

## Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of the Company for the three- and nine-month periods ended September 30, 2024 and September 30, 2023 have been prepared by the Company's management. The Company's auditors have not performed a review of these interim condensed consolidated financial statements.

Dated this November 6, 2024

## Interim Condensed Consolidated Statement of Financial Position

Unaudited

<i>In thousands of US dollars</i>	<i>Note</i>	<b>September 30, 2024</b>	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		13,274	28,989
Trade and other receivables, including derivatives	4, 7	75,306	73,237
Prepaid expenses		8,049	8,361
Inventories	5	61,122	64,159
Current income taxes receivable	11	2,667	8,105
<b>Total current assets</b>		<b>160,418</b>	182,851
<b>Non-current assets</b>			
Property, plant and equipment		83,921	84,573
Intangible assets		73,154	78,689
Deferred income tax assets	11	9,702	9,702
Other assets		779	841
<b>Total non-current assets</b>		<b>167,556</b>	173,805
<b>Total assets</b>		<b>327,974</b>	356,656
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	6	2,570	2,437
Trade and other payables	7	67,560	68,062
Provisions	8	1,948	2,409
<b>Total current liabilities</b>		<b>72,078</b>	72,908
<b>Non-current liabilities</b>			
Loans and borrowings	6	120,491	128,655
Employee benefits	13	419	441
Provisions	8	3,122	2,735
Deferred income tax liabilities	11	2,842	3,060
<b>Total non-current liabilities</b>		<b>126,874</b>	134,891
<b>Total liabilities</b>		<b>198,952</b>	207,799
<b>EQUITY</b>			
Share capital	9	87,992	87,992
Contributed surplus	9	6,205	5,480
Retained earnings		34,825	55,385
<b>Total equity</b>		<b>129,022</b>	148,857
<b>Total liabilities and equity</b>		<b>327,974</b>	356,656

The notes on pages 16 to 23 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		Three-month		Nine-month	
<i>In thousands of US dollars, except per share amounts</i>	<i>Note</i>	<b>2024</b>	2023	<b>2024</b>	2023
Net sales		<b>96,204</b>	102,195	<b>295,061</b>	333,329
Cost of sales		<b>(80,141)</b>	(88,430)	<b>(256,362)</b>	(280,041)
<b>Gross profit</b>		<b>16,063</b>	13,765	<b>38,699</b>	53,288
General and administrative expenses		<b>(12,226)</b>	(11,810)	<b>(36,496)</b>	(40,724)
Selling and marketing expenses		<b>(1,453)</b>	(1,970)	<b>(4,796)</b>	(6,500)
Research and development expenses		<b>(947)</b>	(758)	<b>(2,524)</b>	(2,434)
Other expenses		<b>(197)</b>	(382)	<b>(749)</b>	(721)
		<b>(14,823)</b>	(14,920)	<b>(44,565)</b>	(50,379)
<b>Results from operating activities</b>		<b>1,240</b>	(1,155)	<b>(5,866)</b>	2,909
Finance costs	6, 7	<b>(3,767)</b>	(2,637)	<b>(9,619)</b>	(7,979)
<b>Profit (loss) before income tax</b>		<b>(2,527)</b>	(3,792)	<b>(15,485)</b>	(5,070)
Income tax expense	11	<b>(752)</b>	(841)	<b>(2,289)</b>	(721)
<b>Profit and total comprehensive income (loss)</b>		<b>(3,279)</b>	(4,633)	<b>(17,774)</b>	(5,791)
<b>Earnings (loss) per share:</b>					
Basic	10	<b>(0.12)</b>	(0.17)	<b>(0.66)</b>	(0.21)
Diluted	10	<b>(0.12)</b>	(0.17)	<b>(0.66)</b>	(0.21)

