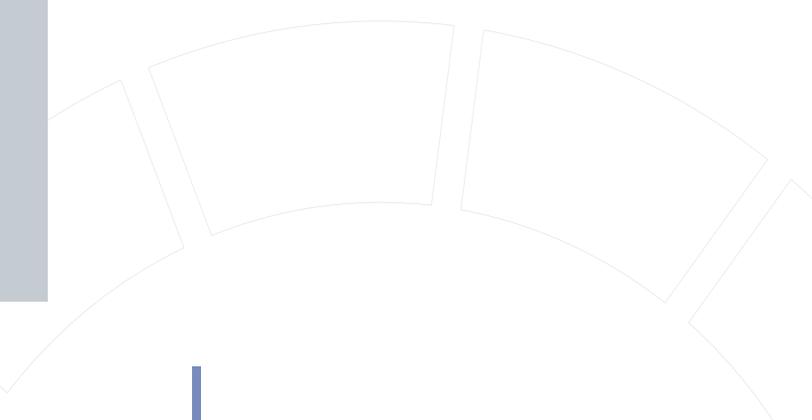
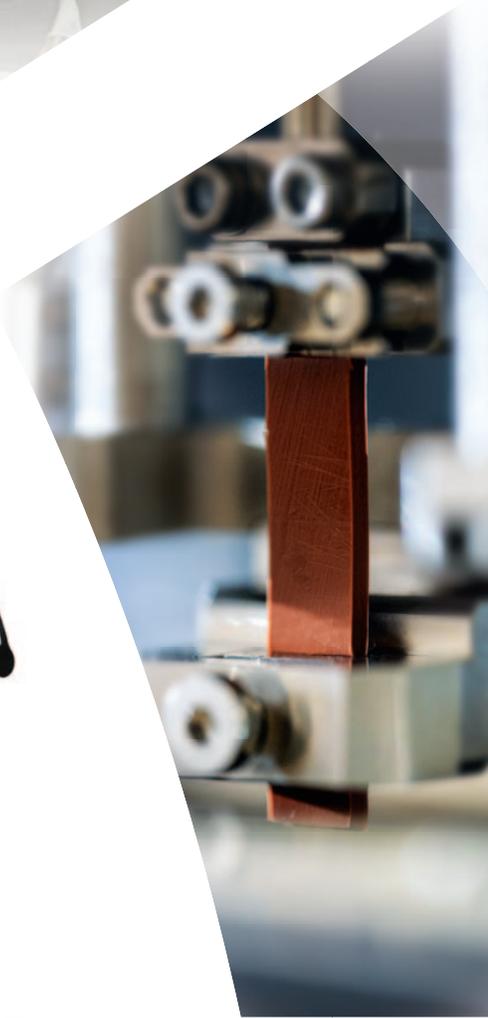




# STRENGTHENING THE CORE

2024 ANNUAL REPORT





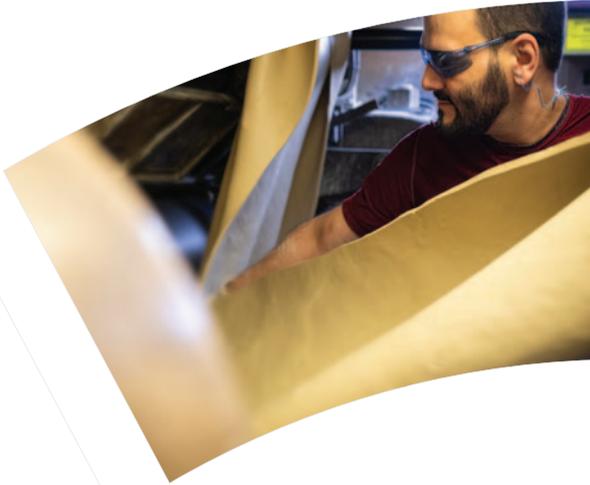
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## **AIRBOSS 2024 AT A GLANCE:**

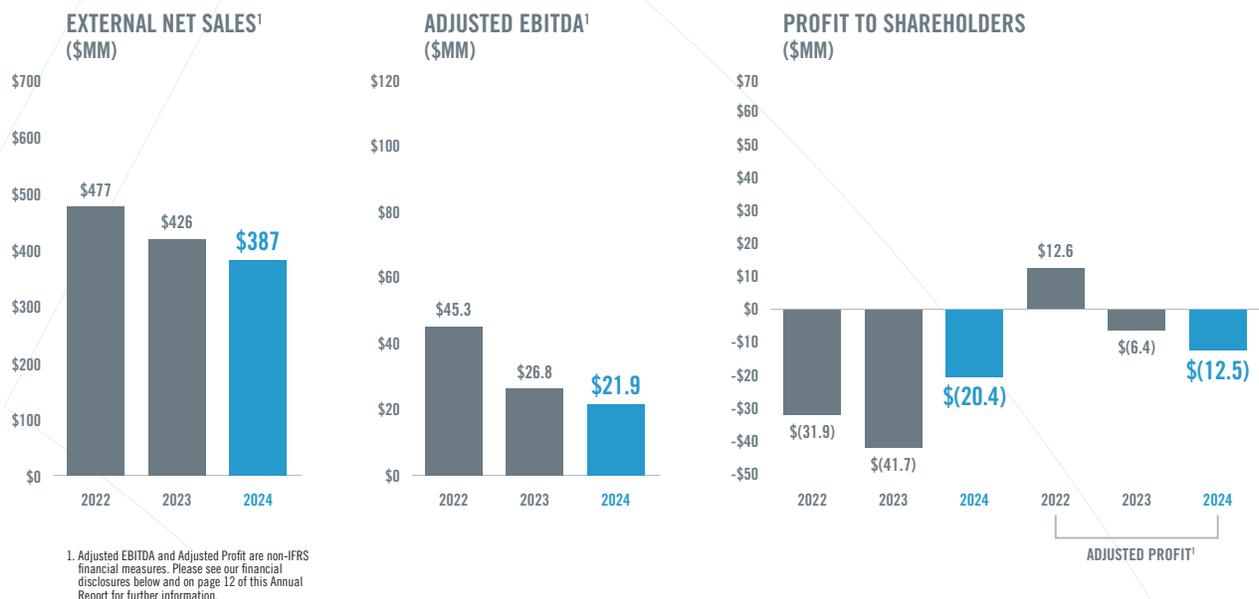
# **2024 WAS A YEAR OF STRATEGIC ADAPTATION AND OPERATIONAL RESILIENCE.**

**AIRBOSS OF AMERICA CORP. ("AIRBOSS") OR (THE "COMPANY") TOOK DECISIVE ACTIONS IN AN EFFORT TO STABILIZE PROFITABILITY, SECURE MAJOR DEFENSE CONTRACTS, AND ENHANCE COST EFFICIENCIES IN THE FACE OF MACROECONOMIC HEADWINDS AND SHIFTING MARKET DYNAMICS WHICH LED TO A DECLINE IN REVENUE.**



**AIRBOSS MANUFACTURED PRODUCTS (AMP)** SAW A STRONG RESURGENCE IN ITS DEFENSE BUSINESS, SECURING A BACKLOG OF OVER \$200 MILLION IN NEW DEFENSE AWARDS, INCLUDING AN \$82.3M CONTRACT FOR MOLDED AIRBOSS LIGHTWEIGHT OVERBOOTS (MALO). MEANWHILE, **AIRBOSS RUBBER SOLUTIONS (ARS)** NAVIGATED A CHALLENGING DEMAND ENVIRONMENT BY FOCUSING ON EFFICIENCY IMPROVEMENTS AND DRIVING REVENUE FROM HIGHER-MARGIN PRODUCTS, ENABLING HIGHER PROFITABILITY DESPITE LOWER SALES IN 2024 COMPARED TO 2023.

DESPITE TRADE POLICY UNCERTAINTIES, THREATS OF TARIFFS, AND INFLATIONARY PRESSURES CAUSING MARKET VOLATILITY, AIRBOSS STRENGTHENED ITS FINANCIAL FOUNDATION BY SECURING A NEW \$125M CREDIT FACILITY, IMPLEMENTING ADDITIONAL COST-SAVING INITIATIVES, AND POSITIONING ITSELF FOR A RETURN TO GROWTH IN 2025.



## KEY RECENT HIGHLIGHTS

- DEFENSE SECTOR RECOVERY:**  
Awarded \$82.3M U.S. Government contract and secured a defense backlog exceeding \$200M.
- FINANCIAL RESTRUCTURING:**  
Secured \$125M in new credit facilities.
- REVENUE:**  
\$387M (-9.2% YoY) | Net loss: \$20.4M (improved from \$41.7M loss in 2023).
- TARIFF RISKS:**  
U.S. import tariffs could impact operations; however, multiple contingency plans have been activated in an effort to reduce their impact.
- SILICONE:**  
In an effort to continue the recent margin expansion results through specialty compounding, ARS launched its first silicone production line in Michigan, expanding the product breadth available through our custom compounding operations.

**AS AIRBOSS MOVES INTO 2025, THE COMPANY REMAINS FOCUSED ON GROWTH IN SPECIALTY COMPOUNDING, OPERATIONAL EFFICIENCY IMPROVEMENTS, DEFENSE SECTOR EXPANSION, AND STRATEGIC RISK MITIGATION TO DRIVE LONG-TERM VALUE FOR STAKEHOLDERS.**



# MESSAGE TO OUR SHAREHOLDERS

## DEAR SHAREHOLDERS,

**2024 WAS A YEAR THAT TESTED THE RESILIENCE AND ADAPTABILITY OF AIRBOSS OF AMERICA CORP. IN THE FACE OF MACROECONOMIC HEADWINDS, GEOPOLITICAL UNCERTAINTIES, AND INDUSTRY-WIDE CHALLENGES, WE REMAINED COMMITTED TO OPERATIONAL EFFICIENCY, FINANCIAL DISCIPLINE, AND STRATEGIC EXPANSION. WHILE REVENUES DECLINED AMID ONGOING MARKET SOFTNESS, WE TOOK DECISIVE STEPS TO STRENGTHEN OUR FOUNDATION FOR THE FUTURE.**

One of our most significant achievements in 2024 was the continued recovery of our defense business. The award of an \$82.3M U.S. Government contract for our Molded AirBoss Lightweight Overboots (MALO) builds on previously secured contracts for isolation gowns and the Bandolier system, reinforcing our position as a trusted supplier to military and first responder communities around the world. This momentum signals stronger opportunities for growth in 2025, while we begin the new year with a robust backlog anchoring the growth at AMP.

At ARS, we saw softness in demand, particularly in our tolling business as market softness drove the large tire makers to insource more of their compound requirements. Despite these challenges, we generated higher gross profits on lower sales due to the gradual product mix shift to specialty compounding, including the launch of AirBoss' first silicone line in Michigan in an effort to further expand our product portfolio.



In AMP, softness in the automotive sector impacted our rubber molded products division, but we continued to drive operational efficiencies, cost-cutting measures, and new contract execution to offset these headwinds.

Financially, we improved our net loss to \$20.4M, nearly halving the \$41.7M loss from 2023 with defense products poised to reinforce this improvement trend into 2025. We secured \$125M in new senior credit facilities, bolstering our liquidity while maintaining a prudent approach to cost management and capital allocation.

However, as we look ahead to 2025, we remain highly vigilant of external risks, particularly the impact of U.S. import tariffs on Canadian goods as well as the threat of further escalating tariffs and other similar geopolitical risks. Given our cross-border operations, we are actively reviewing contingency plans, supply chain shifts, and cost mitigation strategies to minimize disruptions and protect profitability.

Despite these uncertainties, we remain confident in AirBoss's ability to navigate evolving market conditions. Our defense business is growing, our rubber solutions segment is innovating, and our operational discipline is stronger than ever.

We would like to extend our sincerest gratitude to our employees, partners, and investors for their unwavering commitment. Your support fuels our drive to build a stronger, more resilient AirBoss for the future.

We look forward to continuing this journey with you in 2025 and beyond.

Sincerely,

**Chris Bitsakakis**  
President and Co-CEO

**P.G. Schoch**  
Chairman and Co-CEO



# FUTURE OUTLOOK: **AIRBOSS RUBBER SOLUTIONS**





**AS ARS MOVES INTO 2025, THE DIVISION IS WELL-POSITIONED FOR RENEWED GROWTH, PRODUCT INNOVATION, AND MARKET EXPANSION, SUBJECT TO THE ONGOING RISKS PRESENTED BY THE CURRENT GEOPOLITICAL CLIMATE. WHILE 2024 PRESENTED CHALLENGES, ARS HAS TAKEN DECISIVE STEPS TO STRENGTHEN ITS CORE BUSINESS, DIVERSIFY ITS OFFERINGS, AND ENHANCE OPERATIONAL EFFICIENCIES – LAYING THE FOUNDATION FOR A STRONGER, MORE COMPETITIVE FUTURE.**

- ▶ A key focus for 2025 will be expanding into high-value specialty compounding, with new investments in advanced formulations, including silicone, color, and medical-grade compounds. The launch of the new silicone production line in Michigan signals a strategic evolution toward higher-margin, more specialized solutions, allowing ARS to serve emerging industries such as healthcare, energy, and defense.





**FUTURE OUTLOOK:**

# **AIRBOSS MANUFACTURED PRODUCTS**

**AS AMP ENTERS 2025, THE DIVISION IS WELL-POSITIONED FOR EXPANSION, OPERATIONAL EFFICIENCY, AND STRONGER MARKET PERFORMANCE, SUBJECT TO THE ONGOING RISKS PRESENTED BY THE CURRENT GEOPOLITICAL CLIMATE. WHILE 2024 PRESENTED CHALLENGES, INCLUDING A WEAKER AUTOMOTIVE SECTOR, AMP LEVERAGED ITS STRENGTHS IN DEFENSE MANUFACTURING AND OPERATIONAL IMPROVEMENTS TO SET THE STAGE FOR SUSTAINED GROWTH.**

▶ A key highlight of 2024 was the \$82.3M U.S. Government contract for Molded AirBoss Lightweight Overboots (MALO), a major milestone that reinforces AirBoss's leadership in military and first responder protective equipment. This, along with other secured defense contracts, strengthens AMP's trajectory for 2025.



# NAVIGATING ECONOMIC UNCERTAINTY & ADDRESSING TARIFF RISKS

**AS AIRBOSS OF AMERICA CORP. LOOKS AHEAD TO 2025, THE COMPANY REMAINS PROACTIVE IN MANAGING ECONOMIC VOLATILITY, PARTICULARLY IN RESPONSE TO THE IMPACT OF U.S. IMPORT TARIFFS ON CANADIAN GOODS AND THE ONGOING THREAT OF FURTHER INCREASED AND RETALIATORY TARIFFS.**

**TO MITIGATE THESE CHALLENGES, AIRBOSS IS ACTIVELY:**

- ▶ EXPLORING PRODUCTION SHIFTS:** Assessing alternative U.S.-based manufacturing options to reduce tariff exposure while maintaining efficient operations.
- ▶ MANAGING COSTS:** Implementing efficiency projects in an effort to offset potential tariff risks and minimize impact to all stakeholders.
- ▶ OPTIMIZING SUPPLY CHAIN STRATEGIES:** Strengthening supplier partnerships and diversifying sourcing to minimize disruptions.
- ▶ BALANCING AND FILLING OPEN CAPACITY IN ALL PLANTS:** Maximizing domestic production to balance supply and demand.

While economic uncertainties remain, AirBoss has a strong track record of adaptability and financial discipline. By staying agile, data-driven, and proactive, the Company is positioned to navigate these headwinds while continuing to drive growth and shareholder value.



