AIRBOSS OF AMERICA CORP.
2020 SECOND QUARTER INTERIM REPORT

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

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of August 10, 2020 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and Notes for the three- and six- month periods ended June 30, 2020 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2019. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the second quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com and on the Company's website at www.airbossofamerica.com.

FORWARD-LOOKING INFORMATION

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

Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions; dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; potential product liability and warranty claims and equipment malfunction. COVID-19 could also negatively impact the Company's operations and financial results in future periods. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has undrawn credit facility as at June 30, 2020 that can provide financing up to $60,000. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking information.

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

OVERALL PERFORMANCE

Recent Highlights

(in US dollars)

- Generated record quarterly EBITDA[2] of $25.6 million, up 173.9% versus the second quarter of 2019;
- Increased diluted EPS and adjusted diluted EPS[2] by 92.9% and 125%, respectively, versus the second quarter of 2019;
- Grew free cash flow[2] by $32.6 million to $24.5 million (or $1.05 per share) for the six-month period ended June 30, 2020;
- Reduced net debt[2] to TTM EBITDA[2] from 1.85 times at December 31, 2019 to 0.71 times at June 30, 2020, providing the Company with enhanced flexibility to act on both organic and inorganic growth opportunities;
- Awarded and delivered against a contract from the U.S. Federal Emergency Management Agency ("FEMA") worth $96.4 million for the manufacture and sale of 100,000 FlexAir™ Powered Air Purifying Respirator ("PAPR") systems, 600,000 filters, and related accessories; and
- Subsequent to quarter-end, awarded a contract by the U.S. Department for Health and Human Services ("HHS") worth up to $121.0 million for the manufacture and sale of 50,000 FlexAir™ PAPR systems, 3,000,000 filters, and related accessories.

Selected Financial Information

	Three-months ended June 30		Six-months ended June 30	
In thousands of US dollars, except share data				
(unaudited)	**2020**	2019	**2020**	2019
Financial results:				
Net sales	**112,450**	82,616	**206,647**	165,191
Net income	**14,383**	3,311	**15,170**	6,237
Profit attributable to owners of the Company	**6,675**	3,311	**6,155**	6,237
Adjusted Profit attributable to owners of the Company[2]	**6,710**	2,852	**8,483**	6,326
Net income per share (US$)				
– Basic	**0.29**	0.14	**0.26**	0.27
– Diluted	**0.27**	0.14	**0.26**	0.27
Adjusted Net income per share[2] (US$)				
– Basic	**0.29**	0.12	**0.36**	0.27
– Diluted	**0.27**	0.12	**0.35**	0.27
EBITDA[2]	**25,630**	9,359	**33,065**	17,254
Adjusted EBITDA[2]	**25,665**	8,252	**35,393**	16,763
Net cash provided by operating activities	**17,323**	1,737	**29,732**	(522)
Dividends declared per share (CAD$)	**0.07**	0.07	**0.14**	0.14
Capital additions	**3,376**	1,131	**6,017**	2,746
Financial position:	**June 30, 2020**			December 31, 2019
Total assets	**320,232**			249,664
Term loan and other debt[1]	**77,909**			74,144
Total equity	**175,899**			125,979
Outstanding shares (#) *	**23,401,030**			23,392,442
** at August 10, 2020*				

[1]Term loan and other debt as at June 30, 2020 and December 31, 2019 include lease liabilities of $13,900 and $14,542, respectively.

[2]Non-IFRS Financial Measures

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

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

Adjusted EBITDA

Adjusted profit attributable to owners of the Company

Adjusted net income per share

Free cash flow

Net debt

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

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

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

	Three-months ended June 30 (unaudited)		Six-months ended June 30 (unaudited)	
In thousands of US dollars	**2020**	2019	**2020**	2019
EBITDA:				
Profit	**14,383**	3,311	**15,170**	6,237
Finance costs	**802**	1,124	**1,971**	2,080
Depreciation, amortization and impairment	**4,013**	3,623	**8,248**	6,655
Income tax expense	**6,432**	1,301	**7,676**	2,282
EBITDA	**25,630**	9,359	**33,065**	17,254
AirBoss Defense Group ("ADG") transaction fees	**35**	302	**2,328**	668
Insurance provision	**—**	(1,409)	**—**	(1,159)
Adjusted EBITDA	**25,665**	8,252	**35,393**	16,763

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

	Three-months ended June 30 (unaudited)		Six-months ended June 30 (unaudited)	
In thousands of US dollars	**2020**	2019	**2020**	2019
Adjusted profit attributable to owners of the Company:				
Profit attributable to owners of the Company	**6,675**	3,311	**6,155**	6,237
ADG transaction fees	**35**	302	**2,328**	668
Insurance provision	**—**	(761)	**—**	(579)
Adjusted profit attributable to owners of the Company	**6,710**	2,852	**8,483**	6,326
Basic weighted average number of shares outstanding	**23,399**	23,392	**23,396**	23,392
Diluted weighted average number of shares outstanding	**24,427**	23,442	**23,962**	23,438
Adjusted net income per share: Basic	**0.29**	0.12	**0.36**	0.27
Diluted	**0.27**	0.12	**0.35**	0.27

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

In thousands of US dollars (unaudited)	**June 30, 2020**	December 31, 2019
Net debt:		
Loans and borrowings - current	**10,887**	5,358
Loans and borrowings - non-current	**67,022**	68,786
Leases included in loans and borrowings	**(13,900)**	(14,542)
Cash and cash equivalents	**(30,145)**	(121)
Net debt	**33,864**	59,481

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

	Three-months ended June 30 (unaudited)		Six-months ended June 30 (unaudited)	
In thousands of US dollars	**2020**	2019	**2020**	2019
Free cash flow:				
Net cash provided by (used in) operating activities	**17,323**	1,737	**29,732**	(522)
Acquisition of property, plant and equipment	**(3,105)**	(3,642)	**(5,109)**	(6,587)
Acquisition of intangible assets	**(271)**	(644)	**(609)**	(933)
Proceeds from government grant	**—**	—	**500**	—
Free cash flow	**13,947**	(2,549)	**24,514**	(8,042)
Basic weighted average number of shares outstanding	**23,399**	23,392	**23,396**	23,392
Diluted weighted average number of shares outstanding	**24,427**	23,442	**23,962**	23,438
Free cash flow per share: Basic	**0.60**	(0.11)	**1.05**	(0.34)
Diluted	**0.57**	(0.11)	**1.02**	(0.34)

OVERVIEW

The COVID-19 pandemic continues to generate both opportunities and challenges for organizations globally, including AirBoss. The Company’s strong second quarter results were driven by a large personal protective equipment ("PPE") award from FEMA in the U.S., with deliveries beginning early in the second quarter and ramping up steadily through the end of July when the contract was completed. This strong performance provided a financial offset to the COVID-19 related impact on the Rubber Solutions and Engineered Products segments.

As certain customers, including the "Big Three" automakers, tire makers and related suppliers, elected to temporarily suspend operations in late March, AirBoss saw an impact on its operations beginning late in the first quarter of the year. Although the Rubber Solutions business remained open and operational, it did experience a decline in volumes beginning in April, which continued through part of May before beginning to recover. The timing for a full recovery in volumes will be subject, at least in part, to a stable and sustained re-opening of businesses across North America, which could be difficult to predict, especially in light of the ongoing rise in cases in the U.S., which remains a key market for the Company.

In the case of the Engineered Products segment, AirBoss elected to temporarily suspend operations at the end of the first quarter, pending re-starts by key customers that began in mid-May. During this period, the Company managed variable costs within this segment, temporarily laying-off hourly and salaried employees. Management also accelerated the plan to begin producing certain molded defense products at the Auburn Hills, MI facility, as well as PAPRs, which supported the return to work for some staff as well as continued execution against existing defense contracts. These measures helped utilize, and offset the impact of, temporarily shuttered manufacturing capacity from the anti-noise, vibration and harshness business, which has started to ramp back up again. Following re-opening, the Engineered Products segment did begin to see a recovery in volumes, especially in June and ahead of industry levels given AirBoss’ focus on SUV, light truck and mini-van platforms. AirBoss also continues to push ahead with the installation of a new robotic work cell as well as the diversification of its product lines into sectors adjacent to the automotive space.

