

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

<i>In thousands of US dollars, except share data</i> <i>(unaudited)</i>	Three-months ended September 30		Nine-months ended September 30	
	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				

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

MD&A (cont'd)

²Non-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:

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	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:

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	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:

In thousands of US dollars	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	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

MD&A (cont'd)

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.

MD&A (cont'd)

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 <i>In thousands of US dollars</i>	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 <i>In thousands of US dollars</i>	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

MD&A (cont'd)

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		AirBoss	Rubber	Engineered	Total
<i>In thousands of US dollars</i>		Defense Group	Solutions	Products	
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		AirBoss	Rubber	Engineered	Total
<i>In thousands of US dollars</i>		Defense Group	Solutions	Products	
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.

MD&A (cont'd)

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 <i>In thousands of US dollars</i>		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
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Nine-months ended September 30 <i>In thousands of US dollars</i>		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 a 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.

MD&A (cont'd)

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

Quarter Ended	Net Sales	Profit	Earnings per share	
			Basic	Diluted
<i>In thousands of US dollars</i>				
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.

MD&A (cont'd)

- 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).

MD&A (cont'd)

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