The notes on pages 16 to 23 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	Attributable to equity holders of the Company			
	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at January 1, 2023	87,811	4,598	104,588	196,997
Total comprehensive income for the period	—	—	(5,791)	(5,791)
<b>Contributions by and distributions to owners</b>				
Share-based compensation expense	—	1,087	—	1,087
Stock options forfeited	—	(363)	—	(363)
Dividends to equity holders	—	—	(6,056)	(6,056)
Total contributions by and distributions	—	724	(6,056)	(5,332)
Balance at September 30, 2023	87,811	5,322	92,741	185,874
Balance at January 1, 2024	87,992	5,480	55,385	148,857
Total comprehensive loss for the period	—	—	(17,774)	(17,774)
<b>Contributions by and distributions to owners</b>				
Share-based compensation expense	—	758	—	758
Stock options forfeited	—	(33)	—	(33)
Dividends to equity holders	—	—	(2,786)	(2,786)
Total contributions by and distributions	—	725	(2,786)	(2,061)
Balance at September 30, 2024	87,992	6,205	34,825	129,022

The notes on pages 16 to 23 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	2024	2023
<b>Cash flows from operating activities</b>			
Profit (loss)		(17,774)	(5,791)
<b>Adjustments for:</b>			
Depreciation		9,655	9,900
Amortization of intangible assets		6,169	7,016
Write-down of inventory		6,049	—
Finance costs	6, 7	9,619	7,979
Unrealized foreign exchange (gains) losses		(270)	(238)
Share-based payment expense (recovery)	8, 9	1,062	944
SRED tax credits		(361)	(697)
Income tax expense	11	2,289	721
Impairment of share purchase loan	15	—	1,771
Other		51	83
		<b>16,489</b>	<b>21,688</b>
Change in inventories		(3,012)	13,295
Change in trade and other receivables		(1,888)	12,185
Change in prepaid expenses		(1,279)	1,251
Change in trade and other payables		246	(8,614)
Change in provisions	8	(794)	(100)
Net change in non-cash working capital balances		(6,727)	18,017
Interest paid		(8,627)	(7,897)
Income tax paid		3,350	(182)
<b>Net cash provided by (used in) operating activities</b>		<b>4,485</b>	<b>31,626</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of asset		14	9
Acquisition of property, plant and equipment		(6,825)	(4,054)
Acquisition of intangible assets		(675)	(1,227)
<b>Net cash used in investing activities</b>		<b>(7,486)</b>	<b>(5,272)</b>
<b>Cash flows from financing activities</b>			
Proceeds from (repayment of) operating line of credit	6	(7,050)	(17,300)
Principal payments for lease liabilities		(1,898)	(1,863)
Payment of debt refinancing fees		(350)	(313)
Interest received on share purchase loans	15	4	22
Dividends paid	9	(3,487)	(6,084)
<b>Net cash provided by (used in) financing activities</b>		<b>(12,781)</b>	<b>(25,538)</b>
<b>Net change in cash and cash equivalents</b>		<b>(15,782)</b>	<b>816</b>
Cash and cash equivalents at January 1		28,989	18,552
Effect of exchange rate fluctuations on cash held		67	100
<b>Cash and cash equivalents at September 30</b>		<b>13,274</b>	<b>19,468</b>

The notes on pages 16 to 23 are an integral part of these interim condensed consolidated financial statements.

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

**For the three- and nine-month periods ended September 30, 2024 and September 30, 2023**  
(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, and 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 for resource, military, automotive and industrial markets (see note 14).

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.

<b>Operating Subsidiaries</b>	<b>Jurisdiction</b>	<b>Ownership %</b>
AirBoss Rubber Compounding (NC), LLC ("ANC")	North Carolina	100%
SunBoss Chemicals Corp.	Ontario	100%
AirBoss Flexible Products, LLC ("AFP")	Michigan	100%
AirBoss Defense Group Ltd. ("ADG Canada")	Quebec	100%
AirBoss Defense Group, LLC ("ADG USA")	Delaware	100%
Critical Solutions International, LLC ("CSI")	Texas	100%
Blackbox Biometrics, Inc. ("B3")	New York	100%
Ace Elastomer, LLC ("Ace")	South Carolina	100%

**NOTE 2 BASIS OF PREPARATION****Statement of compliance**

The interim condensed consolidated financial statements should be read in conjunction with the Company's 2023 audited annual consolidated financial statements and accompanying notes.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. If this assumption was not appropriate as at September 30, 2024, material adjustments to the carrying value of the assets and liabilities would be necessary.