Subsequent to the end of the second quarter, ADG secured a US$121 million order for FlexAir™ PAPRs from HHS. ADG and its predecessor companies have been producing PAPRs since 1985 and expect to begin delivering against this new contract in the third quarter. AirBoss’ focus on supply chain management and manufacturing capacity that supported the successful delivery of the FEMA contract is expected to pay dividends as deliveries flow through the balance of the year and into the first quarter of 2021. Securing this second large contract provided a further validation for the creation of ADG, which married AirBoss’ class-leading CBRN protective solutions with CSI's marketing strength and strong relationships with governments and militaries around the world. This contract is expected to help further offset possible COVID-19 related weakness in the Rubber Solutions and Engineered Products businesses during the balance of 2020.

Management believes that the future sourcing of personal protective equipment for first responders and medical professionals will change significantly in response to the COVID-19 pandemic. As a part of overall future emergency preparedness planning, management expects a more unified and streamlined approach aimed at reducing complexity, shortening acquisition times and building strategic stockpiles, compared to the fragmented and complex distributor relationship arrangements seen previously. This is expected to be a future driver for the business and ADG is modifying its business development approach accordingly. Beyond this, AirBoss continues to target traditional defense contracts, potentially valued at hundreds of millions of dollars globally, for its broader portfolio of survivability solutions. This includes opportunities for its new low-burden mask as well as next-generation products like the Blast Gauge™ blast overpressure solution.

The Company remains in a sound financial position. The strong performance of ADG is facilitating accelerated payback of the US$60 million Vendor TakeBack Note, with approximately US$10 million already paid back to date. This is expected to support increased balance sheet strength and provide management enhanced flexibility to execute opportunistically on both organic and inorganic growth initiatives, particularly as potential acquisition targets may lack the balance sheet strength to weather a prolonged downturn. The $19.5 million in capital expenditures made in 2019 is critical to AirBoss' broader organic growth strategy. AirBoss believes it is well positioned to further leverage the investment in innovation, capacity, and new solutions as industry conditions improve.

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

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

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

RESULTS OF OPERATIONS - For the period ended June 30, 2020 compared to 2019

NET SALES

Consolidated net sales for the three- and six-month periods ended June 30, 2020 increased by 36.1% to $112,450, and by 25.1% to $206,647, respectively compared with the same periods in 2019 due largely to PAPR sales under the FEMA contract, supported by the completion of the merger between the AirBoss Defense business and CSI on January 1, 2020 (the "ADG transaction"). This increase was partly offset by softness in the Rubber Solutions and Engineered Products segments, primarily due to the impact of the COVID-19 pandemic.

Three-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Inter-segment net sales	Total
Net Sales	**2020**	**23,351**	**13,517**	**82,020**	**(6,438)**	**112,450**
	2019	35,493	32,614	19,195	(4,686)	82,616
Increase (decrease) $		(12,142)	(19,097)	62,825	(1,752)	29,834
Increase (decrease) %		(34.2)	(58.6)	327.3	37.4	36.1

Six-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Inter-segment net sales	Total
Net Sales	**2020**	**57,605**	**43,579**	**117,079**	**(11,616)**	**206,647**
	2019	71,457	63,631	40,199	(10,096)	165,191
Increase (decrease) $		(13,852)	(20,052)	76,880	(1,520)	41,456
Increase (decrease) %		(19.4)	(31.5)	191.2	15.1	25.1

Rubber Solutions

For the three-month period ended June 30, 2020, net sales in the Rubber Solutions segment decreased by 34.2% to $23,351, down from $35,493 in the comparable period in 2019. Volume was down 38.5% with reductions across the majority of sectors as a result of either full or partial shutdown of customer's operations due the COVID-19 pandemic. Tolling volume was down 81.9% while non-tolling was down 23.9%. 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. Volumes and sales improved progressively month over month during the quarter.

For the six-month period ended June 30, 2020, net sales in the Rubber Solutions segment decreased by 19.4% to $57,605, from $71,457 in the comparable period in 2019. Volume was down across the majority of sectors as a result of either full or partial shutdown of customers' operations due the COVID-19 pandemic. Tolling volume was down 30.1% while non-tolling volume was down 10.7%

Engineered Products

Net sales in the Engineered Products segment for the three-month period ended June 30, 2020 decreased by 58.6% to $13,517, down from $32,614 in the comparable period in 2019. The decrease was across all automotive product lines following the partial shutdown of the Auburn Hills, Michigan plant on March 19th, 2020 as a result of the COVID-19 pandemic, following the closures of original equipment manufacturers ("OEMs") and Tier 1 customers in the industry. Sales were partially offset by the pivot to support the manufacturing of certain defense products including PAPRs. Volumes and sales improved progressively month over month for the quarter trending favorably as the automotive sector showed signs of recovery, especially in the truck sector.

Net sales in the Engineered Products segment for the six-month period ended June 30, 2020 decreased by 31.5% to $43,579, down from $63,631 in the comparable period in 2019. The decrease was across all product lines as a result of the COVID-19 pandemic, which resulted in the partial shutdown of the Auburn Hills, Michigan plant.

AirBoss Defense Group

For the three-month period ended June 30, 2020, net sales in the AirBoss Defense Group segment increased by 327.3% to $82,020, from $19,195 in the comparable period in 2019. The increase was primarily the result of a large contract from FEMA, awarded on March 31, 2020 to provide PAPR's, filters and related accessories as part of the U.S. government's response to the COVID-19 pandemic. In addition, there were higher sales of masks and boots related to other defense customers.

For the six-month period ended June 30, 2020, net sales in the AirBoss Defense Group segment increased by 191.2% to $117,079, from $40,199 in the comparable period in 2019. The increase was primarily the result of a large contract from FEMA, awarded on March 31, 2020 to provide PAPR's and related filters as part of the U.S. government's response to the COVID-19 pandemic. In addition, there were higher sales for other products in the defense portfolio and CSI sales stemming from the ADG transaction that were not included in the comparable period in 2019.

GROSS PROFIT

For the three-month period ended June 30, 2020, consolidated gross profit increased by $18,956 to $31,473, compared with the same period in 2019, driven by higher volume from ADG and partially offset by lower volumes in the Rubber Solutions and Engineered Products segments. Gross profit as a percentage of net sales increased to 28.0% compared with 15.2% for the same period in 2019. These increases were primarily as a result of the large ADG contract award, supported by managing overhead costs in both Rubber Solutions and Engineered Products and government-directed wage subsidies to support businesses impacted by COVID-19.

For the six-month period ended June 30, 2020, consolidated gross profit increased by $25,031 to $49,954, compared with the same period in 2019, driven by higher volume from ADG and partially offset by lower volumes in the Rubber Solutions and Engineered Products segments. Gross profit as a percentage of net sales increased to 24.2% compared with 15.1% for the same period in 2019. These increases were primarily as a result of the ADG performance, CSI gross profit stemming from the ADG transaction that were not included in the comparable period in 2019, in conjunction with managing overhead costs and government-directed wage subsidies.

Three-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Total
Gross Profit	**2020**	**3,918**	**(698)**	**28,253**	**31,473**
	2019	5,562	1,828	5,127	12,517
Increase (decrease) $		(1,644)	(2,526)	23,126	18,956
% of net sales	**2020**	**16.8**	**(5.2)**	**34.4**	**28.0**
	2019	15.7	5.6	26.7	15.2

Six-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Total
Gross Profit	**2020**	**9,821**	**1,223**	**38,910**	**49,954**
	2019	11,098	3,293	10,532	24,923
Increase (decrease) $		(1,277)	(2,070)	28,378	25,031
% of net sales	**2020**	**17.0**	**2.8**	**33.2**	**24.2**
	2019	15.5	5.2	26.2	15.1

Rubber Solutions

Gross profit at Rubber Solutions for the three-month period ended June 30, 2020 decreased by 29.6% to $3,918 (16.8% of net sales) from $5,562 (15.7% of net sales) in the comparable period in 2019. This is primarily a result of decreased volume as noted above partially offset by managing overhead costs and supported by government-directed wage subsidies.

Gross profit for the six-month period ended June 30, 2020 decreased by 11.5% to $9,821 (17.0% of net sales), up from $11,098 (15.5 of net sales) in the comparable period in 2019. This is primarily a result of lower volume partially offset by managing overhead costs in conjunction with government-directed wage subsidies.