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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of March 10, 2025 and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2024 prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the International Accounting Standards Board. 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.sedarplus.com](http://www.sedarplus.com) and on the Company's website at [www.airboss.com](http://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", "should" 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; contract-related risks; 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; global political uncertainty; 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; AirBoss' ability to successfully develop and execute effective business strategies including, without limitation, the recently announced strategic transition; 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; changes in trade policies or the imposition of new tariffs, duties or other similar restrictions which could influence the cost and flow of goods and services across borders; current and future litigation; political uncertainty and policy change; ability to obtain financing on acceptable terms and ability to satisfy the covenants set forth in such financing arrangements; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; potential product liability and warranty claims and equipment malfunction. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information.*

*All of the forward-looking information in this Annual Report is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking information. All subsequent written and oral forward-looking information attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this press release 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.sedarplus.com](http://www.sedarplus.com).*

**OVERALL PERFORMANCE****Recent Highlights****(In US dollars except as otherwise noted)**

- AMPs defense business awarded a contract from the U.S. Government valued at up to \$82.3M for ADG Molded Lightweight Overboots ("MALOs"); The first order under this contract, valued at approximately \$30M, has been received, and deliveries are expected to commence in the second quarter of 2025;
- ARS performed strongly despite lowers sales in 2024 by driving growth in specialty compounding, generating higher margins in 2024 compared to 2023;
- Entered into new senior secured credit facilities consisting of an asset-based credit facility with total commitments of \$125M, following the addition of Comerica Bank to the syndicate of lenders, and a term facility of \$55M;
- The Company launched its first silicone production line in Michigan, as part of an ongoing strategy to drive an increased focus on specialty compounding;
- 2024 Adjusted EBITDA<sup>1</sup> of \$21.9 million on Adjusted Profit<sup>1</sup> of \$(12.5) million and a loss of \$20.4 million; and
- Declared a quarterly dividend of C\$0.035 per common share.

**Selected Financial Information***In thousands of US dollars, except share data*

For years ended December 31	2024	2023	2022
<b>Financial results:</b>			
Net sales	387,024	426,025	477,155
Profit (loss)	(20,390)	(41,749)	(31,892)
Adjusted Profit <sup>1</sup>	(12,536)	(6,424)	12,558
Earnings (loss) per share (US\$)			
– Basic	(0.75)	(1.54)	(1.18)
– Diluted	(0.75)	(1.54)	(1.18)
Adjusted earnings per share <sup>1</sup> (US\$)			
– Basic	(0.46)	(0.24)	0.46
– Diluted	(0.46)	(0.24)	0.45
EBITDA <sup>1</sup>	15,063	(11,177)	(12,769)
Adjusted EBITDA <sup>1</sup>	21,914	26,758	45,336
Net cash from operating activities	8,780	40,917	(30,775)
Free cash flow <sup>1</sup>	(1,826)	32,453	(40,964)
Dividends declared per share (CAD\$)	0.175	0.370	0.400
Capital expenditures	10,632	8,505	10,192
<b>Financial position:</b>			
Total assets	309,528	356,656	440,766
Debt <sup>2</sup>	117,390	131,092	143,642
Net Debt <sup>1</sup>	98,888	88,213	110,083
Shareholders' equity	126,010	148,857	196,997
Outstanding shares*	27,130,556	27,130,556	27,092,041
*27,130,556 at March 10, 2025			

<sup>1</sup>See Non-IFRS Financial Measures<sup>2</sup>Debt includes \$12,011 of lease liabilities (2023: \$13,890; 2022: \$15,007)

## NON-IFRS FINANCIAL MEASURES

This MD&A is based on consolidated financial statements prepared in accordance with IFRS and uses Non-IFRS Financial Measures. Management believes that these measures provide useful information to investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. These terms are not a measure of performance under IFRS and should not be considered in isolation or as a substitute for profit or loss under IFRS.

EBITDA and Adjusted EBITDA are non-IFRS measures used to measure the Company's ability to generate cash from operations for debt service, to finance working capital and capital expenditures, potential acquisitions and to pay dividends. EBITDA is defined as earnings before income taxes, finance costs, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding impairment costs, acquisition costs, and non-recurring costs. A reconciliation of profit (loss) to EBITDA and Adjusted EBITDA is below.

<i>In thousands of US dollars</i>	2024	2023	2022
EBITDA:			
Profit (loss)	(20,390)	(41,749)	(31,892)
Finance costs	12,763	5,233	5,738
Depreciation and amortization	21,012	22,345	21,905
Income tax expense (recovery)	1,678	2,994	(8,520)
EBITDA	15,063	(11,177)	(12,769)
Professional fees related to AEP negotiations	–	152	1,104
Write-down of inventory	6,049	8,031	57,001
Restructuring costs	802	3,104	–
Impairment of intangible assets	–	26,648	–
Adjusted EBITDA	21,914	26,758	45,336

In the second quarter of 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. In 2023, the Company recorded a \$8,031 inventory provision related to its inventory of nitrile gloves due to significant downward shifts in pricing. In 2022, the Company recorded a \$57,001 provision related to its inventory of nitrile gloves due to significant downward shifts in pricing and some gloves no longer meeting the Company's safety standards. Costs related to these provisions are included in Cost of Sales on the Statement of Profit and Loss.

In 2023 and the second quarter of 2024, the Company completed a series of staff reductions. Costs related to this restructuring activity are included in Other expenses on the Statement of Profit and Loss.

In 2023, the Company recognized a goodwill impairment related to the defense operations. Costs related to the impairment are included in Other expenses on the Statement of Profit and Loss.

In late 2022, the Company negotiated improved arrangements with AMP's rubber molded products business' key suppliers and customers to improve profitability. Professional fees related to these activities are included in General and administrative expenses on the Statement of Profit and Loss.

Adjusted profit is a non-IFRS measure defined as profit (loss) before impairment costs, acquisition costs and non-recurring costs. This measure and Adjusted earnings per share are used to evaluate operating results of the Company. A reconciliation of Profit (loss) to Adjusted profit and Adjusted earnings per share is below.

<i>In thousands of US dollars</i>	2024	2023	2022
Adjusted profit:			
Profit (loss)	(20,390)	(41,749)	(31,892)
Write-off of deferred finance costs (after tax)	1,003	–	–
Professional fees related to AEP negotiations (after tax)	–	116	844
Write-down of inventory (after tax)	6,049	6,264	43,606
Restructuring costs (after tax)	802	2,297	–
Impairment of intangible assets (after tax)	–	26,648	–
Adjusted profit	(12,536)	(6,424)	12,558
Basic weighted average number of shares outstanding	27,131	27,118	27,071
Diluted weighted average number of shares outstanding	27,131	27,118	28,109
Adjusted earnings per share (in US dollars):			
Basic	(0.46)	(0.24)	0.46
Diluted	(0.46)	(0.24)	0.45

Net Debt measures the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. A reconciliation of loans and borrowings to Net Debt is below.

<i>In thousands of US dollars</i>	2024	2023	2022
Net debt:			
Loans and borrowings - current	5,002	2,437	2,286
Loans and borrowings - non-current	112,388	128,655	141,356
Leases included in loans and borrowings	(12,011)	(13,890)	(15,007)
Cash and cash equivalent	(6,491)	(28,989)	(18,552)
Net debt	98,888	88,213	110,083

The Company has a Net Debt to trailing twelve-month Adjusted EBITDA ratio of 4.51x (2023: 3.30x, 2022: 2.43x)

## MD&amp;A (cont'd)

Free cash flow is a non-IFRS measure used to evaluate cash flow after investing in the maintenance or expansion of the Company's business. It is defined as cash provided by operating activities, less cash expenditures on long-term assets. A reconciliation of net cash from (used in) operating activities to free cash flow is below.

<i>In thousands of US dollars</i>	2024	2023	2022
Free cash flow:			
Net cash from (used in) operating activities	8,780	40,917	(30,775)
Acquisition of property, plant and equipment	(9,902)	(7,256)	(8,800)
Acquisition of intangible assets	(730)	(1,249)	(1,392)
Proceeds from disposition	26	41	3
Free cash flow	(1,826)	32,453	(40,964)
Basic weighted average number of shares outstanding	27,131	27,118	27,071
Diluted weighted average number of shares outstanding	27,131	27,439	27,071
Free cash flow per share (in US dollars):			
Basic	(0.07)	1.20	(1.51)
Diluted	(0.07)	1.18	(1.51)

## OVERVIEW

2024 was a challenging year for AirBoss as pronounced economic headwinds impacted each segment to varying degrees, and the Company continued to navigate obstacles related to market softness and geopolitical challenges. The Company continued to focus on risk mitigation plans in response to these economic challenges, including managing costs and targeting continuous improvements to help offset some of the pronounced softness experienced at both AirBoss Rubber Solutions ("ARS") and AirBoss Manufactured Products ("AMP"). Management remains focused on the successful conversion of key opportunities to support the future growth aligned with its strategic plan. Subject to ongoing challenges related to inflationary pressure, the global geopolitical climate, recently-enacted tariffs and the potential for further escalating tariffs, which could disrupt trade flows, increase costs and strain supply chains, the Company expects volume recovery to commence in mid-2025. This recovery could be particularly impacted by the imposition of tariffs, duties or other similar restrictions. A significant portion of the products manufactured by the Company in Canada are sold into the United States and are subject to the recently-enacted tariffs during the production process given the cross-border nature of the Company's business operations. The Company is actively evaluating and executing contingency plans and reviewing all available options to try and deal with these challenges, including rebalancing production and sales activities between the U.S. and Canada, in order to try to minimize the impacts to the Company and its customers.

ARS saw continued softness carried over from the previous quarter as customers continued to reduce orders and shutter production earlier than anticipated as they focused on reducing inventory levels partially driven by lower demand, despite strong performance during the earlier part of 2024. This also impacted margins unfavorably relative to the third quarter of 2024 ("Q3 2024"). In addition, the segment experienced additional softness primarily driven by volume reductions across most sectors and saw reduced volumes compared to Q4 2023. ARS remains committed to executing on its strategy to deliver strong results with specialized products, expanded production of a broader array of compounds (white and color), and enhanced flexibility in attracting and fulfilling new business through identified synergies and margin expansion. As a segment, ARS also continued to invest in research and development in 2024 to support enhanced collaboration with customers.

AMP experienced an overall volume improvement in the fourth quarter of 2024 ("Q4 2024"), primarily driven by its defense products business and offset by continued softness in the rubber molded products business. The defense business saw improvements in both revenue and gross profit, mainly driven by new business awards that it executed on in the quarter. The rubber molded products operations were impacted by continued volume softness related to the original equipment manufacturers (OEMs) shuttering production to rebalance vehicle inventory levels, which has been ongoing throughout 2024. The business continued its focus on managing costs and a commitment to drive efficiencies and automation, as well as diversification of its product lines into adjacent sectors. The defense business experienced some positive traction during Q4 2024 which is expected to continue into next year, supported by the commencement of deliveries on several previously announced contracts including some recent new awards in addition to the overhead reductions carried out earlier this year to help mitigate volume softness. Management also continued its focus on operational improvements during the quarter and continued to work with its key customers with a goal of leveraging opportunities aligned with its growth initiatives.

The Company's long-term priorities consist of the following:

1. Growing the core Rubber Solutions segment by emphasizing rubber compounding as the core driver for sustainable growth and productivity, focusing on innovation in custom rubber compounding while aiming to expand market share through organic and inorganic means, while striving to achieve enhanced diversification by a broadening of product breadth through technological advancements and investments in specialty compound niches;
2. Manufactured Products' growth strategy is focused on diversifying and expanding its range of rubber molded products while simultaneously narrowing the range of defense products through a renewed focus on core competencies; and
3. Executing the strategic review of all product lines currently manufactured and sold by the Company in its Manufactured Products segment while targeting additional acquisition opportunities with a focus on adding new compounds and products, technical capabilities, and geographic reach into selected North American and international markets.

AirBoss continues to focus on these long-term priorities while investing in core areas of the business to expand a solid foundation that will support long-term growth.

## RESULTS OF OPERATIONS – For year ended December 31, 2024 compared to 2023

## NET SALES

Consolidated net sales for the year ended December 31, 2024 decreased by 9.2% to \$387,024, compared with 2023 primarily due to decreased sales at Rubber Solutions across the majority of sectors and decreases in Manufactured Products' rubber molded products business partially offset by increases in the defense products business.

<i>In thousands of US dollars</i>		Rubber Solutions	Manufactured Products	Inter-segment net sales	Total
Net Sales	<b>2024</b>	<b>226,351</b>	<b>176,696</b>	<b>(16,023)</b>	<b>387,024</b>
	2023	248,395	202,290	(24,660)	426,025
Increase (decrease) \$		(22,044)	(25,594)	8,637	(39,001)
Increase (decrease) %		(8.9)	(12.7)	(35.0)	(9.2)

## Rubber Solutions

Net sales in the Rubber Solutions segment decreased by 8.9%, to \$226,351 in 2024, from \$248,395 in 2023. This was due to softness across most sectors driven by economic headwinds. Volume was down 13.9% with decreases across the majority of sectors given softness in many customer sectors.

Tolling volumes for the year ended December 31, 2024 decreased by 61.8%, compared with 2023. Non-tolling volumes for the year ended December 31, 2024 decreased by 9.7% compared with 2023. The overall decrease in volume was across many sectors with decreases in most sectors.

## Manufactured Products

Net sales in the Manufactured Products segment decreased by 12.7%, to \$176,696 in 2024, from \$202,290 in 2023. This is primarily due to lower sales in the molded rubber products business partially offset by improved sales in the defense products business driven by deliveries in new contract awards.

## GROSS PROFIT

For the year ended December 31, 2024, consolidated gross profit was down by \$4,414 to \$53,996. Gross profit as a percentage of net sales increased to 14.0% from 13.7% in 2023. The increase in margin percentage was driven primarily by margin expansion in the Rubber Solutions segment, margin improvements resulting from the new business awards at AMP's defense products business, and a \$2.0 million lower non-cash inventory write-down compared to the prior year, partially offset by margin compression at AMP's rubber molded products business.

<i>In thousands of US dollars</i>		Rubber Solutions	Manufactured Products	Total
Gross Profit	<b>2024</b>	<b>35,500</b>	<b>18,496</b>	<b>53,996</b>
	2023	34,947	23,463	58,410
Increase (decrease) \$		553	(4,967)	(4,414)
% net of sales	<b>2024</b>	<b>15.7</b>	<b>10.5</b>	<b>14.0</b>
	2023	14.1	11.6	13.7

## Rubber Solutions

For the year ended December 31, 2024, gross profit for Rubber Solutions was \$35,500 (15.7% of net sales), up \$553 compared to \$34,947 (14.1% of net sales) in 2023. The increase was primarily a result of favorable mix and margin expansion partially offset by decreased tolling and non-tolling volumes compared to the same period in 2023.

## Manufactured Products

Gross profit for the year ended December 31, 2024 in the Manufactured Products segment was \$18,496 (10.5% of net sales), down \$4,967 compared to \$23,463 (11.6% of net sales) in 2023. The decrease was primarily a result of significant volume drops in the rubber molded products business partially offset by a \$2.0 million lower non-cash inventory write-down compared to the prior year. The defense products business did see margin improvements in the latter part of the year driven by several new business awards.

## OPERATING EXPENSES

Consolidated operating expenses for the year ended December 31, 2024 decreased by \$31,987 to \$59,945 compared with 2023. The decrease was primarily due to a \$26,648 goodwill impairment charge in the prior year, \$3,104 of restructuring costs in the prior year (compared to costs of \$802 in the current year), and lower legal and administrative expenses, partially offset by a foreign exchange loss compared to a gain in the prior year. As a percentage of net sales, operating expenses for the year ended December 31, 2024 decreased to 15.5% from 21.6% in 2023.

<i>In thousands of US dollars</i>		Rubber Solutions	Manufactured Products	Corporate	Total
Operating Expenses	<b>2024</b>	<b>16,001</b>	<b>31,216</b>	<b>12,728</b>	<b>59,945</b>
	2023	18,621	60,507	12,804	91,932
Increase (decrease) \$		(2,620)	(29,291)	(76)	(31,987)
% net of sales	<b>2024</b>	<b>7.1</b>	<b>17.7</b>	<b>N/A</b>	<b>15.5</b>
	2023	7.5	29.9	N/A	21.6

# AirBoss of America Corp.

## MD&A (cont'd)

### Rubber Solutions

Rubber Solutions' operating expenses for the year ended December 31, 2024 decreased by 14.1%, to \$16,001, compared with \$18,621 in 2023. The decrease was primarily due to cost management, a foreign exchange gain compared to a loss in the prior year, and restructuring costs recorded in the prior year.