In September and March 2024, the Company renegotiated temporary changes to the financial covenants (see note 6). Continued compliance with the amended covenants are dependent upon achieving revenue forecasts, reducing costs and improvements to working capital over the next 12 months. However, market conditions may cause results to not materialize thus such events and conditions indicate that a material uncertainty exists on the Company's ability to continue as a going concern. In the event of non-compliance, the lenders have a right to demand repayment of the amounts outstanding or pursue other remedies if the Company cannot reach an agreement to amend or waive the covenants. As in the past, the Company monitors its compliance with the covenants and will seek waivers and amendments, subject to lender approval as may become necessary from time to time.

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2024.

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies in note 3 to the annual consolidated financial statements for the year ended December 31, 2023, have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

### NOTE 4 TRADE AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023
Trade receivables	74,237	71,711
Less: expected credit loss	(262)	(669)
	73,975	71,042
Other receivables	1,331	2,195
	75,306	73,237

#### Impairment losses

The aging of trade receivables at the reporting date was:

	September 30, 2024		December 31, 2023	
	Gross	Impairment	Gross	Impairment
Within terms	60,121	—	52,804	—
Past due 0-30 days	10,158	—	11,722	—
Past due 31-120 days	3,958	(262)	7,185	(669)
	74,237	(262)	71,711	(669)

The continuity of the allowance for doubtful accounts was:

	September 30, 2024	December 31, 2023
Balance at January 1	(669)	(725)
Impairment loss recognized	(120)	(765)
Collected	94	772
Written-off	433	49
Balance	(262)	(669)

### NOTE 5 INVENTORIES

	September 30, 2024	December 31, 2023
Raw materials and consumables	44,113	34,124
Work in progress	6,617	10,084
Finished goods	21,460	36,405
Inventory in transit	728	535
	72,918	81,148
Provisions	(11,796)	(16,989)
	61,122	64,159

An inventory recovery of \$2,466 (2023: \$1,730) was included in cost of sales for the change in provisions. During the quarter ended June 30, 2024, the Company recorded a \$6,049 inventory provision related to its inventory of nitrile gloves and medical gowns due to significant downward shifts in pricing. The Company has an agreement to sell its remaining inventory of nitrile gloves at its current net book value.

### NOTE 6 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.

The Company has a revolving credit facility providing up to \$150,000. The facility bears interest at Secured Overnight Financing Rate (SOFR) plus applicable margins from 145 to 450 basis points, depending on covenants, and matures on September 23, 2026.

In September 2024, the Company's lenders agreed to amend the credit facility's covenant related to minimum Adjusted EBITDA.

In March 2024, the Company's lenders agreed to amend the credit facility to: reduce the credit facility from \$250,000 to \$150,000 in 2024 and 2025, and \$175,000 thereafter; remove the \$75,000 accordion; limit the quarterly dividend to \$1,000 until the end of 2025; limit capital expenditures to \$10,000 in 2024, \$20,000 in 2025, and \$30,000 thereafter; replace the leverage and interest coverage ratios with minimum Adjusted EBITDA and liquidity requirements until the end of 2024, exclude certain charges from the calculation of Adjusted EBITDA; and add pricing tiers for calculating interest.

During the quarter, interest expense under the credit facility was \$2,942 (2023: \$2,464), excluding gains and losses related to its interest rate swap agreement; year-to-date: \$8,404 (2023: \$7,179).

**NOTE 7 DERIVATIVES NOT DESIGNATED IN A FORMAL HEDGE RELATIONSHIP****Foreign exchange hedge**

At September 30, 2024, the Company had contracts to sell \$13,570 from October 2024 to March 2025 for Canadian dollars ("CAD") \$18,500. The fair values of these contracts, representing an unrealized gain of \$135, are included in trade and other receivables, including derivatives on the interim condensed consolidated statement of financial position. During the quarter, the unrealized changes in fair value, representing a gain of \$302 (2023: loss \$200), are recorded on the interim condensed consolidated statement of profit and comprehensive income as other income (expense); year-to-date: gain of \$79 (2023: \$43).