Engineered Products

Despite the decrease in net sales, gross profit (loss) in the Engineered Products segment for the three-month period ended June 30, 2020 was $(698) ((5.2%) of net sales), down from $1,828 (5.6% of net sales) in the comparable period in 2019. This is primarily a result of lower volumes discussed above partially offset by operational cost containment and managing overhead costs.

Gross profit in the Engineered Products segment for the six-month period ended June 30, 2020 was $1,223 (2.8% of net sales), down $2,070 from $3,293 (5.2% of net sales) in the comparable period in 2019. This is primarily a result of lower volumes discussed above partially offset by operational cost containment and managing overhead costs.

AirBoss Defense Group

Gross profit at AirBoss Defense Group for the three-month period ended June 30, 2020 increased by 451.1% to $28,253 (34.4% of net sales), up from $5,127 (26.7% of net sales) in the comparable period in 2019. The increase was primarily due to higher volume associated with new business awards, while the Canadian operations were supported by government-directed wage subsidies.

Gross profit at AirBoss Defense Group for the six-month period ended June 30, 2020 increased by 269.4% to $38,910 (33.2% of net sales), up from $10,532 (26.2% of net sales) in the comparable period in 2019. The increase was primarily due to higher volume driven by new business awards and CSI gross profit stemming from the ADG transaction that were not included in the comparable period in 2019, while the Canadian operations were supported by government-directed wage subsidies.

OPERATING EXPENSES

Consolidated operating expenses for the three-month period ended June 30, 2020 increased by $3,075. The increase was primarily due to CSI operating expenses stemming from the ADG transaction that were not incurred in the comparable period in 2019, higher administrative costs and a gain from an insurance payout that was recorded in the comparative quarter. These increases were offset by a larger foreign exchange gain and subsidies from government-directed wage subsidies to support businesses impacted by COVID-19. As a percentage of net sales, operating expenses for the three-month period ended June 30, 2020 increased to 8.8%, from 8.2% in the same period in 2019.

Consolidated operating expenses for the six-month period ended June 30, 2020 increased by $10,813. The increase was primarily due to CSI operating expenses stemming from the ADG transaction that were not incurred in the comparable period in 2019, professional fees associated with the ADG transaction, a foreign exchange loss (compared to a gain in the comparative period), higher administrative costs and a gain from an insurance payout that was recorded in the comparative quarter. These increases were offset by government-directed wage subsidies. As a percentage of net sales, operating expenses for the six-month period ended June 30, 2020 increased to 12.2%, from 8.7% in the same period in 2019.

Three-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Unallocated Corporate Costs	Total
Operating Expenses	**2020**	**1,127**	**2,822**	**4,446**	**1,461**	**9,856**
	2019	464	2,827	2,432	1,058	6,781
Increase (decrease) $		663	(5)	2,014	403	3,075
% of net sales	**2020**	**4.8**	**20.9**	**5.4**	**N/A**	**8.8**
	2019	1.3	8.7	12.7	N/A	8.2

Six-months ended June 30 *In thousands of US dollars*		Rubber Solutions	Engineered Products	AirBoss Defense Group	Unallocated Corporate Costs	Total
Operating Expenses	**2020**	**3,256**	**5,784**	**10,022**	**6,075**	**25,137**
	2019	2,435	5,250	4,891	1,748	14,324
Increase (decrease) $		821	534	5,131	4,327	10,813
% of net sales	**2020**	**5.7**	**13.3**	**8.6**	**N/A**	**12.2**
	2019	3.4	8.3	12.2	N/A	8.7

Rubber Solutions

Rubber Solutions' operating expenses for the three-month period ended June 30, 2020 increased by $663 to $1,127. The increase was primarily due to a cost recovery that occurred during the comparative period related to a fire, resulting in an insurance payment of $1,159 to cover expenses and damage to assets less a $366 charge for assets damaged in the fire, and higher administration costs. These increases were partially offset by government-directed wage subsidies and a foreign exchange gain (compared to a loss in the comparable period).

Rubber Solutions' operating expenses for the six-month period ended June 30, 2020 increased by $821 to $3,256. The increase was primarily due to a fire that occurred during the comparative period (as noted above) and higher administration costs. These increases were partially offset by government-directed wage subsidies.

Engineered Products

Engineered Products' operating expenses for the three-month period ended June 30, 2020 were consistent with the comparative period.

Engineered Products' operating expenses for the six-month period ended June 30, 2020 increased by $534 to $5,784 due to higher administration costs.

AirBoss Defense Group

AirBoss Defense Group's operating expenses for the three-month period ended June 30, 2020 increased by $2,014 to $4,446. The comparative period did not include costs from CSI of $1,952. The remaining increase was primarily due to higher administration costs, partly offset by government-directed wage subsidies and a foreign exchange gain (compared to a loss in the comparable period).

AirBoss Defense Group's operating expenses for the six-month period ended June 30, 2020 increased by $5,131 to $10,022. The comparative period did not include costs from CSI of $4,581. The remaining increase was primarily due to higher administration costs partly offset by government-directed wage subsidies.

Unallocated Corporate Costs

Unallocated corporate costs for the three-month period ended June 30, 2020 increased by $403 to $1,461. The increase was principally due to higher administration costs that were partly offset by government-directed wage subsidies, lower professional fees associated with the ADG transaction of $35 (2019: $302), and lower travel costs.

Unallocated corporate costs for the six-month period ended June 30, 2020 increased by $4,327 to $6,075. The increase was principally due to professional fees associated with the ADG transaction of $2,328 (2019: $668), a foreign exchange loss (compared to a gain in the comparable period) resulting in an unfavorable net change of $1,634, and higher administration costs, that were partly offset by government-directed wage subsidies.

FINANCE COSTS

Finance costs for the three-month and six-month periods ended June 30, 2020 were $802 (2019: $1,124) and $1,971 (2019: $2,080), respectively. The decrease was primarily due to an unrealized mark-to-market gain compared to a loss in the comparable period and lower interest expense on the term debt, partially offset by higher mark-to-market settlement payments and higher lease interest expense.

INCOME TAX EXPENSE

The Company recorded an income tax expense of $6,432 in the three-month period ended June 30, 2020 (2019: $1,301) for an effective income tax rate of 30.9% (28.2% in 2019). The effective tax rate was higher in the current quarter primarily due to temporary differences not recognized in the current quarter.

The Company recorded an income tax expense of $7,676 in the six-month period ended June 30, 2020 (2019: $2,282) for an effective income tax rate of 33.6% (26.8% in 2019). The effective tax rate was higher primarily due to non-deductibility of costs related to the ADG transaction and temporary differences not recognized in the current period.

The Company conducts business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company’s effective tax rate varies depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives, effect of permanent differences and the resolution of prior period tax assessments.

NET INCOME AND EARNINGS PER SHARE

Net income totaled $14,383 for the three-month period ended June 30, 2020, compared with $3,311 for the comparable period in 2019. Net income totaled $15,170 for the six-month period ended June 30, 2020, compared with $6,237 for the comparable period in 2019.The increase was primarily attributable to increased net sales from ADG partially offset by lower net sales in the Rubber Solutions and Engineered Products segments.

Profit attributable to shareholders of the Company for the three-month period ended June 30, 2020 was $6,675 (2019: $3,311). Basic and fully diluted net earnings per share in the quarter were $0.29 and $0.27, respectively compared with $0.14 and $0.14, respectively, for the same periods in 2019. The increase in profitability is for the reasons noted above less an allocation of a portion (45%) of AirBoss Defense Group's current period net income to a non-controlling interest.

Profit attributable to shareholders of the Company for the six-month period ended June 30, 2020 was $6,155 (2019: $6,237). Basic and fully diluted net earnings per share were $0.26 and $0.26, respectively compared with $0.27 and $0.27, respectively, for the same periods in 2019.