### Manufactured Products

Manufactured Products' operating expenses for the year ended December 31, 2024 decreased by 48.4% to \$31,216. The decrease was due to a \$26,648 goodwill impairment charge recorded in the prior year, cost-cutting measures implemented last year and lower amortization of intangible assets, partially offset by a foreign exchange gain compared to a loss in the prior year.

### Unallocated Corporate Costs

Unallocated corporate costs for the year ended December 31, 2024 decreased by \$76 from 2023. The decrease was primarily due to a restructuring cost recorded in the prior year partially offset by a foreign exchange loss compared to a gain in the prior year.

### FINANCE COST

Finance costs in 2024 were \$12,763 (2023: \$5,233). The increase was primarily due to a cost recovery in the prior year related to an earn-out liability payable to former owners of an acquired business, the write-off of deferred finance costs related to loan agreement that was repaid during the year, and increased borrowing costs from the Company's credit facilities.

### INCOME TAX EXPENSE

For the year ended December 31, 2024, the Company recorded an income tax expense of \$1,678 (2023: \$2,994) or an effective income tax rate of (9.0)% (2023: (7.7)%). The effective tax rates are negative due to unrecognized tax assets.

<i>In thousands of US dollars</i>	Tax expense/(recovery)		Rate	
	2024	2023	2024	2023
Expected statutory rate	(4,959)	(10,272)	26.50%	26.50%
Foreign rate differential	999	1,436	(5.34%)	(3.71%)
Effect of permanent differences	273	(225)	(1.46%)	0.58%
Filing differences	5	5	(0.03%)	(0.01%)
Deductible temporary differences not recognized	4,916	12,051	(26.27%)	(31.10%)
Other	39	(1)	(0.21%)	0.00%
Effective tax rate	1,678	2,994	(8.97%)	(7.74%)

### PROFIT (LOSS) AND EARNINGS (LOSS) PER SHARE

Net loss in 2024 amounted to \$20,390, compared with a loss of \$41,749 in 2023. The basic and fully diluted net loss per share was \$0.75 (2023: \$1.54). The decreased loss was primarily due to a \$26.6 million goodwill and higher inventory impairment charges and restructuring charges in the prior year, partially offset by higher finance fees in the current year.

### QUARTERLY INFORMATION

<i>In thousands of US dollars</i>	Net Sales	Profit (loss)	Earnings (loss) per share	
			Basic	Diluted
<b>2024</b>				
<b>December 31, 2024</b>	<b>91,963</b>	<b>(2,616)</b>	<b>(0.10)</b>	<b>(0.10)</b>
September 30, 2024	96,204	(3,279)	(0.12)	(0.12)
June 30, 2024	95,367	(9,568)	(0.35)	(0.35)
March 31, 2024	103,490	(4,927)	(0.18)	(0.18)
<b>2023</b>				
<b>December 31, 2023</b>	<b>92,696</b>	<b>(35,958)</b>	<b>(1.33)</b>	<b>(1.33)</b>
September 30, 2023	102,195	(4,633)	(0.17)	(0.17)
June 30, 2023	114,058	(2,613)	(0.10)	(0.10)
March 31, 2023	117,076	1,455	0.05	0.05

# 2024

## MD&A (cont'd)

### Fourth Quarter 2024 Results

#### NET SALES

Consolidated net sales for Q4 2024 decreased by 0.8% to \$91,963, from \$92,696 in Q4 2023, with decreases at Rubber Solutions partially offset by Manufactured Products for the reasons outlined below.

#### Rubber Solutions

Net sales for Q4 2024 in the Rubber Solutions segment decreased by 13.1% to \$47,349, from \$54,464 in Q4 2023. The decrease in net sales for Q4 2024 was primarily due to softness across most sectors. Volume was down 22.5% with decreases across the majority of sectors given softness in most customer sectors. Tolling volume was down 39.0%, while non-tolling volume was down 21.7% driven by decreases in most sectors. 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.

#### Manufactured Products

Manufactured Products net sales for Q4 2024 increased by 9.4% to \$48,168 compared with Q4 2023. The increase was a result of higher volumes in the defense product business with decreases across the rubber molded product lines, driven by production reductions across most OEMs.

#### GROSS PROFIT

Consolidated gross profit for Q4 2024 increased to \$15,297 (16.6% of net sales) from \$5,122 (5.5% of net sales) in Q4 2023, primarily a result of an \$8.0 million non-cash write-down in 2023 related to nitrile glove and isolation gown inventory in the defense products business and improvements in the defense products business, partially offset by decreases in Rubber Solutions and softness within AMP's rubber molded product lines.

#### Rubber Solutions

Gross profit at Rubber Solutions for Q4 2024 was \$5,938 (12.5% of net sales), compared with \$7,845 (14.4% of net sales) in Q4 2023. The decrease in gross profit was principally due to lower volumes across most customer sectors and product mix.

#### Manufactured Products

Gross profit at Manufactured Products for Q4 2024 increased by \$12,082 to \$9,359 compared with a loss of \$2,723 in Q4 2023. The increase was primarily a result of an \$8.0 million non-cash write-down in 2023 related to nitrile glove and isolation gown inventory and improved volumes and product mix in the defense product lines further supported by operational cost improvements in the segment.

#### OPERATING EXPENSES

Consolidated operating expenses for Q4 2024 decreased by \$26,173, compared with Q4 2023. The decrease was primarily due to the \$26,648 goodwill impairment charges noted above partially offset by a foreign exchange loss compared to a gain in the prior year.

#### INCOME TAX EXPENSE

Tax expense for Q4 2024 decreased by \$2,884 compared to Q4 2023 due to the derecognition of temporary differences in Q4 2023.

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

The Company expects to fund its 2025 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and committed borrowing capacity. The Company's asset-based revolving line of credit provides financing up to \$100,000 (with an accordion of \$50,000 upon the satisfaction of customary conditions), subject to a borrowing base calculation that is based on cash on hand, and a percentage of eligible accounts receivable and inventory (as defined in the credit agreement). As of December 31, 2024, the total available borrowing capacity under this facility was \$79,428. As at December 31, 2024, \$52,665 was drawn against the revolving credit facility, from outstanding borrowings of \$52,350 plus \$315 drawn as a letter of credit. The revolving line of credit was modified in January 2025 to provide maximum borrowings of up to \$125,000 with a \$25,000 accordion.

For the year ended December 31, 2024, \$8,780 of cash was provided by operations (2023: \$40,917), \$10,606 was used for investing activities (2023: \$8,464) and \$20,792 was used by financing activities (2023: \$22,196). Cash and cash equivalents decreased by \$22,498 from \$28,989 to \$6,491, adjusted for the effect of exchange rate fluctuations on cash held.

#### Operating activities

For the year ended December 31, 2024, cash provided by operating activities decreased by \$32,137 compared to 2023. The decrease was primarily due to \$33,095 more cash used for net working capital partially offset by a \$3,764 decrease in tax payments.

Cash used for working capital for the year ended December 31, 2024 was \$6,402 (2023: \$26,693 cash provided) as a result of the following factors:

- Cash provided by trade and other receivables was \$3,755 due to lower sales, partially offset by increased receivables related to new defense contracts;
- Cash provided by inventories was \$974, primarily related to efforts to reduce raw materials, partially offset by building up inventory to support new defense contracts;
- Cash provided by prepaid expenses was \$76 primarily due to amortizing of insurance premiums;
- Cash used for trade and other payables was \$10,413 primarily due to lower sales volumes, partially offset by increased purchases to support new defense contracts;
- Cash used for provisions of \$794 related to the payout of preferred share units, payments to former owners of an acquired business and the balance of a provision for restructuring costs.

#### Investing Activities

##### Property, Plant and Equipment

For the year ended December 31, 2024, the following investments were made in each segment:

Rubber Solutions invested \$4,364. \$853 was invested in growth initiatives, \$699 in cost savings initiatives, and the balance was invested to replace or upgrade existing property, plant and equipment.

Manufactured Products invested \$5,538. \$567 was invested in growth initiatives, and the balance was invested to replace or upgrade existing property, plant and equipment.

##### Intangible assets

The Company invested \$730 on productivity software and rolling out company-wide enterprise software.

## MD&amp;A (cont'd)

## Financing activities

In November 2024, the Company entered into two secured credit facilities: an asset-based revolving line of credit; and a term loan. The two facilities are secured against substantially all of the Company's assets and contain cross-default provisions along with customary financial and non-financial covenants, including minimum earnings and liquidity, and limitations on capital expenditures, dividend payments and additional indebtedness.

The revolving line of credit provides for maximum borrowings of up to \$100,000 (with an accordion of \$50,000 upon the satisfaction of customary conditions), subject to a borrowing base calculation that is based on cash on hand, and a percentage of eligible accounts receivable and inventory (as defined in the credit agreement). As of December 31, 2024, the total available borrowing capacity under this facility was \$79,428, with outstanding borrowings of \$52,350 plus \$315 drawn as a letter of credit. The borrowing base is recalculated monthly and may fluctuate based on changes in cash, accounts receivable and inventory levels. The revolving line of credit bears interest at Secured Overnight Financing Rate (SOFR) plus applicable margins from 175 to 225 basis points, depending on unused borrowing capacity, and matures on November 29, 2027. The revolving line of credit was modified in January 2025 to provide maximum borrowings of up to \$125,000 with a \$25,000 accordion with all other terms unchanged.

The term loan was for an original amount of \$55,000 and matures on November 29, 2027. As of December 31, 2024, the outstanding principal balance was \$55,000. The term loan bears interest at SOFR plus applicable margins from 425 to 450 basis points, depending on earnings. Interest and principal payments are on monthly and quarterly basis, respectively, with additional principal payments required if the balance outstanding exceeds a borrowing base calculation that is based on appraised collateral.

Proceeds from the new facilities were used to repay the Company's previous revolving credit facility. The previous revolving facility provided up to \$150,000, bore interest at SOFR plus applicable margins from 145 to 450 basis points, depending on covenants, and was scheduled to mature on September 23, 2026. The previous credit facility was amended during 2023 and 2024 to reduce the available credit from \$250,000; remove the \$75,000 accordion; limit the quarterly dividend and capital expenditures; and modify the calculation of certain financial covenants.

Compliance with the credit facilities require' financial covenants is dependent upon achieving revenue forecasts and maintaining costs over the next twelve months. 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 Company incurred \$2,338 of financing fees during the year and are being amortized over the term of the new credit facilities. \$1,355 of unamortized deferred financing fees related to the previous credit facility were written-off and are included in finance costs. Amortization of deferred financing fees was \$696 (2023: \$454) and is included in finance costs.

## Commitments and contractual obligations

The Company's contractual obligations as at December 31, 2024 are summarized below:

	Payments Due In						
	2025	2026	2027	2028	2029	Thereafter	Total
Revolving line of credit	–	–	52,350	–	–	–	52,350
Term debt	2,406	4,240	48,354	–	–	–	55,000
Interest rate swap	(38)	–	–	–	–	–	(38)
Lease liabilities	2,634	2,565	2,665	2,149	1,705	293	12,011
Purchase obligations	37,238	–	–	–	–	–	37,238
<b>Total</b>	<b>42,240</b>	<b>6,805</b>	<b>103,369</b>	<b>2,149</b>	<b>1,705</b>	<b>293</b>	<b>156,561</b>

## Government assistance

Scientific research and investment tax credits of \$429 were recognized in 2024 (2023: \$920); research and development expenses were reduced accordingly.

## Dividends

A quarterly dividend of \$0.035 CAD per share was declared on November 6, 2024 and paid on January 15, 2025. Total dividends declared during the year were \$0.175 CAD per common share compared to \$0.370 per common share in 2023.

## Outstanding shares

As at December 31, 2024 the Company had 27,130,556 common shares outstanding.

## TRANSACTIONS WITH RELATED PARTIES

During the year, the Company paid \$173 (2023: \$162) to companies controlled by the Chairman & Co-CEO of the Company for use of office facilities.

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

December 31	2024	2023
Salaries and other short-term benefits	3,218	3,561
Share-based payment expense	851	820
	<b>4,069</b>	<b>4,381</b>

The amounts disclosed in this table are the amounts recognized as operating expenses for accounting purposes during the period and do not necessarily represent amounts receivable or received in cash.

Key management own 20.1% of the outstanding common shares as at December 31, 2024 (2023: 20.5%).

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 \$136 were pledged as collateral on these loans. At December 31, 2024, CAD \$443 remains outstanding under the loans. Principal and accrued interest totaling \$312 is included in Other Assets on the consolidated statement of financial position (\$395 at December 31, 2023). The 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. The loans are full recourse and interest is due and payable semi-annually. During the year, interest payments of \$7 (2023: \$22) was received.

### NEW STANDARDS ADOPTED

#### Amendments to IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 specify that only covenants whose compliance is assessed on or before the reporting date affect the classification of debt as current or non-current at the reporting date. The amendments also require disclosure of information about future covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. These amendments did not have a material impact on the consolidated financial statements.

#### Amendments to IFRS 16 *Leases*

The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. These amendments did not have a material impact on the consolidated financial statements.

### FUTURE ACCOUNTING STANDARDS

#### IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 and applies for annual reporting periods beginning on or after January 1, 2027. The new standard will change how the Company presents and discloses its financial statements and accompanying notes by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures and adding new principles for aggregation and disaggregation of information. The Company is assessing the extent of the impact the standard will have on its consolidated financial statements.

### CRITICAL ACCOUNTING ESTIMATES

The Company's preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses. The Company's estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of the Company's ongoing evaluation of these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts for net sales and expenses. Actual results may differ from these estimates under different assumptions. These estimates and assumptions are affected by management's application of accounting policies.

The Company's critical accounting policies are those that affect our consolidated financial statements materially and involve a significant level of judgment by the Company. A summary of the significant accounting policies, including critical accounting policies, is set forth in note 3 to the consolidated financial statements. The Company's critical accounting estimates include valuation of trade and other receivables and inventories, valuation of goodwill and other long-lived assets, accounting for income taxes, and government assistance.

#### Valuation of Accounts receivable

As at December 31, 2024, Manufactured Products recorded a \$40 (2023: \$134) allowance for impairment and the Rubber Solutions segment recorded a \$147 (2023: \$535) allowance for impairment.

#### Valuation of inventories

The majority of the Company's products are manufactured against orders and inventory on hand is primarily raw materials or finished goods awaiting shipment or customer release.

A provision for obsolete inventory is established based on materials on hand that can no longer be used for customer orders based on a review of historical and forecast sales, as well as a technical review to see if such materials can be reworked.

Management reviews the carrying cost of its inventory to ensure it is measured at the lower of cost and net realizable value by examining current replacement cost and the quoted pricing to customers over the estimated time frame to consume the inventory on hand and irrevocable commitments.

The Company's provision for obsolete inventory and the write-down of inventory to net realizable value may require an adjustment should any of the above factors change.

At December 31, 2024, a reserve for impaired inventory in the Rubber Solutions segment represents \$754 (2023: \$1,574). AirBoss Manufactured Products maintains a provision of \$12,519 (2023: \$15,415).

#### Valuation of Goodwill

The Company reviews and evaluates goodwill for impairment when an indicator of impairment exists in the associated cash-generating units, but at least on an annual basis. In determining whether impairment has occurred in one of the Company's cash-generating units, management compares the cash-generating unit's carrying value to its recoverable amount based on value in use. Value in use was determined by the future cash flows generated from the continuing use of the unit. The calculations are most sensitive to the discount rate and growth rate. Determination of growth rate is based on a number of assumptions arising from the most current financial performance of each cash generating unit, the upcoming annual budget for each reporting unit and the historical variability of earnings. Other factors, such as any foreign exchange volatility and volatility in world markets for rubber and carbon black can also materially alter our expectations. Accordingly, management's judgment is required to determine whether these factors at any one point in time and in light of business initiatives, suggest a major change, positive or negative, to the prospects of the business and, therefore, to the valuation of goodwill. As at December 31, 2024, there was no goodwill impairment. At December 31, 2023, the Company recognized a goodwill impairment related to the defense operations CGU. The carrying amount of this CGU was determined to be higher than its recoverable amount of \$73.4 million and an impairment loss of \$26.6 million during 2023 was recognized.