At December 31, 2023, the Company had contracts to sell \$14,438 from January 2024 to November 2024 for CAD \$19,803. The fair values of those contracts, representing an unrealized gain of \$497, are included in trade and other receivables, including derivatives on the interim condensed consolidated statement of financial position.

**Interest rate swap**

The Company has interest rate swap agreements for a combined notional amount of \$45,000, maturing in February and May 2025. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD SOFR and a weighted average fixed rate of 4.101%.

During the quarter, interest recovery from the swap agreements was \$140 (2023: \$127); year-to-date: \$426 (2023: \$240).

At September 30, 2024, the fair value of the swap agreements, representing a gain of \$71 (\$252 as at December 31, 2023), is included in loans and borrowings on the interim condensed consolidated statement of financial position. During the quarter, the change in the fair value, representing a loss of \$274 (2023: gain of \$438) is recorded on the interim condensed consolidated statement of profit and comprehensive income as finance costs; year-to-date: loss of \$181 (2023: gain of \$638). The Company entered into interest rate swap agreements in order to fix the interest rate on a portion of its borrowings and does not hold them for trading or speculative purposes.

**Share price hedge**

In November 2022 and February 2023, the Company entered hedging arrangements to reduce its exposure from the change in share price on its share-based compensation costs. At September 30, 2024, the fair value of these agreements, representing a loss of \$340 (loss of \$403 as at December 31, 2023) is included in trade and other payables, including derivatives on the interim condensed consolidated statement of financial position. The change in fair value, representing an unrealized loss of \$82 (2023: loss of \$447) is recorded on the interim condensed consolidated statement of profit and comprehensive income as other expenses; year-to-date: gain of \$57 (2023: loss of \$698). During the quarter, the realized loss from the swap agreements was \$13 (2023: gain of \$3); year-to-date: loss of \$46 (2023: gain of \$168).

**NOTE 8 PROVISIONS**

	Legal and Other	Restructuring	PSUs	Payable to former owners of acquired businesses	Total
Balance at January 1, 2023	79	—	1,279	9,298	10,656
Change in fair value of B3 provision	—	—	—	(5,608)	(5,608)
Provisions accrued	1,650	1,333	438	—	3,421
Settlements during the period	—	(982)	(1,248)	(1,039)	(3,269)
Forfeitures during the year	—	—	(54)	—	(54)
Foreign exchange	—	—	(2)	—	(2)
Balance at December 31, 2023	1,729	351	413	2,651	5,144
Less: amount due within one year	(1,650)	(351)	(109)	(299)	(2,409)
Non-current balance at December 31, 2023	79	—	304	2,352	2,735
Balance at December 31, 2023	1,729	351	413	2,651	5,144
Change in fair value of B3 provision	—	—	—	394	394
Provisions accrued	—	—	337	—	337
Settlements during the period	—	(351)	(138)	(306)	(795)
Foreign exchange	—	—	(10)	—	(10)
Balance at September 30, 2024	1,729	—	602	2,739	5,070
Less: current portion due within one year	(1,650)	—	(221)	(77)	(1,948)
Non-current balance at September 30, 2024	79	—	381	2,662	3,122

In the third quarter of 2023, the Company was named a defendant in legal proceedings related to a settlement agreement associated with shipping and demurrage costs owed to a vendor by a former subcontractor of the Company. The Company is vigorously defending this matter. The Company has a provision based on management's best estimate of the expenditure to settle when possible outcomes are considered. The Company is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no

## Notes to CFS (cont'd)

assurance that any particular claim will be resolved in the Company's favour, management does not believe that the outcome of any claim or potential claims of which it is currently aware will have a material adverse effect on the Company.

During the quarter ended September 30, 2023, the Company committed to a plan to reduce headcount and to close the Rubber Solutions segment's facility in Chicago, Illinois. These costs were settled in full within 2024.