QUARTERLY INFORMATION

In thousands of US dollars			Net income per share	
Quarter Ended	Net Sales	Net Income	Basic	Diluted
2020				
June 30, 2020	**112,450**	**6,675**	**0.29**	**0.27**
March 31, 2020	94,197	(520)	(0.02)	(0.02)
2019				
December 31, 2019	85,762	2,457	0.11	0.11
September 30, 2019	77,173	1,525	0.07	0.07
June 30, 2019	82,616	3,311	0.14	0.14
March 31, 2019	82,575	2,926	0.13	0.12
2018				
December 31, 2018	76,484	1,331	0.06	0.06
September 30, 2018	77,773	1,347	0.06	0.06

RECAST REPORTING SEGMENTS

Following the merger between the AirBoss Defense business and CSI on January 1, 2020, the Company realigned the organizational and governance structures of its businesses to align them more closely with the nature of the Company's operations. Such realignment gave rise to changes in how the Company presents information for financial reporting and management decision-making purposes and resulted in a change in the Company's reporting segments. Consequently, as of January 1, 2020, the Company's operating segments are organized into the following reportable segments:

- Rubber Solutions - Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- Engineered Products - Includes the manufacture and distribution of anti-noise, vibration and harshness dampening parts.
- AirBoss Defense Group - Includes the manufacture and distribution of personal protection and safety products, primarily for CBRN-E threats, and the manufacture of semi-finished rubber related products
- Unallocated Corporate Costs - Includes corporate activities and certain unallocated costs.

The Rubber Solutions segment will consist of the former rubber solutions segment, excluding the Company's industrial products business line (which is now part of the AirBoss Defense Group Segment).The Engineered Products segment will only consist of the Company's anti-vibration business. AirBoss Defense Group is owned 55% by the Company and consists of the defense businesses and the Company's industrial products business line.

Recast historical financial information regarding the results of each reportable segment is included below.

Three months ended March 31	**Rubber Solutions**		**Engineered Products**		**AirBoss Defense Group**		**Unallocated Corporate costs**		**Total**	
In thousands of US dollars	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment net sales	**35,964**	33,188	**31,017**	33,517	**21,004**	19,034	**—**	—	**87,985**	85,739
Inter-segment net sales	**(4,570)**	(4,487)	**—**	—	**(840)**	(703)	**—**	—	**(5,410)**	(5,190)
External net sales	**31,394**	28,701	**31,017**	33,517	**20,164**	18,331	**—**	—	**82,575**	80,549
Depreciation, amortization, and impairment	**886**	886	**1,133**	896	**970**	953	**43**	16	**3,032**	2,751
Segment measure of profit (loss)	**3,565**	3,008	**(958)**	1,160	**2,946**	2,081	**(690)**	(1,482)	**4,863**	4,767
Finance costs									**956**	499
Income tax expense									**981**	1,070
Net income									**2,926**	3,198
Segment assets	**74,879**	72,105	**72,981**	68,090	**80,440**	76,162	**11,748**	11,565	**240,048**	227,922
Segment liabilities	**19,646**	13,635	**18,144**	11,812	**12,212**	7,634	**67,762**	74,752	**117,764**	107,833
Capital additions	**2,268**	705	**374**	266	**474**	602	**118**	43	**3,234**	1,616

Three months ended June 30	Rubber Solutions		Engineered Products		AirBoss Defense Group		Unallocated Corporate costs		Total	
In thousands of US dollars	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment net sales	**35,493**	34,056	**32,614**	33,850	**19,195**	20,132	**—**	—	**87,302**	88,038
Inter-segment net sales	**(4,161)**	(5,164)	**—**	—	**(525)**	(1,077)	**—**	—	**(4,686)**	(6,241)
External net sales	**31,332**	28,892	**32,614**	33,850	**18,670**	19,055	**—**	—	**82,616**	81,797
Depreciation, amortization, and impairment	**1,306**	865	**1,147**	948	**1,127**	958	**43**	19	**3,623**	2,790
Segment measure of profit (loss)	**5,098**	3,017	**(999)**	722	**2,696**	2,307	**(1,059)**	(1,761)	**5,736**	4,285
Finance costs									**1,124**	671
Income tax expense									**1,301**	954
Net income									**3,311**	2,660
Segment assets	**75,191**	71,109	**73,873**	68,996	**81,627**	78,691	**6,288**	12,835	**236,979**	231,631
Segment liabilities	**17,309**	15,572	**15,175**	13,420	**12,488**	8,206	**67,601**	72,923	**112,573**	110,121
Capital additions	**2,470**	155	**512**	217	**1,372**	594	**362**	165	**4,716**	1,131

Three months ended September 30	Rubber Solutions		Engineered Products		AirBoss Defense Group		Unallocated Corporate costs		Total	
In thousands of US dollars	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment net sales	**33,371**	33,528	**31,708**	30,968	**16,795**	18,495	**—**	—	**81,874**	82,991
Inter-segment net sales	**(4,337)**	(4,333)	**—**	—	**(364)**	(885)	**—**	—	**(4,701)**	(5,218)
External net sales	**29,034**	29,195	**31,708**	30,968	**16,431**	17,610	**—**	—	**77,173**	77,773
Depreciation, amortization, and impairment	**951**	892	**1,165**	937	**1,208**	850	**45**	18	**3,369**	2,697
Segment measure of profit (loss)	**3,173**	3,227	**(772)**	(729)	**1,251**	920	**(1,026)**	(765)	**2,626**	2,653
Finance costs									**901**	743
Income tax expense									**200**	563
Net income									**1,525**	1,347
Segment assets	**74,069**	68,951	**73,222**	67,348	**81,230**	77,190	**11,407**	13,193	**239,928**	226,682
Segment liabilities	**22,984**	12,838	**16,756**	12,195	**11,805**	8,011	**63,623**	72,071	**115,168**	105,115
Capital additions	**3,392**	190	**1,389**	148	**559**	705	**295**	—	**5,635**	1,043

Three months ended December 31	Rubber Solutions		Engineered Products		AirBoss Defense Group		Unallocated Corporate costs		Total	
In thousands of US dollars	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment net sales	**32,690**	32,291	**29,547**	31,013	**28,583**	18,750	**—**	—	**90,820**	82,054
Inter-segment net sales	**(4,250)**	(4,761)	**—**	—	**(808)**	(809)	**—**	—	**(5,058)**	(5,570)
External net sales	**28,440**	27,530	**29,547**	31,013	**27,775**	17,941	**—**	—	**85,762**	76,484
Depreciation, amortization, and impairment	**1,049**	915	**1,197**	898	**1,395**	898	**51**	17	**3,692**	2,728
Segment measure of profit (loss)	**2,646**	3,115	**(1,578)**	(758)	**5,124**	2,149	**(1,051)**	(1,502)	**5,141**	3,004
Finance costs									**850**	1,008
Income tax expense									**1,834**	665
Net income									**2,457**	1,331
Segment assets	**76,720**	77,160	**79,471**	66,197	**89,226**	76,301	**4,247**	12,870	**249,664**	232,528
Segment liabilities	**20,560**	20,376	**24,314**	12,821	**14,153**	9,507	**64,658**	68,341	**123,685**	111,045
Capital additions	**2,739**	2,839	**8,232**	855	**1,596**	970	**548**	22	**13,115**	4,686

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its remaining 2020 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to $60 million (2019: $60 million). No amount was drawn against this facility at June 30, 2020.

For the six-month period ended June 30, 2020, cash of $29,732 was provided by operations, (2019: $522 used), $720 was used by investing activities (2019: $7,520), and $903 was provided by financing activities (2019: $5,411 used). Cash and cash equivalents increased by $30,024 from $121 to $30,145, adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

For the six-month period ended June 30, 2020, cash provided by operating activities increased by $30,254 compared with the same period in 2019. The increase was due to $13,291 less cash used for working capital needs, higher non-cash expenses of $8,906 and higher net income of $8,933, that were partially offset by higher tax payments of $866, and higher interest payments of $10.

Cash used by working capital for the six-month period ended June 30, 2020 decreased to $294 (2019: $13,585 used) as a result of the following factors:

- Cash from accounts receivable was $3,859; due to decreased receivable balances of $2,221 and $10,377 at the Rubber Solutions and Engineered Products segments, respectively, related to lower net sales. This decrease was partially offset by an increased receivable at AirBoss Defense Group related to the contract to supply PAPRs to FEMA;
- Cash used for inventory was $9,812; of which $2,588 and $2,144 was attributable to Rubber Solutions and Engineered Products segments, respectively, related to materials orders that could not be cancelled to fulfill orders that were subsequently reduced due to the COVID-19 pandemic. An additional $5,108 was attributable to AirBoss Defense Group to fulfill a contract to FEMA;
- Cash used for prepaid expenses was $3,961, primarily for prepayments by AirBoss Defense Group to acquire material to fulfill a contract to FEMA; and
- Cash from accounts payable was $9,670 due to increased purchases at AirBoss Defense Group to fulfill a contract to FEMA partially offset by decreased payables at Rubber Solutions and Engineered Products segments due to the COVID-19 pandemic.