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rate of 11.5% to 11.6% determined using risk-adjusted returns from comparable companies adjusted for the Company's capital structure
- Terminal multiple of 5.7 based on market capitalization
- Projected average annual sales growth of 8.3% to 9.1% and margins consistent with historical performance to extrapolate cash flows

A one percent change in the discount rate or a 1.0 change in the terminal multiple would not result in an impairment.

## MD&A (cont'd)

### Other Long-lived Assets

The Company reviews and evaluates long-lived assets for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be fully recoverable. The net recoverable value of an asset, or cash-generating unit, is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Future net cash flows are developed using assumptions that reflect the planned course of action for an asset given management's best estimate of the most probable set of economic conditions. Inherent in these assumptions are significant risks and uncertainties. In 2024, there are no indicators of impairment based on assumptions which they believe to be reasonable and no impairment charge was recorded.

### Accounting for Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the consolidated financial statements. The objectives of accounting for income taxes are to recognize the amounts of taxes payable or refundable for the current year and future tax liabilities and assets for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. In determining both the current and deferred components of income taxes, the Company interprets tax legislation in a variety of jurisdictions, as well as makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities and recognition of deferred tax assets is based on a probable criteria. If its interpretations differ from those of tax authorities or if the timing of reversals is not as anticipated, the provision or relief for income taxes could increase or decrease in future periods. Additional information regarding our accounting for income taxes is contained in note 16 to the consolidated financial statements. Deferred tax assets have been recorded relating to loss carry-forward amounts when management believes it is more likely than not that these will be used before expiration.

## FINANCIAL INSTRUMENTS

### Foreign exchange hedge

At December 31, 2024, the Company had contracts to sell \$14,486 from January 2025 to September 2025 for Canadian dollars ("CAD") \$20,000. The fair value of these contracts, representing an unrealized loss of \$586, are included in trade and other payables, including derivatives on the consolidated statement of financial position. The unrealized changes in fair value, representing a loss of \$586 (2023: gain of \$497), are recorded on the statement of profit as other expenses.

### Interest rate swap

At December 31, 2024, the Company had an interest rate swap agreement(s) for a combined notional amount of \$20,000 (2023: \$46,000), maturing in May 2025. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD Secured Overnight Financing Rate ("SOFR") and a weighted average fixed rate of 3.84% (2023: 4.118%).

Interest recovery on the swap agreements were \$517 (2023: \$381).

At December 31, 2024, the fair value of this agreement, representing a gain of \$38 (2023: \$252), is included in loans and borrowings on the consolidated statement of financial position. The change in the fair value, representing a loss of \$213 (2023: gain of \$200), is recorded on the consolidated statement of profit as finance costs. The Company entered into the interest rate swap agreements to fix the interest rate on a portion of its borrowings and does not hold them for trading or speculative purposes.

### Share price hedge

At December 31, 2024, the Company had contracts to reduce its exposure to the change in its share price on its share-based compensation costs. The fair value of these agreements, representing a loss of \$535 (2023: loss of \$403) is included in trade and other payables, including derivatives on the condensed consolidated statement of financial position. The change in the fair value, representing a loss of \$166 (2023: \$605), is recorded on the consolidated statement of profit (loss) as other expenses. The realized loss from the swap agreements was \$61 (2023: gain of \$163).

## RISK FACTORS

### Impact of Economic Cycle

Demand for the Company's products is highly sensitive to general economic cycles and the economic conditions of the industry sectors it serves. In addition, a number of our customers' industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the defense, automotive, tire, energy generation, construction, mining and transportation industries because these industries are significant markets for the Company's business and are highly cyclical. In a severe economic slowdown, prices for coal, copper and other mined materials may fall, affecting demand for conveyor belting, off-road retread tires and other rubber products manufactured by our customers from rubber compounds manufactured by the Rubber Solutions segment. A general economic slowdown or deteriorating economic conditions in our customers' specific industry sectors could have a material adverse effect on our profitability, financial condition and long-term growth prospects.

At Manufactured Products, the timing and size of orders from government defense departments worldwide is highly dependent on the political climate in the applicable jurisdiction, the broader geopolitical climate and their impact on defense budgeting and spending; a significant decline in defense budget and spending from current levels could have a material adverse effect on the profitability, financial condition and long-term growth prospectus of Manufactured Products. In particular, the global automotive industry is also cyclical, with the potential for regional differences in timing of expansion and contraction. A significant decline in automobile production volumes for the North American market from current levels could have a material adverse effect on the profitability, financial condition and long-term growth prospectus of our Manufactured Products segment.

## MD&amp;A (cont'd)

**Political Uncertainty and Policy Change**

Certain of the business sectors in which we and our customers operate, both in the Manufactured Products' and Rubber Solutions' segments, are either highly-globalized industries or industries which rely on the movement of goods between Canada and the United States. The election of protectionist governments or implementation of protectionist trade policies could negatively impact the movement of goods, services and people across borders, including within North America. In particular, the recently-enacted tariffs and the potential for further escalating cross-border tariffs between the U.S. and Canada, as well as other countries, introduces heightened uncertainty that could materially adversely impact our supply chains, increase production costs, and erode our competitive positioning.

The recently-introduced tariffs and the potential for further increased tariffs on goods exported from Canada to the U.S. could significantly raise our production costs and reduce profit margins. Retaliatory tariffs could further disrupt supply chains and restrict our market access.

"Buy America" policies could limit the Company's ability to secure U.S. government contracts, necessitating changes in supply chain strategies to comply with local content requirements.

Uncertainty created by rapidly changing political and trade environments may impact our ability to plan effectively for our businesses over the short- and medium-terms, until such time as policy changes or new laws, if any, are implemented and particularly as tariff negotiations, retaliatory measures, and evolving regulatory frameworks remain fluid. Such uncertainty may affect plans relating to establishing operations in new locations (directly or through joint ventures) or potential acquisitions. A material variation between our planning assumptions and actual outcomes could have a material adverse effect on our profitability, financial condition and long-term growth prospects.

**Raw Materials and Inventory**

The Company depends on various outside sources of supply for raw materials used in the production of its products, the price and availability of which are subject to market conditions. As a result, any shortage of such raw materials could potentially delay delivery of our products or supplies, increase our costs and decrease our profitability. The Company maintains multiple supply sources in different areas of the world to mitigate the risk of shortages or price increases experienced in certain, but not all, markets. However, there can be no assurance that such multiple supply sources can be maintained in the future and multiple sources cannot overcome a global shortage in a particular raw material, should one occur.

Historically, raw material markets have been extremely volatile with key materials doubling or halving in price within a relatively short period, and the Company does not expect such volatility to cease. Excess inventory or shortages of raw material could prove costly to the Company in these markets.

The Company does not have long-term supply contracts with the majority of its suppliers and purchases most raw materials on a purchase order basis. The price of many raw materials, such as carbon black, synthetic and natural rubber, chemicals for rubber mixing, steel and silicone is directly or indirectly affected by factors such as exchange rates and the price of oil and, in the case of natural rubber, weather conditions that impact harvest seasons. Although the Company attempts to pass price changes in raw materials on to its customers, it may not always be able to adjust its prices, especially in the short term, to recover the costs of increased raw material prices. Conversely, if raw material prices decrease significantly and rapidly, the Company may be at risk to recover the cost of any inventory purchased based on demand at higher prices.

The following table approximates the financial impact (assuming changes are not passed along to its customers) on the Company of a 10% increase in the cost of its most critical raw materials based upon purchases made in the respective years:

In millions of US dollars	Earnings before tax	
	2024	2023
Natural and synthetic rubber	(6.15)	(7.27)
Chemicals (Rubber mixing)	(4.98)	(4.55)
Carbon black	(2.61)	(3.10)
Steel	(2.04)	(3.08)
Silicone	(0.49)	(0.67)
	<b>(16.27)</b>	<b>(18.67)</b>

**Competition and Price Pressure**

The Company competes directly against major North American and international companies. Some of these companies have strong established competitive positions in these markets, including having a direct local presence in international markets where the Company does not, and may be sheltered by domestic tariffs. In the case of rubber compounding, the industry leader may have greater resources, both financial and technical, than the Company and has long-standing relationships with some of the Company's prospective customers using well-established marketing and distribution networks. Furthermore, the customers of several industry sectors are price sensitive and thus, certain of the more commodity-like products in our businesses can be affected by severe price pressure, which in turn could adversely impact our profitability in those areas.

**Litigation**

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. In May 2024, the Company announced that the matter was settled within insurance limits, that none of the defendants admitted any liability, wrongdoing, or fault as part of the settlement and that it did not result in any direct financial impact to the Company.

In addition to ongoing litigation, the Company may become party to litigation from time to time in the ordinary course of business which could adversely affect our business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for our shares, and could require the use of significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

## MD&amp;A (cont'd)

**Contract-related Risks**

Contracts from many of our customers, in both operating segments, consist of individual purchase orders or blanket orders under umbrella supply agreements. In these cases, there is no obligation on any customer to continue to issue individual purchase orders and most umbrella supply agreements do not impose minimum purchase requirements and also permit the customer to terminate blanket orders at any time. Customers may also cancel contracts for convenience or due to changes in political or economic conditions, including geopolitical instability, government budget constraints or shifting procurement priorities. The termination of blanket orders or other contracts could result in the Company incurring various pre-production, engineering and other costs that we may not recover from our customers and which could have a material adverse impact on our financial condition and profitability.

In addition, it is difficult to accurately predict when opportunities to win contract awards for defense products and personal protective equipment from the United States, Canadian or other foreign governments or agencies will arise and how long the contract tender to award and subsequent commencement of production process will take. A prolonged tender process without a corresponding award could also result in the Company incurring various pre-production, engineering and other costs that we may not recover and which could have a material adverse impact on our financial condition and profitability. Obtaining new contract awards from U.S. government agencies may be adversely impacted by changes in procurement policy including "Buy American" policies.

Customers may also cancel contracts for convenience or due to changes in political or economic conditions, including geopolitical instability, government budget constraints or shifting procurement priorities. Failing to win new contract awards or losing existing contracts could have a material adverse impact on our financial condition or profitability.

**Financing-Related Risks**

The Company's ability to secure necessary financing on acceptable terms is crucial for day-to-day operations, capital improvements, strategic initiatives and growth. Failure to obtain, maintain or renew such financing could have a material adverse effect on the Company's liquidity, financial position and operations.

The Company's credit facilities require that the Company does not exceed certain ratios, including covenants related to minimum adjusted EBITDA and liquidity requirements. The Company uses forecasts to project its future compliance with these financial covenants and has in the past negotiated amendments to these covenants when there was a risk of default. Compliance with these covenants is dependent on the Company's financial performance, which could be adversely affected by various factors, such as changes in geopolitical or economic conditions, including tariffs and trade restrictions, operational results and customer contracts. Should results for any fiscal period not meet the Company's expectations it may request amendments of these covenants in order to remain in compliance, though there is no guarantee such a request will be granted by the Company's lenders. Failure to obtain such amendments could result in the Company's lenders taking certain actions including acceleration of debt repayment, imposition of additional restrictive covenants, increased borrowing costs or cross-default risks, which could have a material adverse effect on the Company's liquidity, financial position and operations.

In addition, credit availability under the Company's credit facilities is subject to asset-values, cash on hand, accounts receivable and inventory levels, which could also be impacted by various factors, such as geopolitical or economic conditions, including tariffs and trade restrictions, operational results and customer contracts. A decrease in credit availability could have a material adverse effect on the Company's liquidity, financial position and operations.

**Currency Exposure**

The Company has net sales and expenses denominated in both CAD and USD dollars. In addition, the cost to the Company of certain key raw materials and other expense items and the competitiveness of prices charged by the Company for its products will be indirectly affected by currency fluctuations. Changes in the value of the Canadian dollar relative to the US dollar could have a material positive or adverse effect on the Company's results of operations.

The Company reviews its currency exposure positions from time to time and reacts accordingly by increasing or decreasing the proportion of borrowings denominated in CAD funds as a natural balance sheet hedge or establishing forward contracts to purchase CAD funds to manage its foreign exchange risk related to cash flows. However, there is no assurance that such strategies will be successful or cost effective and the profitability of the Company's business could be adversely affected by currency fluctuations.

The following table approximates the impact on the Company of a \$0.10 decrease in the value of one CAD dollar in the Company's USD functional currency (million):

In millions of US dollars	Earnings before tax	
	2024	2023
Sales (1)	(1.7)	(1.7)
Purchases (2)	5.4	6.2

(1) Based upon Canadian dollar-denominated sales

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

The Company's term loan (denominated in USD) is secured against certain real estate (valued in CAD) and capital equipment fixed assets. An increase in the value of the USD to CAD decreases the value of the collateral in USD. If the value of collateral is insufficient, the Company is required to make a principal repayment to cover the shortfall. At December 31, 2024, a \$0.10 decrease in the value of one Canadian dollar in US currency would require a principal repayment of \$1,797.

### Health, Safety and the Environmental

The Company's operations are subject to extensive health, safety and environmental (HSE) regulations by federal, provincial, state and local authorities. The Company employs individuals who undertake manufacturing activity and handle various substances in its manufacturing process, the nature of which may expose the Company to risks of causing or being deemed liable for injury or environmental or other damages. The Company regularly assesses its policies and procedures relating to workplace safety in its production facilities. While its use of potentially hazardous materials is limited, the Company ensures that its operations are conducted in a manner that minimizes such risks and maintains insurance coverage considered reasonable by management. To date, no regulatory authority has required the Company to pay any material fines or remediation expenses in connection with any alleged violation of HSE regulations. However, there can be no assurance that future personal injury or environmental damage will not occur or that personal injury or environmental damage due to prior or present practices will not result in future liabilities. While management believes that the Company is in substantial compliance with all material HSE government requirements relating to its operations, changes in government laws and regulations are ongoing and may make HSE compliance increasingly expensive. It is not possible to predict future costs, which may be incurred to meet such obligations.

### Impacts of Global Health Situations

Global health situations can have an impact on the Company's operations. The duration and scope of future outbreaks is not known with any certainty and the Company is unable to accurately project the ultimate impact on the business. However, if outbreaks continue for an extended period of time, AirBoss may continue to experience supply chain and logistics challenges, in particular given production delays throughout the world, a decline in sales activities, and reductions in operations and workforce.

### Dependence on Key Customers and Contracts

From time to time, a significant portion of the Company's sales for a given period may be represented by a relatively small number of customers. Net sales from one customer represented approximately 10% of consolidated net sales in 2024 (2023: 9%). Five customers represented 30% of consolidated net sales in 2024 (2023: 31%). While the Company continues to work on diversification of its customer base in all segments, there is no assurance of continued success and shifts in market share away from these top customers could adversely impact our profitability.

### Product Liability and Warranty Claims

As a manufacturer of rubber-based and other products, products which are used in vehicles and products which are worn by individuals in the defense and first responder communities, the Company faces a risk of product liability and warranty claims from its direct customers and, in some cases, from end-users of its products. Although the Company carries commercial general liability insurance of the types, and in the amounts it believes to be reasonable by industry standards, any claim which is successful and is not covered by insurance or which exceeds the policy limit could have a material adverse effect on the Company and its results.

### Capacity and Equipment

Our rubber compounding facilities have an annual capacity to process over 500 million turn pounds.

The Company remains committed to continuous maintenance and upgrading of its equipment. Critical equipment remains not only in a high state of repair, but is also technologically up to date so that the Company is able to ensure the reliability of supply to its customers at competitive prices and at a high quality standard.

The Company has made regular investments in capacity and efficiency across its operations and should additional equipment be required to fulfill any substantial increases in sales, the Company expects that it can be readily sourced in the market; however, any material failure of our equipment or inability to purchase additional required equipment could have a material adverse effect on the Company.