In December 2022, a statement of claim was filed in the Ontario Superior Court of Justice against AirBoss and several named officers. The applicants under the proceeding sought an order for leave to proceed under the Securities Act (Ontario), certifying the proceeding as a class proceeding and appointing them as representative plaintiffs. The applicants sought, among other relief, a declaration that the Company made misrepresentations contrary to the Securities Act (Ontario) during a period extending from November 9, 2021 to September 6, 2022, as well as unspecified damages. No legal provision was recognized in relation to this claim. In July 2024, the Court granted final approval of a settlement agreement to resolve this matter (the "Settlement"). None of the defendants are admitting any liability, wrongdoing, or fault as part of the Settlement. The Settlement is within the Company's insured limits and did not result in any direct financial impact to the Company

### Performance Stock Units ("PSUs")

The Company has issued certain executives with an aggregate of 315,447 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.

<i>Performance stock units</i>	<b>September 30, 2024</b>	December 31, 2023	September 30, 2023
January 1	<b>233,460</b>	274,841	274,841
New issuances	<b>128,969</b>	131,841	131,841
Forfeitures	<b>(6,648)</b>	(26,745)	(23,131)
Settlements	<b>(40,334)</b>	(146,477)	(146,477)
Balance	<b>315,447</b>	233,460	237,074

During the quarter, the Company recognized costs of \$57 (2023: recoveries of \$76) related to the plan; year-to-date: costs of \$337 (2023: \$220). The Company uses Share Price hedges (see note 7) to offset PSU costs related to the change in share price.

## NOTE 9 CAPITAL AND OTHER COMPONENTS OF EQUITY

### Share Capital and Contributed Surplus

Issued share capital is as follows:

<i>In thousands of shares</i>	<b>September 30, 2024</b>	December 31, 2023	September 30, 2023
January 1	<b>27,131</b>	27,092	27,092
Settlement of deferred share units	<b>—</b>	39	39
Balance	<b>27,131</b>	27,131	27,131

### 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

<i>In thousands of options</i>	<b>2024</b>	2023
Stock options granted and outstanding	<b>2,111</b>	1,967

#### 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 below.

## Notes to CFS (cont'd)

## Fair value of stock options and assumptions

<i>In Canadian dollars</i>	May 2024	March 2023
Fair value at grant date	\$2.36	\$2.53
Share price at grant date	\$5.79	\$7.94
Exercise price	\$5.91	\$7.65
Expected volatility (weighted average volatility)	53.2%	50.6%
Option life (expected weighted average life)	5 years	5 years
Expected dividends	2.4%	5.0%
Risk-free interest rate (based on government bonds)	3.7%	3.0%

## Deferred Stock Units ("DSUs")

The Company has issued 202,066 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 Company has notified its directors that the redemption of all existing and future DSUs will only be satisfied in common shares. 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). All DSUs vest three months following the grant date.

<i>Deferred stock units</i>	September 30, 2024	December 31, 2023	September 30, 2023
January 1	153,239	134,888	134,888
New issuances	48,827	56,866	37,753
Settlements	—	(38,515)	(38,515)
Balance	202,066	153,239	134,126

## Stock option and DSU expense

During the quarter the Company recognized costs of \$244 (2023: recoveries of \$3) relating to option grants and DSUs, in general and administrative expenses in the interim condensed consolidated statement of profit and comprehensive income; year-to-date: costs of \$725 (2023: \$724).

## Dividends

Dividends on common shares were paid to shareholders of record in 2024 and 2023 as follows:

Shareholder of record at:	2024		2023	
	\$CAD/share	Date Paid	\$CAD/share	Date Paid
September 30	0.035	October 15, 2024	0.100	October 16, 2023
June 30	0.035	July 15, 2024	0.100	July 17, 2023
March 31	0.070	April 15, 2024	0.100	April 17, 2023

The dividend payable at September 30, 2024 was \$703 (September 30, 2023: \$2,007).