Investing Activities

Property, Plant and Equipment

For the six-month period ended June 30, 2020, the following investments were made:

- Rubber Solutions invested $1,494 in property plant and equipment. Of this, $928 was invested in growth initiatives and the balance was to replace or upgrade existing property, plant and equipment;
- Engineered Products invested $2,383. Of this, $1,168 was invested in growth initiatives and the balance was on cost savings initiatives; and
- AirBoss Defense Group invested $1,232 in property plant and equipment. Of this, $888 was invested in growth initiatives, and the balance on cost savings initiatives and to replace or upgrade existing property, plant and equipment.

Intangible Assets

For the six-month period ended June 30, 2020, the Company invested $609 in intangible assets made up of $98 of product development costs for the defense business and the balance for new financial reporting and productivity software.

Financing activities

The Company's current credit facility is comprised of a $60 million revolving facility, a term loan of $75 million and an accordion feature of up to an additional $50 million of availability, upon the satisfaction of customary conditions for such features. The revolving credit facility and term loan mature in January 2023.

In January 2020 the Company signed an amended and restated credit agreement in connection with the merger between AirBoss' defense business and CSI. The amended and restated credit agreement matures in January 2023 and otherwise carries similar terms as the existing credit agreement. The Company paid $634 of finance fees to extend the credit agreement, plus an additional $128 of fees in 2019.

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

During the six-month period ended June 30, 2020, the Company made principal repayments of $1,875 (2019: $1,875) pursuant to the term loans under the credit facility, and $863 (2019: $763)of principal payments for its lease obligations.

The Company paid dividends of $2,415 during the six-month period ended June 30, 2020 (2019: $2,426).

Government assistance

During the quarter, the Company received a loan of $6,422 through a US government program to fund certain payroll and business expenses of the Company's Michigan and North Carolina operations. This loan may be forgiven in full or in part if the Company meets certain criteria. The Company also received subsidies under a Canadian government program to support businesses impacted by COVID-19.

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

Scientific research and investment tax credits of $325 (2019: $217) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date $458 (2019: $332).

Dividends

A quarterly dividend of CAD $0.07 per share was declared on May 13, 2020 and paid on July 15, 2020. Total annual dividends declared during 2019 were CAD $0.28 per common share.

Outstanding shares

As at August 10, 2020, the Company had 23,401,030 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, the Company paid rent for the corporate office of CAD $45 (2019: CAD $45) to a company controlled by the Chairman of the Company; year-to-date $90 (2019: $90).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately $7 (2019: $7) to a company in which the Chairman is an officer; year-to-date $16 (2019: $15).

During 2014, the Company provided a share purchase loan of CAD $1,000 to the former Vice-Chair to purchase common shares of the Company that was repaid in November 2019. In December 2016, the Company provided a share purchase loan of CAD $250 to the former Chief Financial Officer that was repaid in June 2020. In March 2018, the Company provided a share purchase loan of CAD $500 to the President and Chief Operating Officer. On June 28, 2019, the Company provided share purchase loans of CAD $300 to the Executive Vice President, Corporate and General Counsel; CAD $92 to the President and Chief Operating Officer; and CAD $100 to the former Vice-President Human Resources that was repaid in April 2020. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or the fifth anniversary of the issuance date. All share purchase loans issued prior to 2019 bear interest at 1% annually and all subsequent loans share purchase loans bear interest at 2% annually. In all cases, loans are full recourse and interest is due and payable semi-annually. In total, 86,807 shares of the Company having a fair value of $1,162 were pledged as collateral on these loans. At June 30, 2020, the loan receivables of $658, including accrued interest of $4, were included in other assets, and trade and other receivables, including derivatives. During the quarter, interest of $6 (2019: $7) was paid; year-to-date $10 (2019: $7).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2019, have been applied consistently to all periods presented in these interim condensed consolidated financial statements for the period ended June 30, 2020.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Section 3.3(1)(b) of National Instrument 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period. The controls, policies and procedures of CSI, which was acquired by the Company effective January 1, 2020, have been excluded from the control design assessments discussed above. The scope limitation is based on the time required to document and assess the DC&P and ICFR of CSI in a manner consistent with the Company's other operations. Management is currently in the process of integrating CSI into the Company's existing internal controls and procedures.

Certain financial information related to CSI under the NI 52-109 scope limitation as at June 30, 2020 is summarized as follows: 1) current assets of $7,215; 2) non-current assets of $29,344; 3) current liabilities of $2,581; 4) non-current liabilities of nil; 5) net sales of $11,156 for the three-month period ended June 30, 2020 (year-to-date $15,022); and 6) measure of loss of $774 (year-to-date $96).

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At June 30, 2020, the Company had contracts to sell USD $18,759 from July 2020 to February 2021 for Canadian dollars ("CAD") $25,100. The fair value of these contracts, representing an unrealized loss of $250, are included in trade and other payables, including derivatives on the statement of financial position. For the quarter ended June 30, 2020, the unrealized changes in fair value, representing a gain of $804 (2019: $555), are recorded on the statement of profit as other income (expense); year-to-date $707 (2019: gain of $1,154).

At December 31, 2019, the Company had contracts to sell US $19,715 from January 2020 to November 2020 for CAD $26,200. The fair value of these contracts, representing an unrealized gain of $457 are included in trade and other receivables, including derivatives on the statement of financial position.

Interest rate swap

In 2017, the Company entered into an interest rate swap agreement for a notional amount of $35,000. ($26,133 as at June 30, 2020) amortizing down to $24,267 at maturity. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%. The swap agreement matures on December 10, 2020.

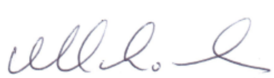
For the quarter ended June 30, 2020, interest expense on the swap agreement was $75 (2019: income of $60); year-to-date $75 (2019: income of $119).

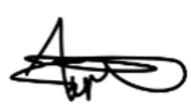
At June 30, 2020, the fair value of this agreement, representing a loss of $190, is included in loans and borrowings on the statement of financial position. For the quarter ended June 30, 2020, the change in the fair value, representing a gain of $62 (2019: loss of $253) is recorded on the statement of profit as finance costs; year-to-date loss of $171 (2019: loss of $404).

At December 31, 2019, the fair value of this agreement, representing a loss of $19, was included in loans and borrowings on the statement of financial position.

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

August 10, 2020





Gren Schoch
Chairman and Chief Executive Officer

Frank Ientile
Chief Financial Officer

Interim Condensed Consolidated Statement of Financial Position

Unaudited

In thousands of US dollars	*Note*	**June 30, 2020**	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**30,145**	121
Trade and other receivables, including derivatives	*4, 8*	**66,643**	68,890
Prepaid expenses		**8,826**	4,689
Inventories	*5*	**55,168**	41,996
Current income taxes receivable	*12*	**—**	1,611
Assets available for sale		**1,376**	—
Total current assets		**162,158**	117,307
Non-current assets			
Property, plant and equipment		**79,538**	80,169
Intangible assets	*3*	**76,634**	49,935
Deferred income tax assets		**306**	846
Other assets	*6*	**1,596**	1,407
Total non-current assets		**158,074**	132,357
Total assets		**320,232**	249,664
LIABILITIES			
Current liabilities			
Loans and borrowings	*7, 13*	**10,887**	5,358
Trade and other payables, including derivatives	*8*	**56,809**	43,590
Provisions	*9*	**100**	103
Current income taxes payable	*12*	**3,934**	753
Total current liabilities		**71,730**	49,804
Non-current liabilities			
Loans and borrowings	*7*	**67,022**	68,786
Employee benefits	*14*	**478**	510
Provisions	*9*	**1,521**	626
Deferred income tax liabilities	*12*	**3,582**	3,959
Total non-current liabilities		**72,603**	73,881
Total liabilities		**144,333**	123,685
EQUITY			
Share capital	*10*	**39,651**	39,579
Contributed surplus	*10*	**14,810**	1,262
Retained earnings		**88,885**	85,138
Equity attributable to owners of the Company		**143,346**	125,979
Non-controlling interest		**32,553**	—
Total equity		**175,899**	125,979
Total liabilities and equity		**320,232**	249,664