### Production Disruptions

Our production facilities, and those of our subcontractors and suppliers, are subject to risk of shut-down caused by fire, natural disaster or other catastrophic event, pandemic, labour conflicts or other forces or events beyond our control, or could result from a disruption of supply of source materials from suppliers and sub-suppliers. Any prolonged shut-down of one or more of our production facilities or that of our subcontractors could result in a materially negative impact on our profitability.

## MD&A (cont'd)

### Climate Change Risks

#### *Extreme weather events and natural disasters*

Extreme weather events such as floods and windstorms and other natural disasters caused by climate change could cause catastrophic destruction to some of our or our suppliers' facilities, interrupt the Company's and its suppliers' and customers' operations and activities and interrupt the ability of raw materials and finished products to be received from suppliers and delivered to customers (physical risks), which could in turn disrupt our production and/or prevent us from supplying products to our customers. Climate change may also have indirect effects on the Company's business by increasing the cost of (or making unavailable) property insurance on terms the Company finds acceptable, as well as increasing the costs of maintenance, capital replacement and expansion, energy, water and other services at the Company's facilities. In addition to physical risks associated with climate change, the potential future requirements that could be imposed by external stakeholders in the transition to a net-zero economy (transition risk) may also impact the Company's business operations. While we conduct risk assessments of our facilities and have implemented mitigation strategies to address, such as insurance policies which protect against property damage and business continuity risk, where practical, physical risks related to extreme weather events or natural disasters and the frequency and severity of any such event can vary by region and cannot be predicted. A catastrophic destruction of our facilities or those of our suppliers could have a material adverse effect on our operations and profitability.

#### *Reputational risks*

As public awareness and concern about climate change increases, consumer preferences are rapidly evolving towards environmentally friendly and sustainable products. There is a risk that we may face reputational challenges if our products or processes are perceived as harmful to the environment or lagging behind our peers in sustainability practices. In addition, there is a growing emphasis on sustainable and responsible investment criteria by institutional and retail investors that could impact our Company's attractiveness to investors. Failure to meet these evolving criteria may result in a revaluation of our Company by the market, potentially affecting our stock price and access to capital.

#### *Market Risks*

Climate change poses risks to the stability and cost-efficiency of our global supply chain. Extreme weather events, such as floods, hurricanes, and droughts, can disrupt production and logistics, leading to increased costs and delays. These disruptions could impact our ability to meet customer demand and maintain competitive pricing. In addition, regulatory and societal shifts towards a low-carbon economy could significantly alter demand for certain materials and products. Our Company may face risks associated with shifts in demand for our products, particularly if we are unable to adapt our offerings to align with market transitions towards sustainable alternatives.

#### *Policy Risks*

The introduction of new regulations aimed at reducing carbon emissions and greenhouse gas emissions, such as carbon pricing mechanisms, emissions trading schemes, and stricter environmental standards, could result in significant compliance costs. Management believes that the Company is in substantial compliance with all material environmental regulations relating to its operations however changes to these regulations are ongoing and accordingly may make compliance increasingly expensive. These costs may impact our profitability and require substantial capital investments to adapt our operations and products. In addition, the Company faces the risk that the certain chemicals and raw materials which are used in the manufacturing of rubber compounds could be restricted or prohibited from use, which the Company would have to mitigate by finding alternatives, which could in turn increase the costs of its products and make them less attractive to customers. Further, the global transition to a low-carbon economy could impose additional regulatory compliance costs if our business model, operations, or products do not align with emerging regulatory requirements or incentives for low-emission technologies, which could affect our competitive positioning and necessitate significant strategic adjustments.

#### *Catastrophic Events*

AirBoss has operations and facilities which manufacture products in Canada and the United States. Natural events (such as a hurricane or major earthquake), terrorist attack, pandemics, epidemics, outbreaks of an infectious disease or similar events or other catastrophic events, including adverse weather events associated with global climate change which have increased in severity and frequency in recent years, could cause delays in developing, manufacturing or selling products. Although AirBoss conducts risks assessments and implements mitigation, such as property and business continuity insurance, and third-party supplier monitoring, such events that occur in major markets where AirBoss sells products could reduce the demand for our products in those areas and, as a result, impact our sales into those markets. In either case, any such disruption could have a material adverse effect on the Company's business, financial condition and results of operations.

## MD&amp;A (cont'd)

**IT/Cybersecurity Risks**

Although we have established and continue to enhance security controls intended to protect our IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber-attacks. A significant breach of our IT systems could: result in theft of funds; cause disruptions in our manufacturing operations; lead to the loss, destruction or inappropriate use of sensitive data; or result in theft of our, our customers' or our suppliers' intellectual property or confidential information. The occurrence of any of the foregoing could adversely affect our operations and/or reputation, and could lead to claims against us that could have a material adverse effect on our profitability.

**Acquisitions and Integration**

As part of our growth strategy, we will continue to pursue acquisitions in areas we have identified as consistent with such strategy. However, there can be no assurance that we will identify suitable targets for acquisition or be able to acquire suitable targets successfully. In addition, there is also a risk that the Company may not be able to successfully integrate any acquisition or achieve all or any of the anticipated synergies of such acquisitions or to do so within the anticipated timelines, any of which could adversely impact our profitability and financial condition.

**Key Personnel**

The Company's future success largely depends on its ability to recruit, retain and develop qualified managers and other key personnel. If key persons leave the Company and successors cannot be recruited or if the Company is unable to attract qualified personnel, this could have a negative impact on our profitability and financial condition.

**DISCLOSURE CONTROLS AND PROCEDURES**

As of the end of the fiscal year of the Company, an evaluation was carried out under the supervision of and with the participation of the Company's management, including our Chairman & Co-CEO, President and Co-CEO, and CFO, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chairman & Co-CEO, President and Co-CEO, and CFO concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2024, the end of the period covered by management's discussion and analysis, to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by officers within those entities.

The Company's Chairman & Co-CEO, President and Co-CEO, and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Disclosure Committee, composed of senior managers of the Company, assists the Chairman & Co-CEO, President and Co-CEO, and CFO in evaluating the information and appropriateness of material subject to public disclosure.

**CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The Chairman & Co-CEO, President and Co-CEO, and CFO have supervised management in the evaluation of the design and effectiveness of the Company's internal controls over financial reporting as at December 31, 2024 and believe the design and effectiveness of the internal controls to be effective.

## Management's Responsibility for Financial Reporting

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

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

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

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

KPMG LLP, the Company's external auditors, who are appointed by the shareholders, audited the consolidated financial statements as of and for the years ended December 31, 2024 and December 31, 2023 in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. KPMG LLP has full and free access to the Audit Committee.

March 10, 2025



**P. Gren Schoch**  
Chairman and Co-Chief Executive Officer



**Frank Ientile**  
Chief Financial Officer

## Independent Auditor's Report

### To the Shareholders of AirBoss of America Corp.

#### Opinion

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

- the consolidated statement of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statement of loss and comprehensive loss for the years then ended
- the consolidated statement of changes in equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

#### Basis for Opinion

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

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

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial statements, which indicates that the Company's compliance with financial covenants is dependent upon achieving forecasted revenue and reducing costs which may be impacted by the introduction of tariffs by the U.S. government.

As stated in Note 2(e) in the financial statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

#### Evaluation of impairment of goodwill

##### *Description of the matter*

We draw attention to the Notes 2(d), 3(e)(i) and 8 to the financial statements. The goodwill balance included within intangible assets was \$24,929 thousand. The Company performs goodwill impairment testing at least annually and whenever events or changes in circumstances indicate that the carrying amount of the cash-generating unit likely exceeds its recoverable amount. The allocation of goodwill is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. The recoverable amount of the cash-generating unit is based on value in use, which is determined by discounting the future cash flows generated from the continuing use of the cash-generating unit. In determining the estimated recoverable amount of the cash-generating unit the Company's key assumptions include projected sales and margins, discount rates and the terminal multiple.

##### *Why the matter is a key audit matter*

We identified the evaluation of the impairment of goodwill as a key audit matter. This matter represented significant auditor judgment due to the high degree of estimation uncertainty in determining the recoverable amount. In addition, the involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our audit procedures due to the sensitivity of the recoverable amount to changes in key assumptions.

### *How the matter was addressed in the audit*

The primary procedures we performed to address the key audit matter included the following:

- We assessed the Company's ability to accurately forecast by comparing the Company's projected sales and margins used in the prior year impairment test to actual results.
- We compared the Company's projected sales and margins to actual results. We took into account changes in conditions and events, affecting each cash-generating unit or cash-generating group to assess the adjustments made in arriving at the projected assumptions.
- We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of (1) the discount rates and (2) the terminal multiple. The discount rates for the cash-generating units were compared against ranges that were independently developed using publicly available market data for comparable entities. The terminal multiple was compared against independently developed multiples using publicly available market data for comparable entities and overall macro-economic conditions.

### **Other Information**

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

- the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Elliot Marer.

Vaughan, Canada  
March 10, 2025

## Consolidated Statement of Financial Position

<i>In thousands of US dollars</i>	<i>Note</i>	<b>December 31, 2024</b>	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		<b>6,491</b>	28,989
Trade and other receivables, including derivatives	4, 10	<b>69,508</b>	73,237
Prepaid expenses		<b>6,637</b>	8,361
Inventories	5	<b>57,136</b>	64,159
Current income taxes receivable	16	<b>2,195</b>	8,105
<b>Total current assets</b>		<b>141,967</b>	182,851
<b>Non-current assets</b>			
Property, plant and equipment	6, 7	<b>83,927</b>	84,573
Intangible assets	8	<b>71,219</b>	78,689
Deferred Income tax assets	16	<b>9,702</b>	9,702
Other assets	9, 16	<b>2,713</b>	841
<b>Total non-current assets</b>		<b>167,561</b>	173,805
<b>Total assets</b>		<b>309,528</b>	356,656
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current portion of loans and borrowings	7, 11	<b>5,002</b>	2,437
Trade and other payables, including derivatives	10	<b>57,534</b>	68,062
Provisions	13	<b>198</b>	2,409
Current income taxes payable	16	<b>552</b>	–
<b>Total current liabilities</b>		<b>63,286</b>	72,908
<b>Non-current liabilities</b>			
Loans and borrowings	7, 11	<b>112,388</b>	128,655
Employee benefits	19	<b>385</b>	441
Other payables	10	<b>118</b>	–
Provisions	13	<b>4,264</b>	2,735
Deferred income tax liabilities	16	<b>3,077</b>	3,060
<b>Total non-current liabilities</b>		<b>120,232</b>	134,891
<b>Total liabilities</b>		<b>183,518</b>	207,799
<b>EQUITY</b>			
Share capital	14	<b>87,992</b>	87,992
Contributed surplus	14	<b>6,469</b>	5,480
Retained earnings		<b>31,549</b>	55,385
<b>Total equity</b>		<b>126,010</b>	148,857
<b>Total liabilities and equity</b>		<b>309,528</b>	356,656

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.  
Commitments and contingencies (note 18), Subsequent Events (note 23).

On behalf of the Board



**P.G. Schoch**  
Director



**Robert L. McLeish**  
Director

## Consolidated Statement of Loss and Comprehensive loss

### For the year ended December 31

In thousands of US dollars

	Note	2024	2023
Net Sales		<b>387,024</b>	426,025
Cost of sales	5	<b>(333,028)</b>	(367,615)
<b>Gross profit</b>		<b>53,996</b>	58,410
General and administrative expenses		<b>(48,275)</b>	(52,745)
Selling and marketing expenses		<b>(6,312)</b>	(8,713)
Research and development expenses	17	<b>(3,207)</b>	(3,124)
Other expenses		<b>(2,151)</b>	(27,350)
<b>Operating expenses</b>		<b>(59,945)</b>	(91,932)
<b>Results from operating activities</b>		<b>(5,949)</b>	(33,522)
Finance costs	12	<b>(12,763)</b>	(5,233)
<b>Loss before income tax</b>		<b>(18,712)</b>	(38,755)
Income tax expense	16	<b>(1,678)</b>	(2,994)
<b>Loss and comprehensive loss</b>		<b>(20,390)</b>	(41,749)
Earnings (loss) per share			
Basic	15	<b>(0.75)</b>	(1.54)
Diluted	15	<b>(0.75)</b>	(1.54)

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

<i>In thousands of US dollars</i>	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
Loss and comprehensive loss for the year	–	–	(41,749)	(41,749)
<b>Contributions by and distributions to owners</b>				
Share-based compensation expense	–	1,438	–	1,438
Stock options forfeited	–	(375)	–	(375)
Settlement of deferred share units	181	(181)	–	–
Dividends to equity holders	–	–	(7,454)	(7,454)
Total contributions by and distributions to owners	181	882	(7,454)	(6,391)
Balance at December 31, 2023	87,992	5,480	55,385	148,857

<i>In thousands of US dollars</i>	Attributable to equity holders of the Company			
	Share Capital	Contributed Surplus	Retained Earnings	Total equity
Balance at January 1, 2024	87,992	5,480	55,385	148,857
Loss and comprehensive loss for the year	–	–	(20,390)	(20,390)
<b>Contributions by and distributions to owners</b>				
Share-based compensation expense	–	1,022	–	1,022
Stock options forfeited	–	(33)	–	(33)
Dividends to equity holders	–	–	(3,446)	(3,446)
Total contributions by and distributions to owners	–	989	(3,446)	(2,457)
Balance at December 31, 2024	87,992	6,469	31,549	126,010

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

<b>For the year ended December 31</b> <i>In thousands of US dollars</i>	<i>Note</i>	<b>2024</b>	2023
<b>Cash flows from operating activities</b>			
Profit (loss) for the year		<b>(20,390)</b>	(41,749)
<b>Adjustments for:</b>			
Depreciation	6, 7	<b>12,812</b>	13,127
Amortization of intangible assets	8	<b>8,200</b>	9,218
Impairment of intangible assets	8	<b>–</b>	26,648
Write-down of inventory	5	<b>6,049</b>	8,031
Finance costs	11, 19	<b>12,763</b>	5,233
Unrealized foreign exchange (gains) losses		<b>98</b>	(626)
Share-based payment expense	13, 14	<b>1,241</b>	1,447
SRED tax credits	17	<b>(429)</b>	(920)
Income tax expense	16	<b>1,678</b>	2,994
Impairment of share purchase loan		<b>–</b>	1,779
Other		<b>41</b>	176
		<b>22,063</b>	25,358
Change in inventories		<b>974</b>	20,643
Change in trade and other receivables		<b>3,755</b>	21,230
Change in prepaid assets		<b>76</b>	968
Change in trade and other payables		<b>(10,413)</b>	(15,862)
Change in provisions		<b>(794)</b>	(286)
Net change in non-cash working capital balances		<b>(6,402)</b>	26,693
Interest paid		<b>(10,289)</b>	(10,778)
Income tax paid		<b>3,408</b>	(356)
<b>Net cash provided by operating activities</b>		<b>8,780</b>	40,917
<b>Cash flows from investing activities</b>			
Proceeds from sale of asset		<b>26</b>	41
Acquisition of property, plant and equipment	6	<b>(9,902)</b>	(7,256)
Acquisition of intangible assets	8	<b>(730)</b>	(1,249)
<b>Net cash used in investing activities</b>		<b>(10,606)</b>	(8,464)
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		<b>55,000</b>	–
Proceeds from operating line of credit		<b>(66,750)</b>	(11,000)
Principal payments for lease liabilities		<b>(2,541)</b>	(2,490)
Debt refinancing costs		<b>(2,338)</b>	(688)
Interest received on share purchase loans		<b>7</b>	22
Dividends paid		<b>(4,170)</b>	(8,040)
<b>Net cash used in financing activities</b>		<b>(20,792)</b>	(22,196)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(22,618)</b>	10,257
Cash and cash equivalents at January 1		<b>28,989</b>	18,552
Effect of exchange rate fluctuations on cash held		<b>120</b>	180
<b>Cash and cash equivalents at December 31</b>		<b>6,491</b>	28,989

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

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

**For the years ended December 31, 2024 and 2023***(Amounts in thousands of US dollars, except per share amounts, unless otherwise specified)***NOTE 1 REPORTING ENTITY**

AirBoss of America Corp. is a public company listed on the Toronto Stock Exchange 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 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, health care, government, automotive and industrial markets (see note 20).