### NOTE 10 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	
	2024	2023	2024	2023
Numerator for basic and diluted earnings per share:				
Net income	(3,279)	(4,633)	(17,774)	(5,791)
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	27,131	27,131	27,131	27,118
Dilution effect of stock options	—	—	—	—
Dilution of effect of deferred stock units	—	—	—	—
Diluted weighted average number of shares outstanding	27,131	27,131	27,131	27,118
Net income per share:				
Basic	(0.12)	(0.17)	(0.66)	(0.21)
Diluted	(0.12)	(0.17)	(0.66)	(0.21)

For the quarter ended September 30, 2024, 2,111,424 options (2023: 1,967,364) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive; year-to-date: 2,111,424 options (2023: 1,967,364). 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 11 INCOME TAXES

For the three- and nine-month periods ended September 30	Three-month		Nine-month	
	2024	2023	2024	2023
Current tax expense:				
Current period	727	310	2,507	962
Adjustment for prior period(s)	—	—	—	—
	727	310	2,507	962
Deferred tax expense:				
Origination and reversal of temporary differences	25	531	(218)	(241)
Adjustment for prior period(s)	—	—	—	—
	25	531	(218)	(241)
Total income tax expense	752	841	2,289	721

### NOTE 12 GOVERNMENT ASSISTANCE

Scientific research and investment tax credits of \$68 (2023: \$224) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date: \$361 (2023: \$697).

### NOTE 13 POST RETIREMENT BENEFITS

#### Defined Contribution Plan

During the quarter the Company made contributions of \$524 (2023: \$400) to various retirement savings and 401(k) plans for its employees (defined contribution plans); year-to-date: \$1,455 (2023: \$1,339).

#### Multi-Employer Pension Plan

During the quarter the Company made contributions of \$65 (2023: \$78) to the Steel Workers Pension Trust, a multi-employer defined benefit pension plan; year-to-date: \$206 (2023: \$246).

**NOTE 14 SEGMENTED INFORMATION**

The Company's operating segments are organized into the following reportable segments:

- AirBoss Rubber Solutions ("ARS") - Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- AirBoss Manufactured Products ("AMP") - Includes the manufacture and distribution of anti-noise, vibration and harshness dampening parts, and personal protection and safety products, primarily for CBRN-E threats.
- Unallocated Corporate Costs - Includes corporate activities and certain unallocated costs.

ARS consists of AirBoss' custom rubber compounding operations in Kitchener, Ontario; Rock Hill, South Carolina; Scotland Neck, North Carolina; and Acton Vale, Quebec. AMP consists of the Company's rubber molded product operations in Auburn Hills, Michigan and the Company's defense businesses in Jessup, Maryland; Acton Vale, Quebec; Rochester, New York; and Charleston, South Carolina.

Performance of each reportable segment is measured based on profit before finance costs and income tax, as included in the internal management reports that are reviewed by the Company's Chief Operating Decision Makers: the Chairman & Co-CEO, and President & Co-CEO. 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.

Information regarding the results of each reportable segment is included below. Inter-company amounts, which represent items purchased and sold between different segments, have been presented within the segment disclosure and are eliminated to arrive at the consolidated amounts.

Reportable segments Three-months ended September 30	Rubber Solutions		Manufactured Products		Unallocated Corporate Costs		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Segment net sales	54,532	58,458	45,507	48,248	—	—	100,039	106,706
Inter-segment net sales	(3,830)	(4,371)	(5)	(140)	—	—	(3,835)	(4,511)
External net sales	50,702	54,087	45,502	48,108	—	—	96,204	102,195
Depreciation, and amortization	2,061	2,023	3,059	3,561	60	61	5,180	5,645
Segment measure of profit (loss)	3,955	3,887	214	(1,062)	(2,929)	(3,980)	1,240	(1,155)
Finance costs							3,767	2,637
Income tax expense							752	841
Profit (loss)							(3,279)	(4,633)
Segment assets <sup>1</sup>	170,678	174,745	152,183	179,695	5,113	2,216	327,974	356,656
Segment liabilities <sup>1</sup>	50,513	37,924	107,007	107,979	41,432	61,896	198,952	207,799
Capital additions	966	1,036	698	481	225	697	1,889	2,214