The notes on pages 18 to 28 are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board

P.G. Schoch
Director

Robert L. McLeish
Director

Interim Condensed Consolidated Statement of Profit and Comprehensive Income

Unaudited

For the three- and six-month periods ended June 30 *In thousands of US dollars*	*Note*	**Three-month** **2020**	 2019	**Six-Month** **2020**	 2019
Net Sales		**112,450**	82,616	**206,647**	165,191
Cost of sales		**(80,977)**	(70,099)	**(156,693)**	(140,268)
Gross profit		**31,473**	12,517	**49,954**	24,923
General and administrative expenses		**(8,402)**	(6,180)	**(20,144)**	(12,365)
Selling and marketing expenses		**(1,460)**	(1,306)	**(2,909)**	(2,606)
Research and development expenses		**(620)**	(322)	**(1,038)**	(768)
Other income (expenses)		**626**	1,027	**(1,046)**	1,415
		(9,856)	(6,781)	**(25,137)**	(14,324)
Results from operating activities		**21,617**	5,736	**24,817**	10,599
Finance costs	*7, 8*	**(802)**	(1,124)	**(1,971)**	(2,080)
Profit before income tax		**20,815**	4,612	**22,846**	8,519
Income tax expense	*12*	**(6,432)**	(1,301)	**(7,676)**	(2,282)
Profit and total comprehensive income for the period		**14,383**	3,311	**15,170**	6,237
Profit attributable to:					
Owners of the Company		**6,675**	3,311	**6,155**	6,237
Non-controlling interest		**7,708**	—	**9,015**	—
		14,383	3,311	**15,170**	6,237
Earnings per share:					
Basic	*11*	**0.29**	0.14	**0.26**	0.27
Diluted	*11*	**0.27**	0.14	**0.26**	0.27

The notes on pages 18 to 28 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

Unaudited

In thousands of US dollars	Note	Share Capital	Contributed Surplus	Retained Earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company					
Balance at January 1, 2019		39,579	1,157	80,747	121,483	—	121,483
Impact of change in accounting policy		—	—	(904)	(904)	—	(904)
Adjusted balance at January 1, 2019		39,579	1,157	79,843	120,579	—	120,579
Total comprehensive income for the period		—	—	6,237	6,237	—	6,237
Contributions by and distributions							
Stock options expensed		—	49	—	49	—	49
Dividends to equity holders		—	—	(2,459)	(2,459)	—	(2,459)
Total contributions by and distributions		—	49	(2,459)	(2,410)	—	(2,410)
Balance at June 30, 2019		39,579	1,206	83,621	124,406	—	124,406
Balance at January 1, 2020		39,579	1,262	85,138	125,979	—	125,979
Total comprehensive income for the period		—	—	6,155	6,155	9,015	15,170
Contributions by and distributions							
Stock options expensed		—	170	—	170	—	170
Stock options exercised		4	(8)		(4)	—	(4)
Stock options forfeited			(269)		(269)	—	(269)
Acquisition and partial sale of subsidiaries	3	—	13,655	—	13,655	23,538	37,193
Share repurchases		—	—	—	—	—	—
Shares issued for director compensation		68	—	—	68	—	68
Dividends to equity holders		—	—	(2,408)	(2,408)	—	(2,408)
Total contributions by and distributions		72	13,548	(2,408)	11,212	23,538	34,750
Balance at June 30, 2020		39,651	14,810	88,885	143,346	32,553	175,899

The notes on pages 18 to 28 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

Unaudited

For the six-month periods ended June 30 In thousands of US dollars	*Note*	**2020**	2019
Cash flows from operating activities			
Profit for the six-month period ended June 30		**15,170**	6,237
Adjustments for:			
Depreciation		**5,498**	4,793
Amortization of intangible assets		**2,750**	1,496
Impairment of assets		**—**	366
Finance costs	*7,8*	**1,971**	2,080
Unrealized foreign exchange losses (gains)		**459**	(966)
Share-based payment expense	*9,10*	**909**	181
SRED tax credits		**(458)**	(332)
Current income tax expense	*12*	**7,513**	3,816
Deferred income tax expense (recovery)	*12*	**163**	(1,534)
Other		**(14)**	(15)
		33,961	16,122
Change in inventories		**(9,812)**	(1,680)
Change in trade and other receivables		**3,859**	(7,921)
Change in prepaid expenses		**(3,961)**	557
Change in trade and other payables		**9,670**	(4,408)
Change in provisions	*9*	**(50)**	(133)
Net change in non-cash working capital balances		**(294)**	(13,585)
Interest paid		**(1,533)**	(1,523)
Income tax paid		**(2,402)**	(1,536)
Net cash provided by (used in) operating activities		**29,732**	(522)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5,109)**	(6,587)
Acquisition of intangible assets		**(609)**	(933)
Proceeds from government grant		**500**	—
Cash acquired on acquisition of subsidiary	*3*	**4,498**	—
Net cash used in investing activities		**(720)**	(7,520)
Cash flows from financing activities			
Repayment of borrowings		**(1,875)**	(1,875)
Principal payments for lease liabilities		**(863)**	(763)
Proceeds from new debt	*13*	**6,432**	—
Payment of debt refinancing fees		**(634)**	—
Repayment (issuance) of share purchase loans	*6, 16*	**248**	(354)
Interest received on share purchase loans	*6, 16*	**10**	7
Dividends paid	*10*	**(2,415)**	(2,426)
Net cash provided by (used in) financing activities		**903**	(5,411)
Net change in cash and cash equivalents		**29,915**	(13,453)
Cash and cash equivalents at January 1		**121**	17,862
Effect of exchange rate fluctuations on cash held		**109**	47
Cash and cash equivalents at June 30		**30,145**	4,456

The notes on pages 18 to 28 are an integral part of these interim condensed consolidated financial statements.

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

For the six-month periods ended June 30, 2020 and June 30, 2019
(Amounts in thousands of US dollars ("USD"), except per share amounts, unless otherwise specified)

NOTE 1 REPORTING ENTITY

AirBoss of America Corp. is a public company listed on the Toronto Stock Exchange, incorporated and domiciled in Ontario. Its registered office is located at 16441 Yonge Street, Newmarket, Ontario, Canada. AirBoss of America Corp. and its subsidiaries are together referred to, in these interim condensed consolidated financial statements, as the "Company” or "AirBoss". The Company has operations in Canada and the US and is involved primarily in the manufacture of high-quality rubber-based products to resource, military, automotive and industrial markets (see Note 15).

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

List of Subsidiaries

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

Operating Subsidiaries	Jurisdiction	Ownership % 2020 (2019)
AirBoss Rubber Compounding (NC) Inc.	North Carolina	100% (100%)
SunBoss Chemicals Corp.	Ontario	100% (100%)
AirBoss Flexible Products Co.	Michigan	100% (100%)
AirBoss Defense Group Ltd. ("ADG Canada") (formerly AirBoss Engineered Products Inc.)	Quebec	55% (100%)
AirBoss Defense Group, LLC ("ADG USA") (formerly Immediate Response Technologies, LLC)	Delaware	55% (100%)
Critical Solutions International, Inc. ("CSI")	Texas	55% (nil)

Following the merger between the AirBoss Defense businesses and CSI on January 1, 2020, the Company realigned the organizational and governance structures of its businesses to align them more closely with the nature of the Company’s operations. Such realignment gave rise to changes in how the Company presents information for financial reporting and management decision-making purposes and resulted in a change in the Company’s reporting segments. Consequently, as of January 1, 2020, the Company’s operating segments are organized into the following reportable segments:

- Rubber Solutions - Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- Engineered Products - Includes the manufacture and distribution of anti-noise, vibration and harshness dampening parts.
- AirBoss Defense Group - Includes the manufacture and distribution of personal protection and safety products, primarily for CBRN-E threats, and the manufacture of semi-finished rubber related products
- Unallocated Corporate Costs - Includes corporate activities and certain unallocated costs.

The Rubber Solutions segment will consist of the former rubber solutions segment, excluding the Company’s industrial products business line (which is now part of the AirBoss Defense Group Segment).The Engineered Products segment will only consist of the Company's anti-vibration business. AirBoss Defense Group is owned 55% by the Company and consists of the defense businesses and the Company’s industrial products business line.

NOTE 2 BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements should be read in conjunction with the Company’s 2019 audited annual consolidated financial statements and accompanying notes.