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 Silicone, LLC	Michigan	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%

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, Auburn Hills, Michigan, 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.

**NOTE 2 BASIS OF PREPARATION****(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2025.

**(b) Basis of measurement**

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

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgments**

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

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

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

- Note 4 – trade and other receivables
- Note 5 – inventories
- Note 7 – leases
- Note 8 – intangible assets
- Note 16 – income taxes
- Note 17 – government assistance

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

- Note 8 – intangible assets - key assumptions used in value-in-use calculations
- Note 13 – provisions
- Note 14 – capital and other components of equity
- Note 16 – income taxes
- Note 18 – commitments and contingencies
- Note 19 – post-retirement benefits.

### **(e) Going Concern**

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 December 31, 2024, material adjustments to the carrying value of the assets and liabilities would be necessary.

In November 2024, the Company entered into two new secured credit facilities. The facilities are secured against substantially all of the Company's assets and contain cross-default provisions along with customary financial and non-financial covenants, including minimum earnings and liquidity, and limitations on capital expenditures, dividend payments and additional indebtedness. Continued compliance with the covenants is dependent upon achieving revenue forecasts and maintaining costs. In early 2025, the U.S. government announced plans to impose a 25% tariff on most Canadian imports which could disrupt trade flows, increase production costs, erode competitive positioning, strain supply chains along with several other economic factors that are uncertain during this time. These tariffs, initially set to take effect on February 4, 2025, were subsequently postponed and partially came into effect on March 4, 2025. Additional tariffs are scheduled to take effect on April 2, 2025. A significant portion of the products manufactured by the Company in Canada are sold into the United States and are subject to the recently-enacted tariffs during the production process given the cross-border nature of the Company's business operations. The introduction of tariffs could have a material impact on the future cash flows of the business including, but not limited to, consumer demand on product imported into the United States. Such market conditions may cause expected results to not materialize and therefore impact management's ability to comply with covenants. Accordingly, these 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.

The Company is actively evaluating and executing contingency plans and reviewing all available options to try and deal with this threat, including rebalancing production and sales activities between the U.S. and Canada, in order to minimize the impacts to the Company and its customers. 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.

**NOTE 3 MATERIAL ACCOUNTING POLICIES**

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

**(a) Basis of consolidation****(i) Business combinations**

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The Company elects to measure, on a transaction-by-transaction basis, non-controlling interest either at its fair value or at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit or loss.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed, when necessary, to align them with the policies adopted by the Company.

**(iii) Transactions eliminated on consolidation**

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

**(b) Foreign currency****(i) Functional and presentation currency**

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

**(ii) Foreign currency transactions**

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

**(c) Financial instruments****(i) Financial assets and liabilities**

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

Fair value through profit or loss ("FVTPL"):

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives are classified as FVTPL. This category includes derivative assets and derivative liabilities that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated statement of financial position at fair value and recognizes subsequent changes in the consolidated statement of profit (loss). Transaction costs incurred are expensed in the consolidated statement of profit (loss).

Fair value through other comprehensive income ("FVTOCI"):

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

Amortized cost:

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

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

### **(ii) Impairment of financial assets**

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

### **(iii) Derecognition**

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

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

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

### **(iv) Derivative financial instruments**

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

**(d) Property, plant and equipment****(i) Recognition and measurement**

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

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

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

### (e) Intangible assets

#### (i) Goodwill

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

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

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested at least annually for impairment and whenever events or changes in circumstances indicate that the carrying amount of the cash-generating unit likely exceeds its recoverable amount. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

#### (ii) Customer Relationships

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

#### (iii) Other intangible assets

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

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

#### (iv) Subsequent expenditures

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

#### (v) Amortization

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

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

- software 5 years
- capitalized development costs 3-5 years
- customer relationships 10-17 years
- brands, patents and trademarks 8-20 years

### (f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the weighted average cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing locations and conditions. Inventory that is not interchangeable is determined on an individual item basis and includes expenditures incurred in acquiring the inventories, shipping and logistics costs. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. Impairment charges are recorded against cost of sales, when it is determined the net realizable value is less than cost.

**(g) Employee benefits:****(i) Defined Benefit plan**

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

**(ii) Multi-Employer Pension Plan**

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

- (a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**(h) Provisions**

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

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

**(i) Net Sales:****(i) Goods Sold**

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

**(ii) Services**

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

**(j) Government assistance**

Government assistance is recognized as a reduction of the related expense or cost of the asset acquired in the period the expenditure is recognized, unless the conditions for receiving the assistance are met after the related expenditure has been recognized. In this case, the assistance is recognized when it becomes receivable.

**(k) Lease payments**

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

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

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

### **(l) Finance income and finance costs**

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

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

### **(m) Income tax**

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

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

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

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

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

### **(n) Segment reporting**

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

**(o) Share-based payments**

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

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

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

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

**(p) New Standards adopted****Amendments to IAS 1 *Presentation of Financial Statements***

The amendments to IAS 1 specify that only covenants whose compliance is assessed on or before the reporting date affect the classification of debt as current or non-current at the reporting date. The amendments also require disclosure of information about future covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. These amendments did not have a material impact on the consolidated financial statements.

**Amendments to IFRS 16 *Leases***

The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. These amendments did not have a material impact on the consolidated financial statements.

**(q) Future Accounting Standards****IFRS 18 *Presentation and Disclosure in Financial Statements***

IFRS 18 will replace IAS 1 and applies for annual reporting periods beginning on or after January 1, 2027. The new standard will change how the Company presents and discloses its financial statements and accompanying notes by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures and adding new principles for aggregation and disaggregation of information. The Company is assessing the extent of the impact the standard will have on its consolidated financial statements.

# AirBoss of America Corp.

## Notes to CFS (cont'd)

### NOTE 4 TRADE AND OTHER RECEIVABLES

December 31	2024	2023
Trade receivables	68,035	71,711
Less: expected credit loss	(187)	(669)
	67,848	71,042
Other receivables	1,660	2,195
	69,508	73,237

#### Impairment losses

The aging of trade receivables at the reporting date was:

December 31	Gross	2024 Impairment	Gross	2023 Impairment
Within terms	50,170	–	52,804	–
Past due 0-30 days	12,011	–	11,722	–
Past due 31-120 days	5,854	(187)	7,185	(669)
	68,035	(187)	71,711	(669)

The continuity of the allowance for impairment was:

For the year ended December 31	2024	2023
Balance at January 1	(669)	(725)
Impairment loss recognized	(120)	(765)
Collected	94	772
Written-off	508	49
Balance at December 31	(187)	(669)

### NOTE 5 INVENTORIES

December 31	2024	2023
Raw materials and consumables	38,028	34,124
Work in progress	7,271	10,084
Finished goods	23,214	36,405
Inventory in transit	1,896	535
	70,409	81,148
Provisions	(13,273)	(16,989)
	57,136	64,159

An inventory charge of \$6,181 (2023: \$8,425) was included in cost of sales. In the second quarter of 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. In 2023, the Company recorded a \$8,031 inventory provision related to its inventory of nitrile gloves due to significant downward shifts in pricing.

**NOTE 6 PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings <sup>1</sup>	Plant and equipment <sup>1</sup>	Furniture and equipment <sup>1</sup>	Under construction	Total
<b>Cost</b>					
Balance at January 1, 2023	53,951	120,791	3,005	7,677	185,424
Additions	621	634	153	7,206	8,614
Disposals	(346)	(1,325)	(31)	–	(1,702)
Transfers	813	4,305	6	(5,197)	(73)
Balance at December 31, 2023	55,039	124,405	3,133	9,686	192,263
Additions	–	2,315	116	9,769	12,200
Disposals	–	(703)	(1)	–	(704)
Transfers	1,179	9,071	55	(10,305)	–
Balance at December 31, 2024	56,218	135,088	3,303	9,150	203,759
<b>Accumulated Depreciation</b>					
Balance at January 1, 2023	21,640	72,314	2,178	–	96,132
Depreciation for the period	3,726	9,114	287	–	13,127
Disposals	(339)	(1,196)	(30)	–	(1,565)
Transfers	–	(4)	–	–	(4)
Balance at December 31, 2023	25,027	80,228	2,435	–	107,690
Depreciation for the period	3,721	8,767	324	–	12,812
Disposals	–	(670)	–	–	(670)
Balance at December 31, 2024	28,748	88,325	2,759	–	119,832

(1) includes right of use assets. See note 7 for additional details.

<b>Carrying amounts</b>	Land and buildings	Plant and equipment	Furniture and equipment	Under construction	Total
Balance at December 31, 2023	30,012	44,177	698	9,686	84,573
Balance at December 31, 2024	27,470	46,763	544	9,150	83,927

Depreciation expense of \$12,158 (2023: \$12,416) was charged to cost of sales, \$638 (2023: \$688) was charged to general and administrative expense and \$16 (2023: \$23) was charged to research and development expenses.

**NOTE 7 LEASES**

The Company leases some of its plants, offices, and equipment. The majority of the Company's leases are for buildings, which have remaining terms between 1 and 5 years.

**Right-of-Use Assets**

	Land and buildings	Equipment	Total
<b>Cost</b>			
Balance at January 1, 2023	18,789	2,020	20,809
Lease additions	572	786	1,358
Disposals	(297)	(322)	(619)
Balance at December 31, 2023	19,064	2,484	21,548
Lease additions	–	718	718
Disposals	–	(183)	(183)
Balance at December 31, 2024	19,064	3,019	22,083
<b>Accumulated depreciation</b>			
Balance at January 1, 2023	5,997	1,281	7,278
Depreciation	2,049	529	2,578
Disposals	(297)	(321)	(618)
Balance at December 31, 2023	7,749	1,489	9,238
Depreciation	2,021	575	2,596
Disposals	–	(183)	(183)
Balance at December 31, 2024	9,770	1,881	11,651
<b>Carrying amounts</b>			
Balance at December 31, 2023	11,315	995	12,310
Balance at December 31, 2024	9,294	1,138	10,432

**Lease Liabilities**

Interest expense on lease liabilities of \$633 (2023: \$642) is included in Finance Costs.

Lease liabilities of \$12,011 (2023: \$13,890) are included in Loans and Borrowings (see note 11)

Cash outflow related to leases was \$3,174 (2023: \$3,132).

The future undiscounted contractual lease payments are as follows:

	Total	2025	2026	2027	2028	2029	Thereafter
Lease payments	13,617	3,195	3,008	2,968	2,385	1,758	303

**NOTE 8 INTANGIBLE ASSETS**

	Goodwill	Customer Relationships	Brands, Patents and Trademarks	Software and Development costs	Total
<b>Cost</b>					
Balance at January 1, 2023	51,577	63,210	31,224	9,520	155,531
Additions	–	–	–	1,249	1,249
Impairment	(26,648)	–	–	–	(26,648)
Disposals	–	–	–	(69)	(69)
Transfers	–	–	–	69	69
Balance at December 31, 2023	24,929	63,210	31,224	10,769	130,132
Additions	–	–	–	730	730
Balance at December 31, 2024	24,929	63,210	31,224	11,499	130,862
<b>Accumulated Amortization</b>					
Balance at January 1, 2023	–	30,620	6,000	5,674	42,294
Amortization for the year	–	5,294	2,799	1,125	9,218
Disposals	–	–	–	(69)	(69)
Balance at December 31, 2023	–	35,914	8,799	6,730	51,443
Amortization for the year	–	4,018	2,913	1,269	8,200
Balance at December 31, 2024	–	39,932	11,712	7,999	59,643
<b>Carrying amounts</b>					
Balance at December 31, 2023	24,929	27,296	22,425	4,039	78,689
Balance at December 31, 2024	24,929	23,278	19,512	3,500	71,219

Amortization expense of \$8,200 (2023: \$9,218) was charged to general and administrative expense. Remaining amortization for customer relationships acquired is 1 to 14 years and patents and trademarks is 1 to 17 years.

**Goodwill**

December 31	2024	2023
AirBoss Rubber Solutions	14,864	14,864
AirBoss Manufactured Products - rubber molded products	10,065	10,065
	<b>24,929</b>	24,929

Goodwill is allocated to those cash-generating units ("CGUs") that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. As at December 31, 2024, there was no goodwill impairment. At December 31, 2023, the Company recognized a goodwill impairment related to the defense operations CGU. The carrying amount of this CGU was determined to be higher than its recoverable amount of \$73.4 million and an impairment loss of \$26.6 million during 2023 was recognized. The impairment loss was fully allocated to goodwill and included in Other Expenses.

## Notes to CFS (cont'd)

**Recoverable amount**

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

**Key assumptions used in value-in-use calculations**

## AirBoss Rubber Solutions

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rate of 11.6% determined using risk-adjusted returns from comparable companies adjusted for the Company's capital structure.
- Terminal multiple of 5.7 based on market capitalization
- Projected average annual sales growth of 9.1% and margins consistent with historical performance to extrapolate cash flows

## AirBoss Manufactured Products - rubber molded products

The calculation of value-in-use is are most sensitive to the following assumptions:

- Discount rate of 11.5% determined using risk-adjusted returns from comparable companies adjusted for the Company's capital structure.
- Terminal multiple of 5.7 based on market capitalization
- Projected average annual sales growth of 8.3% and margins consistent with historical performance to extrapolate cash flows

Cash flows were projected based on past experience, actual operating results and the business plan for a one-year period. Cash flows for a further four-year period were extrapolated using projected sales and a growth rate for operating expenses based on past experiences and future growth trends.

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

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

**NOTE 9 OTHER ASSETS**

	Share purchase loans <sup>1</sup>	Other	Total
Balance at January 1, 2023	2,203	446	2,649
Accrued interest	37	—	37
Interest paid	(22)	—	(22)
Loan forgiven	(56)	—	(56)
Loan impairment	(1,779)	—	(1,779)
Effect of movements in exchange rates	12	—	12
Balance at December 31, 2023	395	446	841
Tax credits	—	1,955	1,955
Accrued interest	7	—	7
Interest paid	(7)	—	(7)
Loan forgiven	(55)	—	(55)
Effect of movements in exchange rates	(28)	—	(28)
Balance at December 31, 2024	312	2,401	2,713

(1) see note 21 for additional details.

**NOTE 10 DERIVATIVES NOT DESIGNATED IN A FORMAL HEDGING RELATIONSHIP****Foreign exchange hedge**

At December 31, 2024, the Company had contracts to sell \$14,486 from January 2025 to September 2025 for Canadian dollars ("CAD") \$20,000. The fair value of these contracts, representing an unrealized loss of \$586, are included in trade and other payables, including derivatives on the consolidated statement of financial position. The unrealized changes in fair value, representing a loss of \$586 (2023: gain of \$497), are recorded on the statement of profit as other expenses.

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

**Interest rate swap**

At December 31, 2024, the Company had an interest rate swap agreement(s) for a combined notional amount of \$20,000 (2023: \$46,000), maturing in May 2025. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD Secured Overnight Financing Rate ("SOFR") and a weighted average fixed rate of 3.84% (2023: 4.118%). Interest recovery on the swap agreements were \$517 (2023: \$381).

At December 31, 2024, the fair value of this agreement, representing a gain of \$38 (2023: \$252), is included in loans and borrowings on the consolidated statement of financial position. The change in the fair value, representing a loss of \$213 (2023: gain of \$200), is recorded on the consolidated statement of profit as finance costs. The Company entered into the interest rate swap agreements to fix the interest rate on a portion of its borrowings and does not hold them for trading or speculative purposes.

**Share price hedge**

At December 31, 2024, the Company had contracts to reduce its exposure to the change in its share price on its share-based compensation costs. The fair value of these agreements, representing a loss of \$535 (2023: loss of \$403) is included in trade and other payables, including derivatives on the condensed consolidated statement of financial position. The change in the fair value, representing a loss of \$166 (2023: \$605), is recorded on the consolidated statement of profit (loss) as other expenses. The realized loss from the swap agreements was \$61 (2023: gain of \$163).