Reportable segments Nine-months ended September 30	Rubber Solutions		Manufactured Products		Unallocated Corporate Costs		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Segment net sales	179,002	193,931	128,528	158,261	—	—	307,530	352,192
Inter-segment sales	(11,875)	(17,590)	(594)	(1,273)	—	—	(12,469)	(18,863)
External net sales	167,127	176,341	127,934	156,988	—	—	295,061	333,329
Depreciation, and amortization	6,277	6,104	9,367	10,627	180	185	15,824	16,916
Segment measure of profit (loss)	17,225	13,145	(13,714)	371	(9,377)	(10,607)	(5,866)	2,909
Finance costs							9,619	7,979
Income tax expense							2,289	721
Profit (loss)							(17,774)	(5,791)
Segment assets <sup>1</sup>	170,678	174,745	152,183	179,695	5,113	2,216	327,974	356,656
Segment liabilities <sup>1</sup>	50,513	37,924	107,007	107,979	41,432	61,896	198,952	207,799
Capital additions	3,460	2,669	5,513	1,745	687	1,315	9,660	5,729

<sup>1</sup> Comparative figures as at December 31, 2023.

# AirBoss of America Corp.

## Notes to CFS (cont'd)

### 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 are based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Non-current assets include property, plant and equipment, intangible assets, deferred income tax assets, and other assets.

	Net Sales				Non-current assets		
	Three-months ended September 30		Nine-months ended September 30		September 30	December 31	
	2024	2023	2024	2023	2024	2023	2023
Canada	15,484	14,889	55,628	52,784	47,777	56,305	48,489
United States	71,641	77,767	220,095	251,871	119,779	147,645	125,316
Other countries	9,079	9,539	19,338	28,674	—	—	—
	96,204	102,195	295,061	333,329	167,556	203,950	173,805

### Major customers

Net sales to one customer represented approximately 10.6% (2023: 9.2%) of the Company's total net sales. Five customers represented 30.9% (2023: 31.7%) of the Company's total net sales.

### Sales by major product

	Three-months ended September 30		Nine-months ended September 30	
	2024	2023	2024	2023
<b>Rubber Solutions</b>				
Tolling	683	1,430	2,219	4,293
Industrial	6,239	9,633	23,690	31,014
Mixing	43,780	43,024	141,218	141,034
	50,702	54,087	167,127	176,341
<b>Manufactured Products</b>				
Anti-vibration	28,131	37,347	93,947	114,790
Defense	17,371	10,761	33,987	42,198
	45,502	48,108	127,934	156,988
	96,204	102,195	295,061	333,329

## NOTE 15 RELATED PARTIES

### Transactions with Related Parties

During the quarter, the Company paid \$42 (2023: \$36) to companies controlled by the Chairman of the Company for use of office facilities; year-to-date: \$127 (2023: \$117).

In July 2023, the Company agreed to forgive CAD \$591 of loans due from the President & Co-Chief Executive Officer by 12.5% annually. The loans bear interest at 2% and 51,178 shares of the Company having a fair value of \$198 were pledged as collateral on these loans. At September 30, 2024, CAD \$447 remains outstanding under the loans (December 31, 2023, CAD \$517).

At September 30, 2024, loans to current and former officers totaling \$332, including accrued interest, are included in Other Assets on the consolidated statement of financial position (\$395 at December 31, 2023). All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities, termination of employment, and maturity. All share purchase loans are full recourse and interest is due and payable semi-annually. During the quarter, interest revenue of nil (2023: \$4) was received; year-to-date: \$4 (2023: \$22).

## NOTE 16 FINANCIAL INSTRUMENTS

In September 2024, the Company took out a life insurance policy requiring an initial premium of \$103. The net fair values of the financial instruments (nil at September 30, 2024) are included in Other Assets on the interim condensed consolidated statement of financial position. Changes in fair value are recorded in Other Income on the consolidated statement of profit and loss. During the quarter, the change in fair value was nil; year-to-date: nil.

## Corporate Information

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Chairman and Co-Chief Executive Officer:

P.G. (Gren) Schoch

President and Co-Chief Executive Officer:

Chris Bitsakakis

Chief Financial Officer:

Frank Ientile