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2020.

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2019, have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

NOTE 3 ACQUISITION OF CRITICAL SOLUTIONS INTERNATIONAL, INC.

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

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

Acquisition-related costs

The Company incurred acquisition-related costs of $2,328 on professional fees and due diligence costs in 2020 and $1,401 in 2019. These costs have been included in “general and administrative expenses”.

Identifiable assets acquired and liabilities assumed

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

In thousands of US dollars	
Fair value of assets acquired:	
Cash and cash equivalents	4,498
Trade and other receivables	2,204
Prepaid expenses	184
Inventories	3,360
Property, plant, and equipment	1,335
Customer relationships	17,900
Brand	6,000
Other intangible assets	2,150
Investments	491
Total assets	38,122
Value of liabilities assumed:	
Trade and other payables	3,757
Vendor Takeback Note	15,000
Total liabilities assumed	18,757
Net assets acquired	19,365

The fair value of CSI's intangible assets (customer relationships, brand and patented technology) have been measured through an independent valuation. The fair value of CSI's deferred tax assets and liabilities have been measured provisionally, pending completion of an independent review.

Goodwill

Goodwill arising from the acquisition has been recognized as follows.

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

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

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

NOTE 4 TRADE AND OTHER RECEIVABLES

In thousands of US dollars	**June 30, 2020**	December 31, 2019
Trade receivables	**62,626**	67,900
Less: expected credit loss	**(269)**	(481)
	62,357	67,419
Other receivables	**4,286**	1,471
	66,643	68,890

Impairment losses

The aging of trade receivables at the reporting date was:

	June 30, 2020		December 31, 2019	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**40,543**	**—**	50,875	—
Past due 0-30 days	**18,189**	**—**	12,769	—
Past due 31-120 days	**3,894**	**(269)**	4,256	(481)
	62,626	**(269)**	67,900	(481)

The continuity of the allowance for doubtful accounts was:

In thousands of US dollars	**June 30, 2020**	December 31, 2019
Balance at January 1	**(481)**	(399)
Impairment loss recognized	**(22)**	(296)
Collected	**234**	214
Balance	**(269)**	(481)

NOTE 5 INVENTORIES

In thousands of US dollars	**June 30, 2020**	December 31, 2019
Raw materials and consumables	**39,056**	30,371
Work in progress	**3,742**	3,435
Finished goods	**16,524**	11,368
Inventory in transit	**516**	412
	59,838	45,586
Provisions	**(4,670)**	(3,590)
	55,168	41,996

An inventory charge of $1,080 (2019: charge of $387) was included in cost of sales for the increase in provisions.

NOTE 6 OTHER ASSETS

In thousands of US dollars	Share purchase loans	Other	Total
Balance at January 1, 2019	1,284	446	1,730
Accrued interest	16	—	16
Interest received	(9)	—	(9)
Repayment of loan	(764)	—	(764)
New loan issuances	364	—	364
Effect of movements in exchange rates	70	—	70
Balance at December 31, 2019	961	446	1,407
Acquired on acquisition of subsidiary (note 3)	—	491	491
Accrued interest	6	—	6
Interest received	(10)	—	(10)
Repayment of loan	(248)	—	(248)
Effect of movements in exchange rates	(50)	—	(50)
Balance at June 30, 2020	659	937	1,596

NOTE 7 LOANS AND BORROWINGS

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

In January 2020 the Company signed an amended and restated credit agreement in connection with the merger between AirBoss' defense business and CSI. The amended and restated credit agreement matures in January 2023 and otherwise carries similar terms as the existing credit agreement. The Company paid $634 of finance fees to extend the credit agreement, plus an additional $128 of fees in 2019.

During the second quarter of 2020, interest expense on the term debt was $374 (2019: $708), excluding gains and losses related to its interest rate swap agreement; year-to-date $878 (2019: $1,356).

NOTE 8 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

Foreign exchange hedge

At June 30, 2020, the Company had contracts to sell USD $18,759 from July 2020 to February 2021 for Canadian dollars ("CAD") $25,100. The fair value of these contracts, representing an unrealized loss of $250, are included in trade and other payables, including derivatives on the statement of financial position. For the quarter ended June 30, 2020, the unrealized changes in fair value, representing a gain of $804 (2019: $555), are recorded on the statement of profit as other income (expense); year-to-date $707 (2019: gain of $1,154).

At December 31, 2019, the Company had contracts to sell US $19,715 from January 2020 to November 2020 for CAD $26,200. The fair value of these contracts, representing an unrealized gain of $457 are included in trade and other receivables, including derivatives on the statement of financial position.

Interest rate swap

In 2017, the Company entered into an interest rate swap agreement for a notional amount of $35,000. ($26,133 as at June 30, 2020) amortizing down to $24,267 at maturity. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 1.69%. The swap agreement matures on December 10, 2020.

For the quarter ended June 30, 2020, interest expense on the swap agreement was $75 (2019: income of $60); year-to-date $75 (2019: income of $119).

At June 30, 2020, the fair value of this agreement, representing a loss of $190, is included in loans and borrowings on the statement of financial position. For the quarter ended June 30, 2020, the change in the fair value, representing a gain of $62 (2019: loss of $253) is recorded on the statement of profit as finance costs; year-to-date loss of $171 (2019: loss of $404).

At December 31, 2019, the fair value of this agreement, representing a loss of $19, was included in loans and borrowings on the statement of financial position.

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

NOTE 9 PROVISIONS

In thousands of US dollars	Site restoration	Performance and Deferred stock units	Lease incentives	Total
Balance at January 1, 2019	74	481	199	754
Impact of change in accounting policy	—	—	(199)	(199)
Provisions accrued during the year	—	313	—	313
Payments during the year	—	(133)	—	(133)
Forfeitures during the year	—	(32)	—	(32)
Foreign exchange	—	26	—	26
Balance at December 31, 2019	74	655	—	729
Less: current principal due within one year	—	(103)	—	(103)
Non-current balance at December 31, 2019	74	552	—	626
Balance at December 31, 2019	74	655	—	729
Provisions recovered during the period	—	1,060	—	1,060
Payments during the period	—	(117)	—	(117)
Forfeitures during the period	—	(47)	—	(47)
Foreign exchange	—	(4)	—	(4)
Balance at June 30, 2020	74	1,547	—	1,621
Less: current portion due within one year	—	(100)	—	(100)
Non-current balance at June 30, 2020	74	1,447	—	1,521

No legal provisions are recognized at June 30, 2020 and December 31, 2019.

Performance Stock Units

The Company has issued certain executives with an aggregate of 198,620 performance stock units pursuant to the terms and conditions of the Omnibus Plan. Each performance award entitles the holder to receive on vesting a cash payment equal to the product of (a) the fair market value of a common share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined performance objectives over the vesting period generally. The performance stock units vest three years following the grant date.

Performance stock units	**June 30, 2020**	December 31, 2019	June 30, 2019
January 1	**83,998**	114,908	114,908
New issuances	**183,619**	26,643	26,643
Forfeitures	**(41,882)**	(14,563)	(3,787)
Settlements	**(27,115)**	(42,990)	(42,990)
Balance	**198,620**	83,998	94,774

During the quarter the Company recognized costs of $252 (2019: costs of $22) related to the plan; year-to-date $235 (2019: $47).

Deferred Stock Units

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

Deferred stock units	**June 30, 2020**	December 31, 2019	June 30, 2019
January 1	**72,672**	43,088	43,088
New issuances	**22,484**	29,584	20,467
Settlements	**(7,588)**	—	—
Balance	**87,568**	72,672	63,555

At June 30, 2020, independent directors held 87,568 DSUs. During the quarter the Company recognized costs of $766 (2019: $45) related to DSUs issued under the Omnibus Plan; year-to-date $778 (2019: $85).