**Life Insurance**

In September 2024, the Company took out a life insurance policy requiring an annual premium of \$103. At December 31, 2024, the net fair values of the financial instruments of \$118 are included in other payables, including derivatives on the consolidated statement of financial position. The change in the fair value, representing a loss of \$118 are recorded in Other expenses on the consolidated statement of profit.

**NOTE 11 LOANS AND BORROWINGS**

<b>December 31</b>	<b>2024</b>	2023
<b>Non-current</b>		
Revolving line of credit	<b>52,350</b>	119,100
Term debt	<b>52,594</b>	–
Interest rate swap	–	(252)
Lease liabilities	<b>9,377</b>	11,453
Less: deferred financing	<b>(1,933)</b>	(1,646)
	<b>112,388</b>	128,655
<b>Current</b>		
Term debt	<b>2,406</b>	–
Interest rate swap	<b>(38)</b>	–
Lease liabilities	<b>2,634</b>	2,437
	<b>5,002</b>	2,437
<b>December 31</b>	<b>2024</b>	2023
Revolving line of credit	<b>52,350</b>	119,100
Term debt	<b>55,000</b>	–
Interest rate swap	<b>(38)</b>	(252)
Lease liabilities	<b>12,011</b>	13,890
Subtotal	<b>119,323</b>	132,738
Less principal due within one year	<b>(5,002)</b>	(2,437)
	<b>114,321</b>	130,301
Less deferred financing	<b>(1,933)</b>	(1,646)
	<b>112,388</b>	128,655

## Notes to CFS (cont'd)

In November 2024, the Company entered into two secured credit facilities: an asset-based revolving line of credit; and a term loan. The two facilities are secured against substantially all of the Company's assets and contain cross-default provisions along with customary financial and non-financial covenants, including minimum earnings and liquidity, and limitations on capital expenditures, dividend payments and additional indebtedness.

The revolving line of credit provides for maximum borrowings of up to \$100,000 (with an accordion of \$50,000 upon the satisfaction of customary conditions), subject to a borrowing base calculation that is based on cash on hand, and a percentage of eligible accounts receivable and inventory (as defined in the credit agreement). As of December 31, 2024, the total available borrowing capacity under this facility was \$79,428, with outstanding borrowings of \$52,350 plus \$315 drawn as a letter of credit. The borrowing base is recalculated monthly and may fluctuate based on changes in cash, accounts receivable and inventory levels. The revolving line of credit bears interest at Secured Overnight Financing Rate (SOFR) plus applicable margins from 175 to 225 basis points, depending on unused borrowing capacity, and matures on November 29, 2027. The revolving line of credit was modified in January 2025 to provide maximum borrowings of up to \$125,000 with a \$25,000 accordion with all other terms unchanged.

The term loan was for an original amount of \$55,000 and matures on November 29, 2027. As of December 31, 2024, the outstanding principal balance was \$55,000. The term loan bears interest at SOFR plus applicable margins from 425 to 450 basis points, depending on earnings. Interest and principal payments are on monthly and quarterly basis, respectively, with additional principal payments required if the balance outstanding exceeds a borrowing base calculation that is based on appraised collateral.

Proceeds from the new facilities were used to repay the Company's previous revolving credit facility. The previous revolving facility provided up to \$150,000, bore interest at SOFR plus applicable margins from 145 to 450 basis points, depending on covenants, and was scheduled to mature on September 23, 2026. The previous credit facility was amended during 2023 and 2024 to reduce the available credit from \$250,000; remove the \$75,000 accordion; limit the quarterly dividend and capital expenditures; and modify the calculation of certain financial covenants.

Deferred financing fees less accumulated amortization are deducted against borrowings for presentation purposes. The Company incurred \$2,338 of financing fees during the year and are being amortized over the term of the new credit facilities. \$1,355 of unamortized deferred financing fees related to the previous credit facility were written-off and are included in finance costs. Amortization of deferred financing fees was \$696 (2023: \$454) and is included in finance costs.

Principal repayments on the loans and borrowings are as follows:

	Total	2025	2026	2027	2028	2029	Thereafter
Revolving line of credit	52,350	—	—	52,350	—	—	—
Term debt	55,000	2,406	4,240	48,354	—	—	—
Interest rate swap	(38)	(38)	—	—	—	—	—
Lease liabilities	12,011	2,634	2,565	2,665	2,149	1,705	293
	119,323	5,002	6,805	103,369	2,149	1,705	293

As at December 31, 2024, \$52,665 was drawn against the revolving credit facility, from outstanding borrowings of \$52,350 plus \$315 drawn as a letter of credit. (2023: \$119,100).

At December 31, 2024 the Company is not in default, nor has it breached any terms of the revolving credit facility or term loan.

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

	Carrying amount		Fair value	
	2024	2023	2024	2023
Revolving line of credit	51,182	117,454	52,350	119,100
Term debt	54,235	—	55,000	—
Interest rate swap	(38)	(252)	(38)	(252)
Lease liabilities	12,011	13,890	11,464	12,243

The fair value of the revolving credit facility and term loan approximate the gross carrying amount. The fair values of lease liabilities are based on cash-flows discounted using a borrowing rate of 6.5% (2023: 8.0%).

**NOTE 12 FINANCE COSTS**

For the year ended December 31	Note	2024	2023
Interest on borrowings under credit facility	11	10,277	9,890
Interest on term debt	11	467	—
Interest on lease liabilities	7	633	642
Write-off of deferred finance fees	11	1,355	—
Amortization of deferred finance fees	10	696	454
Change in fair value of interest rate hedges	10	213	(200)
Cash settlement of interest rate hedges	13	(517)	(381)
Change in fair value of contingent consideration	13	(96)	(5,608)
Other		(265)	436
Net Finance costs		12,763	5,233

**NOTE 13 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 (recovered)	1,650	1,333	438	–	3,421
Payments	–	(982)	(1,248)	(1,039)	(3,269)
Forfeitures	–	–	(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)
	79	–	304	2,352	2,735
Change in fair value of B3 provision	–	–	–	(96)	(96)
Provisions accrued	–	–	252	–	252
Payments	–	(351)	(137)	(306)	(794)
Foreign exchange	–	–	(44)	–	(44)
Balance at December 31, 2024	1,729	–	484	2,249	4,462
Less: amount due within one year	–	–	(123)	(75)	(198)
	1,729	–	361	2,174	4,264

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 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.

**Performance Stock Units ("PSUs")**

The Company has issued 315,447 PSUs to certain executives pursuant to the terms and conditions of the Omnibus Plan. Each PSU 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 PSUs vest three years following the grant date.

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

During 2024, the Company recognized costs of \$252 (2023: \$384) related to PSUs in general and administrative expenses in the consolidated statement of profit (loss). The Company uses Share Price hedges (see note 10) to offset PSU costs related to the change in share price.

**NOTE 14 CAPITAL AND OTHER COMPONENTS OF EQUITY**

## Share Capital and Contributed Surplus

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

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

Under the Omnibus plan, a maximum of 10% of issued and outstanding shares are available for issuance under any type of share-based compensation plan. As at December 31, 2024, 383,639 shares are available (2023: 603,302).

Issued share capital is as follows:

<i>In thousands of shares</i>	2024	2023
January 1	27,131	27,092
Settlement of deferred share units	–	39
December 31	27,131	27,131

## Issuance of common shares

During 2024 and 2023, no options were exercised.

## Capital and other components of equity

**Contributed surplus**

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

## Stock Options

The term of an option shall not exceed 10 years from the date of grant. Options granted to directors and officers of the Company, which were outstanding at December 31, 2024, are as follows:

Range of exercise price (\$CAD)	Options outstanding Quantity	Weighted average contract life	Options exercisable Quantity
5.14	1,121,477	0.22	1,121,477
5.91	316,031	4.23	–
7.65	381,689	3.22	95,422
16.30	25,000	0.42	25,000
32.45	177,967	2.21	88,984
36.01	89,260	1.22	66,945
	2,111,424		1,397,828

## Options granted and outstanding:

A summary of the status of the Company's stock option plan as of December 31, 2024 and 2023 and changes during the years then ended, is presented below:

	2024		2023	
	Quantity	Weighted average exercise price (\$CAD)	Quantity	Weighted average exercise price (\$CAD)
Outstanding beginning of year	1,956,515	10.13	1,670,409	12.23
Granted	323,036	5.91	399,445	7.65
Forfeited	(168,127)	10.31	(113,339)	32.42
Outstanding end of year	2,111,424	9.45	1,956,515	10.13

## Notes to CFS (cont'd)

## Inputs for measurement of grant date fair values

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

## Fair value of share options and assumptions

<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 annual dividend rate	2.4%	5.0%
Risk-free interest rate (based on government bonds)	3.7%	3.0%

The stock options issued vest as follows:

	Quantity
Vested at December 31, 2024	1,397,828
2025	241,237
2026	218,922
2027	174,430
2028	79,007
	2,111,424

During 2024, the Company recognized employee costs of \$742 (2023: \$801) relating to option grants in general and administrative expenses in the consolidated statement of profit (loss).

## Deferred Stock Units

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 Board in 2016, commencing with the second quarter of 2016 and for each subsequent quarter while he or she remains a director, each independent director is to be granted a number of DSUs having a fair market value equal to CAD \$6.25. The fair market value of each DSU is equal to the volume-weighted average trading price of a Common Share on the TSX for the 5 trading days preceding the relevant grant date. In addition to this fixed amount of DSUs, independent directors are able to elect to be paid all or a portion of all other director's fees in DSUs in lieu of cash, using the same calculation of fair market value as for the fixed amount of DSUs, to be granted on a quarterly basis. All DSUs issued to independent directors vest three months following the relevant grant date. The compensation expense is accrued over the vesting period with a corresponding increase in liabilities in the amount which represents the fair value of the amount payable to the independent director in respect of the DSUs.

<i>Deferred stock units</i>	2024	2023
January 1	153,239	134,888
New issuances	64,754	56,866
Settlements	—	(38,515)
December 31	217,993	153,239

During 2024, the Company recognized costs of \$247 (2023: \$262) related to DSUs in general and administrative expenses in the consolidated statement of profit (loss).

## Dividends

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

Shareholder of record at:	2024		2023	
	\$CAD/share	Date Paid	\$CAD/share	Date Paid
March 31	0.070	April 15, 2024	0.100	April 17, 2023
June 30	0.035	July 15, 2024	0.100	July 17, 2023
September 30	0.035	October 15, 2024	0.100	October 16, 2023
December 31	0.035	January 15, 2025	0.070	January 15, 2024
	0.175		0.370	

The dividend payable at December 31, 2024 was \$660 (2023: \$1,436).

**NOTE 15 EARNINGS PER SHARE**

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

<b>For the year ended December 31</b> <i>In thousands of US dollars except per share amounts</i>	<b>2024</b>	2023
Numerator for basic and diluted earnings per share:		
Net income (loss)	<b>(20,390)</b>	(41,749)
Denominator for basic and diluted earnings per share:		
Basic weighted average number of shares outstanding	<b>27,131</b>	27,118
Diluted weighted average number of shares outstanding	<b>27,131</b>	27,118
Profit (loss) per share:		
Basic	<b>(0.75)</b>	(1.54)
Diluted	<b>(0.75)</b>	(1.54)

As of December 31, 2024, 2,111,424 options (2023: 1,956,515 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

**NOTE 16 INCOME TAXES**

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

<b>For the year ended December 31</b>	<b>2024</b>	2023
Combined federal and provincial statutory income tax	<b>(4,959)</b>	(10,272)
Foreign tax differential	<b>999</b>	1,436
Effect of permanent differences	<b>273</b>	(225)
Change in tax rates and new legislation	<b>405</b>	-
Difference arising on filing and assessments	<b>5</b>	5
Deductible temporary differences not recognized	<b>4,916</b>	12,051
Other	<b>39</b>	(1)
Total expense	<b>1,678</b>	2,994
The components of the provision for income taxes are as follows:		
Current	<b>1,661</b>	1,052
Deferred	<b>17</b>	1,942
Total expense	<b>1,678</b>	2,994

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

<b>December 31</b>	<b>2024</b>	2023
Deferred income tax assets:		
Non-capital income tax loss carry-forwards	<b>8,219</b>	8,748
Equity compensation	<b>435</b>	344
Capital assets	<b>1,895</b>	-
Reserve	<b>5,578</b>	8,673
Other	<b>177</b>	283
	<b>16,304</b>	18,048
Deferred income tax liabilities:		
Reserve	<b>(87)</b>	(109)
Capital assets	<b>(9,421)</b>	(11,145)
Other	<b>(171)</b>	(152)
	<b>(9,679)</b>	(11,406)
Net deferred income tax liabilities	<b>6,625</b>	6,642
Recorded on the consolidated statement of financial position:		
Deferred income tax assets	<b>9,702</b>	9,702
Deferred income tax liabilities	<b>(3,077)</b>	(3,060)
Net	<b>6,625</b>	6,642

## Notes to CFS (cont'd)

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

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

The Company has \$120,271 of unused tax losses (2023: \$100,920) available to offset future income taxes in the US. \$42,092 of these losses were incurred prior to 2018 and are set to expire starting 2037. Losses incurred after 2017 can be carried forward indefinitely.

At December 31, 2024, taxable temporary differences related to investments in subsidiaries were not recognized because the Company controls the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

December 31	2024		2023	
	Gross amount	Tax effect	Gross amount	Tax effect
Capital losses	575	72	575	72
Operating losses	88,869	19,643	83,164	18,672
Deductible temporary differences	6,394	1,427	7,542	1,716
	<b>95,838</b>	<b>21,142</b>	91,281	20,460

**NOTE 17 GOVERNMENT ASSISTANCE**

Scientific research and investment tax credits of \$429 were recognized in 2024 (2023: \$920); research and development expenses were reduced accordingly.

**NOTE 18 COMMITMENTS AND CONTINGENCIES****Commitments**

The Company has purchase commitments of \$37,238 (2023: \$20,601) for raw materials. Delivery on these commitments is expected in 2025.

**Litigation**

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 \$1,650 provision based on management's best estimate of the expenditure to settle when possible outcomes are considered.

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. In May 2024, the Company announced that the matter was settled within insurance limits, that none of the defendants admitted any liability, wrongdoing, or fault as part of the settlement and that it did not result in any direct financial impact to the Company.

In November 2024, a court ruled in the Company's favor and awarded approximately \$3.5 million in damages, plus interest. The counterparty in the lawsuit has since appealed that judgment, which is still pending. The Company has not recognized an asset in relation to this ruling.

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 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.

## Notes to CFS (cont'd)

**NOTE 19 POST RETIREMENT BENEFITS**

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

The methods of accounting, assumptions and frequency of valuations for the Benefit Plan are similar to those used for defined benefit pension schemes. This plan is funded through proceeds from an insurance policy. Total estimated contribution to this plan for the next fiscal year is \$18. This plan is unfunded, as such there is no plan asset to be disclosed. At December 31, 2024, the weighted average duration of the defined benefit obligation was 10 years (2023: 10 years).

The Benefit Plan exposes the Company to actuarial risks, such as interest rate risk and longevity risk.

<b>December 31</b>	<b>2024</b>	2023
<b>Present value of unfunded obligation and liability in the Consolidated Statement of Financial Position</b>	<b>385</b>	441
<b>Movement in the defined benefit obligation is as follows:</b>		
At January 1	441	408
Current service cost	1	2
Interest cost	19	20
Benefit payment	(43)	(48)
Actuarial gain	2	50
Foreign currency translation	(35)	9
	<b>385</b>	441
<b>At December 31</b>		
<b>Amounts recognized in the Consolidated Statement of Profit (loss):</b>		
Post-retirement benefits expense	3	52
Interest cost	19	20
Foreign currency translation	(35)	9
Recovery	(13)	81

The current service charge was included in general and administrative expense and the interest cost is included in finance costs in the consolidated statement of profit (loss).

