and 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.

Comparative period segment disclosures have been recast to reflect the changes in the Company's reporting segments. Information regarding the results of each reportable segment is included below. 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.

Information about reportable segments three-months ended September 30	AirBoss Defense Group		Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Segment net sales	**52,179**	108,430	**39,861**	29,757	**28,328**	37,828	**—**	—	**120,368**	176,015
Inter-segment net sales	**(1,172)**	(1,048)	**(4,486)**	(5,336)	**(2,683)**	(6,886)	**—**	—	**(8,341)**	(13,270)
External net sales	**51,007**	107,382	**35,375**	24,421	**25,645**	30,942	**—**	—	**112,027**	162,745
Depreciation, amortization, and impairment	**2,452**	5,391	**1,031**	844	**1,341**	2,032	**61**	120	**4,885**	8,387
Segment measure of profit (loss)	**14,175**	28,419	**2,082**	3,125	**(4,104)**	(216)	**(3,286)**	(2,380)	**8,867**	28,948
Finance costs									**1,740**	723
Income tax expense									**225**	7,065
Profit									**6,902**	21,160
Segment assets[1]	**297,024**	198,450	**152,098**	82,150	**85,727**	75,597	**12,040**	11,172	**546,889**	367,369
Segment liabilities[1]	**135,622**	42,396	**43,683**	25,856	**26,483**	22,788	**119,261**	81,741	**325,049**	172,781
Capital additions	**1,281**	2,054	**1,474**	1,386	**1,777**	1,010	**192**	94	**4,724**	4,544

Information about reportable segments nine-months ended September 30	AirBoss Defense Group		Rubber Solutions		Engineered Products		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Segment net sales	**154,026**	225,509	**118,937**	87,362	**88,312**	81,407	**—**	—	**361,275**	394,278
Inter-segment sales	**(3,738)**	(3,217)	**(14,239)**	(11,935)	**(5,493)**	(9,734)	**—**	—	**(23,470)**	(24,886)
External net sales	**150,288**	222,292	**104,698**	75,427	**82,819**	71,673	**—**	—	**337,805**	369,392
Depreciation, amortization, and impairment	**6,994**	9,567	**3,200**	2,299	**4,002**	4,506	**182**	263	**14,378**	16,635
Segment measure of profit (loss)	**46,717**	57,307	**8,745**	9,690	**(6,451)**	(4,777)	**(10,333)**	(8,455)	**38,678**	53,765
Finance costs									**3,421**	2,694
Income tax expense									**3,716**	14,741
Profit									**31,541**	36,330
Reportable segment assets[1]	**297,024**	198,450	**152,098**	82,150	**85,727**	75,597	**12,040**	11,172	**546,889**	367,369
Reportable segment liabilities[1]	**135,622**	42,396	**43,683**	25,856	**26,483**	22,788	**119,261**	81,741	**325,049**	172,781
Capital additions	**6,748**	3,679	**3,658**	2,881	**6,400**	3,393	**754**	608	**17,560**	10,561

[1] Comparative figures as at December 31, 2020.

Geographical segments

The Company operates manufacturing facilities and sales offices in the US and Canada, selling primarily in North American markets.

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

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

	Net Sales		Net Sales		Non-current assets		Non-current assets
	Three-months ended September 30		Nine-months ended September 30		September 30		December 31
In thousands of US dollars	**2021**	2020	**2021**	2020	**2021**	2020	2020
Canada	**11,030**	13,215	**34,261**	48,799	**60,045**	45,037	45,357
United States	**93,234**	140,950	**269,677**	300,873	**157,593**	112,791	113,287
Other countries	**7,763**	8,580	**33,867**	19,720	**—**	—	—
	112,027	162,745	**337,805**	369,392	**217,638**	157,828	158,644

Major customers

Net sales to one customer represented approximately 24.5% (2020: 26.1%) of the Company's total net sales. Five customers represented 42.9% (2020: 48.2%) of the Company's total net sales.

Major products

	Three-months ended September 30		Nine-months ended September 30	
In thousands of US dollars	**2021**	2020	**2021**	2020
AirBoss Defense Group				
Defense	**42,281**	100,503	**126,437**	203,152
Industrial	**8,726**	6,879	**23,851**	19,140
	51,007	107,382	**150,288**	222,292
Rubber Solutions				
Tolling	**1,936**	2,193	**6,579**	5,572
Mixing	**33,439**	22,228	**98,119**	69,855
	35,375	24,421	**104,698**	75,427
Engineered Products	**25,645**	30,942	**82,819**	71,673
Total	**112,027**	162,745	**337,805**	369,392

NOTE 19 RELATED PARTIES

Transactions with Related Parties

During the quarter, the Company paid rent for the corporate office of CAD $45 (2020: CAD $45) to a company controlled by the Chairman of the Company; year-to-date $135 (2020: $135).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately $5 (2020: $4) to a company in which the Chairman is an officer; year-to-date $20 (2020: $20).

In December 2016, the Company provided a share purchase loan of CAD $250 to the former Chief Financial Officer that was repaid in June 2020. In March 2018, the Company provided a share purchase loan of CAD $500 to the President and Chief Operating Officer. On June 28, 2019, the Company provided share purchase loans of CAD $300 to the Executive Vice President, General Counsel; and CAD $92 to the President and Chief Operating Officer. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities, or the fifth anniversary of the issuance date. All share purchase loans issued prior to 2019 bear interest at 1% annually and all subsequent loans share purchase loans bear interest at 2% annually. In all cases, loans are full recourse and interest is due and payable semi-annually. In total, 86,807 shares of the Company having a fair value of $2,466 were pledged as collateral on these loans. At September 30, 2021, the loan receivables of $704, including accrued interest, were included in Other Assets on the statement of financial position. During the quarter, interest revenue of nil (2020: $3) was received; year-to-date $5 (2020: $13).

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 and Chief Operating Officer:
Chris Bitsakakis

Chief Financial Officer:
Frank Ientile