<b>December 31</b>	<b>2024</b>	2023
<b>The principal actuarial valuation assumptions used were as follows:</b>		
Discount rate	4.60%	4.65%
Mortality	<b>CPM mortality table projected with scale MI-2017 for the private sector</b>	CPM mortality table projected with scale MI-2017 for the private sector

## Notes to CFS (cont'd)

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

Fiscal Year ending December 31	2024	2023
<b>Effect of an increase of 1%</b>		
Post-employment benefit obligation	(34)	(39)
<b>Effect of a decrease in 1%</b>		
Post-employment benefit obligation	42	47
<b>Mortality Sensitivity Analysis</b>		
<b>Effect of an increase of 10% on mortality rates</b>		
Post-employment benefit obligation	(5)	(10)
<b>Effect of a decrease of 10% on mortality rates</b>		
Post-employment benefit obligation	6	9

**Defined Contribution Plan**

AirBoss of America Corp. maintains a registered retirement savings defined contribution plan for all of their employees. Total contribution and expense to this plan for 2024 were \$593 (2023: \$607).

ANC maintains a 401(k) plan for its employees. Total contributions and expense to this plan during 2024 were \$102 (2023: \$103).

ACE maintains a 401(k) plan for its employees. Total contributions and expense to this plan during 2024 were \$57 (2023: \$88).

AFP maintains a 401(k) defined contribution plan for its employees. Total contributions and expense to this plan during 2024 were \$440 (2023: \$480).

ADG USA maintains a 401(k) defined contribution plan for its employees. Total contributions and expense to this plan during 2024 were \$224 (2023: \$136).

ADG Canada employees are covered under various registered and unregistered defined contribution plans. Total contribution and expense to these plans for 2024 were \$266 (2023: \$276).

CSI maintains a 401(k) defined contribution plan for its employees. Total contribution and expense to these plans for 2024 were \$46 (2023: \$74).

B3 maintains a 401(k) defined contribution plan for its employees. Total contribution and expense to these plans for 2024 were \$49 (2023: \$41).

**Multi-Employer Pension Plan**

During 2024, the Company made contributions of \$263 (2023: \$304) to a multi-employer pension plan. The collective bargaining agreement requires that the Company contributes \$0.50 for each hour worked by eligible employees during the preceding wage month.

**NOTE 20 SEGMENTED INFORMATION**

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

- ARS - Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- 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, Auburn Hills, Michigan, 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.

# AirBoss of America Corp.

## Notes to CFS (cont'd)

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.

For the year ended December 31	Rubber Solutions		Manufactured Products		Unallocated Corporate costs		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Segment net sales	226,351	248,395	176,696	202,290	–	–	403,047	450,685
Inter-segment net sales	(15,423)	(22,343)	(600)	(2,317)	–	–	(16,023)	(24,660)
External net sales	210,928	226,052	176,096	199,973	–	–	387,024	426,025
Depreciation and amortization	8,383	8,246	12,400	13,853	229	246	21,012	22,345
Segment measure of profit (loss)	19,499	16,326	(12,720)	(37,044)	(12,728)	(12,804)	(5,949)	(33,522)
Finance costs							12,763	5,233
Income tax expense							1,678	2,994
Profit (loss)							(20,390)	(41,749)
Segment assets	164,659	174,745	142,781	179,695	2,088	2,216	309,528	356,656
Segment liabilities	41,985	37,924	67,527	107,979	74,006	61,896	183,518	207,799
Capital expenditures	4,364	4,969	5,538	2,287	730	1,249	10,632	8,505

### 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.

For the year ended December 31	2024		2023	
	Net sales	Non-current assets	Net sales	Non-current assets
Canada	70,866	46,653	68,094	48,489
United States	280,489	120,908	323,242	125,316
Other countries	35,669	–	34,689	–
	387,024	167,561	426,025	173,805

### Major customers

Net sales from one customer represented approximately 10% of consolidated net sales in 2024 (2023: 9%). Five customers represented 30% of consolidated net sales in 2024 (2023: 31%).

### Major products

	2024	2023
<b>Rubber Solutions</b>		
Tolling	2,814	5,005
Industrial	30,077	40,301
Mixing	178,037	180,746
	210,928	226,052
<b>Manufactured Products</b>		
Anti-vibration	118,737	147,045
Defense	57,359	52,928
	176,096	199,973
	387,024	426,025

**NOTE 21 RELATED PARTIES****Related Party Transactions**

During the year, the Company paid \$173 (2023: \$162) to companies controlled by the Chairman & Co-CEO of the Company for use of office facilities.

**Transactions with key management personnel**

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

<b>December 31</b>	<b>2024</b>	2023
Salaries and other short-term benefits	<b>3,218</b>	3,561
Share-based payment expense	<b>851</b>	820
	<b>4,069</b>	4,381

The amounts disclosed in this table are the amounts recognized as operating expenses for accounting purposes during the period and do not necessarily represent amounts receivable or received in cash.

Key management own 20.1% of the outstanding common shares as at December 31, 2024 (2023: 20.5%).

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 \$136 were pledged as collateral on these loans. At December 31, 2024, CAD \$443 remains outstanding under the loans. Principal and accrued interest totaling \$312 is included in Other Assets on the consolidated statement of financial position (\$395 at December 31, 2023). The 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. The loans are full recourse and interest is due and payable semi-annually. During the year, interest payments of \$7 (2023: \$22) was received.

**NOTE 22 FINANCIAL INSTRUMENTS****Financial risk management**

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

**Market Risk****Commodity prices and supplies**

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

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

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

The following table approximates the financial impact (assuming changes are not passed along to its customers) on the Company of a 10% increase in the cost of its most critical raw materials based upon purchases made in the respective years:

in millions of dollars	Earnings before tax	
	<b>2024</b>	2023
Natural and synthetic rubber	<b>(6.15)</b>	(7.27)
Chemicals (Rubber mixing)	<b>(4.98)</b>	(4.55)
Carbon black	<b>(2.61)</b>	(3.10)
Steel	<b>(2.04)</b>	(3.08)
Silicone	<b>(0.49)</b>	(0.67)
	<b>(16.27)</b>	(18.67)

## Notes to CFS (cont'd)

## Foreign Exchange Risk

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

The Company manages its currency risk relating to monetary assets and liabilities denominated in CAD by increasing or decreasing the proportion of borrowings denominated in CAD or forward currency contracts. The Rubber Solution segment's profit and loss is somewhat naturally hedged in that sales denominated in USD offset USD expenses and debt service costs.

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

in millions of dollars	Earnings before tax	
	2024	2023
Sales (1)	(1.7)	(1.7)
Purchases (2)	5.4	6.2

(1) Based upon Canadian dollar-denominated sales

(2) Based upon Canadian dollar-denominated expenses

The Company's term loan (denominated in USD) is secured against certain real estate (valued in CAD) and capital equipment. An increase in the value of the USD to CAD decreases the value of the collateral in USD. If the value of collateral is insufficient, the Company is required to make a principal repayment to cover the shortfall. At December 31, 2024, a \$0.10 decrease in the value of one Canadian dollar in US currency would require a principal repayment of \$1,797.

## Interest Rate Risk

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

At December 31, 2024, the Company had an interest rate swap agreement(s) for a combined notional amount of \$20,000 (2023: \$46,000), maturing in May 2025. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD Secured Overnight Financing Rate ("SOFR") and a weighted average fixed rate of 3.84% (2023: 4.118%).

Interest recovery on the swap agreements were \$517 (2023: \$381).

At December 31, 2024, the fair value of this agreement, representing a gain of \$38 (2023: \$252), is included in loans and borrowings on the consolidated statement of financial position. The change in the fair value, representing a loss of \$213 (2023: gain of \$200), is recorded on the consolidated statement of profit as finance costs. The Company entered into the interest rate swap agreements to fix the interest rate on a portion of its borrowings and does not hold them for trading or speculative purposes.

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

December 31	2024	2023
<b>Fixed rate instruments</b>		
Financial assets	312	395
Financial liabilities	(11,973)	(13,638)
<b>Variable rate instruments</b>		
Financial liabilities	(105,417)	(117,454)
Total	(117,078)	(130,697)

## Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates for the year would have increased or decreased earnings before tax:

	100bp increase	100bp decrease
<b>2024</b>		
Variable rate instruments	(943)	943
<b>2023</b>		
Variable rate instruments	(1,069)	1,069

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

## Notes to CFS (cont'd)

**Credit Risk**

The Company held cash and cash equivalents of \$6,491 at December 31, 2024 (2023: \$28,989), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard and Poor's ratings.

The Company sells its products to a variety of customers under various payment terms in the normal course of its operations and therefore is exposed to credit risks. The Company's exposure to credit risk is influenced by general economic conditions, the default risk of the industry and the relative concentration of business. A majority of the Company's trade receivables are derived from sales to distributors and manufacturers who have been transacting with the Company for over five years. In monitoring credit risk, the Company considers industry, volume and aging trends (see note 4), maturity and other relevant factors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. Purchase limits established for certain accounts represent the maximum open balance permitted without approval from the Co-CEO. The Company maintains reserves for potential credit losses relating to specific exposures, and any such losses to date have been within management's expectations. Net sales from one customer represented approximately 10% of consolidated net sales in 2024 (2023: 9%). Five customers represented 30% of consolidated net sales in 2024 (2023: 31%). The loss of any such customers or the delay or cancellation of any orders under certain high-volume contracts could have a significant impact on the Company.

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

**Liquidity Risk**

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

The Company manages liquidity by maintaining adequate cash balances, having appropriate lines of credit available and monitoring cash requirements to meet expected operational expenses, including debt service and capital requirements. In addition, the Company maintains a facility permitting the Company an accordion feature of up to an additional \$50,000 availability, upon the satisfaction of customary conditions for such features. At year end, the Company had cash of \$6,491 and had drawn \$52,665 against its \$100,000 revolving credit facilities (2023: cash of \$28,989 and had drawn \$119,100 against its \$250,000 revolving credit facilities).

**Fair value of financial instruments**

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, share purchase loans, trade and other payables, interest rate swap, revolving line of credit, other debt, and foreign exchange hedges. The fair values of cash and cash equivalents, trade and other receivables, share purchase loans, trade and other payables, contingent consideration, interest rate swap and foreign exchange hedges, as recorded in the consolidated statement of financial position approximate their carrying amounts due to the short-term maturities of these instruments. The fair value of the revolving line of credit and leases have been discounted using current market interest rates.

The carrying value and fair value are as follows:

<b>December 31, 2024</b>	<b>Amortized cost</b>	<b>Fair value through profit and loss</b>	<b>Total carrying amount</b>	<b>Total fair value</b>
Cash and cash equivalents	6,491	—	6,491	6,491
Trade and other accounts receivable	69,470	—	69,470	69,470
Interest rate swap	—	38	38	38
Share purchase loans	312	—	312	312
<b>Total financial assets</b>	<b>76,273</b>	<b>38</b>	<b>76,311</b>	<b>76,311</b>
Trade and other payables	56,413	—	56,413	56,413
Foreign exchange hedge	—	586	586	586
Share price hedge	—	535	535	535
Loans and borrowings	117,428	—	117,428	118,776
Contingent consideration	—	2,249	2,249	2,249
<b>Total financial liabilities</b>	<b>173,841</b>	<b>3,370</b>	<b>177,211</b>	<b>178,559</b>

# AirBoss of America Corp.

## Notes to CFS (cont'd)

December 31, 2023	Amortized cost	Fair value through profit and loss	Total carrying amount	Total fair value
Cash and cash equivalents	28,989	–	28,989	28,989
Trade and other accounts receivable	73,237	–	73,237	73,237
Interest rate swap	–	252	252	252
Foreign exchange hedge	–	497	497	497
Share purchase loans	395	–	395	395
<b>Total financial assets</b>	<b>102,621</b>	<b>749</b>	<b>103,370</b>	<b>103,370</b>
Trade and other payables	67,659	–	67,659	67,659
Share price hedge	–	403	403	403
Loans and borrowings	131,344	–	131,344	131,091
Contingent consideration	–	2,651	2,651	2,651
<b>Total financial liabilities</b>	<b>199,003</b>	<b>3,054</b>	<b>202,057</b>	<b>201,804</b>

The fair values of the share purchase loans and revolving line of credit have been based on market interest rate (level 2) in 2024 and 2023. The Company has not disclosed the fair values for financial instruments (trade and other receivables and other liabilities) as their carrying amounts approximate their fair values (level 3). There were no reclassifications between classes of financial assets and financial liabilities in 2024 and 2023. There were no transfers between levels of the fair value hierarchy in 2024 and 2023.

### Capital Management

The Company has defined its capital as follows:

December 31	2024	2023
Loans and borrowings	117,390	131,092
less: leases included in loans and borrowings	(12,011)	(13,890)
less: cash and cash equivalents	(6,491)	(28,989)
Net debt	98,888	88,213
Shareholders' equity	126,010	148,857
	<b>224,898</b>	<b>237,070</b>

Net Debt measures the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt.

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

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

The Company has a revolving line of credit facility that provides liquidity and flexibility when capital markets are restricted. The facility provides for maximum borrowings of up to \$100,000 (increased to \$125,000 in January 2025). As of December 31, 2024, the total available borrowing capacity under this facility was \$79,428, with outstanding borrowings of \$52,350 plus \$315 drawn as a letter of credit.

Key management currently own 20.1% of the outstanding shares of the Company. Each Director is required to hold common shares and/or DSUs valued, at the time(s) of purchase or issuance, as applicable, at three times the annual base cash retainer entitlement. Directors have a period of five years from the date of their election to the Board to achieve the minimum shareholding requirement. There is no plan to extend availability of options beyond key management and senior employees. The Company has a dividend policy to provide an additional return to shareholders; the decision to pay dividends is reviewed quarterly.

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

### NOTE 23 SUBSEQUENT EVENT

In early 2025, the U.S. government announced plans to impose a 25% tariff on most Canadian imports. These tariffs, initially set to take effect on February 4, 2025, were subsequently postponed and partially came into effect on March 4, 2025. Additional tariffs are scheduled to take effect on April 2, 2025. In response, the Canadian government enacted retaliatory tariffs on goods imported from the U.S., postponing the implementation of some of its tariffs until April 2, 2025. The escalating risk of cross-border tariffs between the U.S. and Canada, as well as other countries, introduces heightened uncertainty that could materially impact supply chains, increase production costs, and erode competitive positioning.

## Corporate Information

### Board of Directors



**P. Grenville Schoch**  
Chairman and Co-Chief Executive Officer,  
AirBoss of America Corp.  
Aurora, Ontario



**Jo-Anne O'Connor** <sup>(1)</sup>  
Toronto, Ontario



**Stephen Ryan** <sup>(2)</sup>  
Washington, D.C.



**Robert L. McLeish** <sup>(1) (2) (3)</sup>  
Port Carling, Ontario



**Anita Antenucci**  
Upperville, Virginia



**Alan J. D. Watson** <sup>(1) (2) (3)</sup>  
Sydney, Australia



**David Camilleri** <sup>(1)</sup>  
Waterloo, Ontario

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

## Corporate Information

### Solicitors

Davies Ward Phillips & Vineberg LLP  
Toronto, Ontario

### Auditors

KPMG LLP  
Vaughan, Ontario

### Transfer Agent And Registrar

Computershare Investor Services, Inc.  
Toronto, Ontario

Stock Symbol - Toronto Stock Exchange: BOS  
Stock Symbol - OTCQX: ABSSF  
Website Address: [www.airboss.com](http://www.airboss.com)  
Email Address: [info@airboss.com](mailto:info@airboss.com)

Our Annual Meeting is Thursday, May 8, 2025  
at 9:00am at: Delta Hotels Waterloo  
110 Erb St. West, Waterloo, Ontario

### CORPORATE OFFICE

#### AirBoss of America Corp.

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

Chairman and Co-Chief Executive Officer:  
P. G. (Gren) Schoch

President and Co-Chief Executive Officer:  
Chris Bitsakakis

Chief Financial Officer:  
Frank Ientile