NOTE 10 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Issued share capital is as follows:

In thousands of shares	**June 30, 2020**	December 31, 2019	June 30, 2019
January 1	**23,392**	23,392	23,392
Exercise of stock options	**1**	—	—
Exercise of deferred share units	**8**	—	—
Balance	**23,401**	23,392	23,392

Capital and other components of equity

Contributed surplus

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

Stock options outstanding as at June 30

In thousands of options	**2020**	2019
Stock options granted and outstanding	**1,656**	712

Notes to CFS (cont'd)

Inputs for measurement of grant date fair values

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

Fair value of stock options and assumptions

In Canadian dollars	**June 2020**	**March 2020**	May 2019
Fair value at grant date	**$ 5.06**	**$ 0.66**	$ 2.04
Share price at grant date	**$ 16.68**	**$ 4.84**	$ 9.58
Exercise price	**$ 16.30**	**$ 5.14**	$ 9.49
Expected volatility (weighted average volatility)	**39.7 %**	**32.6 %**	30.7
Option life (expected weighted average life)	**5 years**	**5 years**	5 years
Expected dividends	**1.7 %**	**5.8 %**	2.9
Risk-free interest rate (based on government bonds)	**0.4 %**	**0.8 %**	1.5

Stock option expense

During the quarter the Company recognized as costs recoveries of $128 (2019: costs of $26) relating to option grants in general and administrative expenses of the statement of profit; year-to-date $104 (2019: costs of $49).

Dividends

Dividends on common shares were paid to shareholders of record in 2020 and 2019 as follows:

		2020		2019
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
June 30	**0.07**	**July 15, 2020**	0.07	July 15, 2019
March 31	**0.07**	**April 15, 2020**	0.07	April 15, 2019

The dividend payable at June 30, 2020 was $1,201 (June 30, 2019: $1,251).

NOTE 11 EARNINGS PER SHARE

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

	Three-month		Six-month	
For the three-month periods ended June 30 *In thousands of US dollars, except share amounts outstanding, per share amounts in US dollars*	**2020**	2019	**2020**	2019
Numerator for basic and diluted earnings per share: Net income	**6,675**	3,311	**6,155**	6,237
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	**23,399**	23,392	**23,396**	23,392
Dilution effect of stock options	**945**	0	**488**	—
Dilution of effect of deferred stock units	**83**	50	**78**	46
Diluted weighted average number of shares outstanding	**24,427**	23,442	**23,962**	23,438
Net income per share: Basic	**0.29**	0.14	**0.26**	0.27
Diluted	**0.27**	0.14	**0.26**	0.27

For the quarter ended June 30, 2020, 81,370 options (2019: 711,963) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive; year-to-date 98,933 options (2019: 711,963).

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 12 INCOME TAXES

For the three- and six-month periods ended June 30 *In thousands of US dollars*	Three-month **2020**	Three-month 2019	Six-month **2020**	Six-month 2019
Current tax expense:				
Current period	**6,394**	1,802	**7,619**	3,558
Adjustment for prior period(s)	**81**	308	**(106)**	258
	6,475	2,110	**7,513**	3,816
Deferred tax expense:				
Origination and reversal of temporary differences	**(66)**	(528)	**140**	(1,230)
Adjustment for prior period(s)	**23**	(281)	**23**	(304)
	(43)	(809)	**163**	(1,534)
Total income tax expense	**6,432**	1,301	**7,676**	2,282

NOTE 13 GOVERNMENT ASSISTANCE

During the quarter, the Company received a loan of $6,422 through a US government program to fund certain payroll and business expenses of the Company's Michigan and North Carolina operations. This loan may be forgiven in full or in part if the Company meets certain criteria. The Company also received subsidies under a Canadian government program to support businesses impacted by COVID-19.

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

Scientific research and investment tax credits of $325 (2019: $217) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date $458 (2019: $332).

NOTE 14 POST RETIREMENT BENEFITS

Defined Contribution Plan

AirBoss of America Corp. maintains registered retirement savings plan and defined contribution plans for its employees. Total expenses for this plan during the period were $306 (2019: $111); year-to-date $389 (2019: $192).

AirBoss Rubber Compounding (NC) Inc. maintains a 401(k) plan for its employees. Total expenses for this plan during the period were $36 (2019: $16); year-to-date $55 (2019: $29).

AirBoss Flexible Products Co. ("AFP") maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $35 (2019: $108); year-to-date $143 (2019: $204).

AirBoss Defense Group, LLC maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $28 (2019: $23); year-to-date $54 (2019: $45).

AirBoss Defense Group Ltd. employees are covered under various registered and unregistered defined contribution plans. Total expenses for these plans during the period were $35 (2019: $41); year-to-date $110 (2019: $95).

Critical Solutions International, Inc. maintains a 401(k) defined contribution plan for its employees. Total expenses for this plan during the period were $64; year-to-date $171.

Multi-Employer Pension Plan

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

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

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

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

During the quarter AFP made contributions of $24 (2019: $70) to the multi-employer pension plan; year-to-date $95 (2019: $135). The unfunded vested benefit ratio was 17.0% at December 31, 2019. The Steel Workers Pension Trust was in a net deficit at December 31, 2019 and AFP's portion of the deficit was unknown. The collective bargaining agreement requires that AFP contributes $0.40 for each hour worked by eligible employees during the preceding wage month.

NOTE 15 SEGMENTED INFORMATION

Following the merger between the AirBoss Defense business and CSI on January 1, 2020, the Company realigned the organizational and governance structures of its businesses to align them more closely with the nature of the Company's operations. Such realignment gave rise to changes in how the Company presents information for financial reporting and management decision-making purposes and resulted in a change in the Company's reporting segments. Consequently, as of January 1, 2020, the Company's operating segments are organized into the following reportable segments:

- Rubber Solutions - Includes manufacturing and distribution of rubber compounds and distribution of rubber compounding related chemicals.
- Engineered Products - Includes the manufacture and distribution of anti-noise, vibration and harshness dampening parts.
- AirBoss Defense Group - Includes the manufacture and distribution of personal protection and safety products, primarily for CBRN-E threats, and the manufacture of semi-finished rubber related products
- Unallocated Corporate Costs - Includes corporate activities and certain unallocated costs.

The Rubber Solutions segment will consist of the former rubber solutions segment, excluding the Company's industrial products business line (which is now part of the AirBoss Defense Group Segment).The Engineered Products segment will only consist of the Company's anti-vibration business. AirBoss Defense Group is owned 55% by the Company and consists of the defense businesses and the Company's industrial products business line.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before finance costs and income tax, as included in the internal management reports that are reviewed by the Company's CEO/Chairman and President. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

Comparative period segment disclosures have been recast to reflect the changes in the Company's reporting segments. Information regarding the results of each reportable segment is included below. Inter-company amounts, which represent items purchased from different segments, have been presented within the segment disclosure and are eliminated to arrive at the consolidated amounts.

Information about reportable segments three-months ended June 30	Rubber Solutions		Engineered Products		AirBoss Defense Group		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment net sales	**23,351**	35,493	**13,517**	32,614	**82,020**	19,195	**—**	—	**118,888**	87,302
Inter-segment net sales	**(2,333)**	(4,161)	**(2,848)**	0	**(1,257)**	(525)	**—**	—	**(6,438)**	(4,686)
External net sales	**21,018**	31,332	**10,669**	32,614	**80,763**	18,670	**—**	—	**112,450**	82,616
Depreciation, amortization, and impairment	**702**	1,306	**1,248**	1,147	**1,992**	1,127	**71**	43	**4,013**	3,623
Segment measure of profit (loss)	**2,791**	5,098	**(3,520)**	(999)	**23,807**	2,696	**(1,461)**	(1,059)	**21,617**	5,736
Finance costs									**802**	1,124
Income tax expense									**6,432**	1,301
Net Income (loss)									**14,383**	3,311
Segment assets[1]	**80,053**	76,720	**70,284**	79,471	**166,499**	89,226	**3,396**	4,247	**320,232**	249,664
Segment liabilities[1]	**23,223**	20,560	**19,067**	24,314	**41,129**	14,153	**60,914**	64,658	**144,333**	123,685
Capital additions[2]	**601**	2,470	**1,567**	512	**961**	1,372	**247**	362	**3,376**	4,716

Information about reportable segments six-months ended June 30	Rubber Solutions		Engineered Products		AirBoss Defense Group		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment net sales	**57,605**	71,457	**43,579**	63,631	**117,079**	40,199	**—**	—	**218,263**	175,287
Inter-segment sales	**(6,599)**	(8,731)	**(2,848)**	0	**(2,169)**	(1,365)	**—**	—	**(11,616)**	(10,096)
External net sales	**51,006**	62,726	**40,731**	63,631	**114,910**	38,834	**—**	—	**206,647**	165,191
Depreciation, amortization, and impairment	**1,455**	2,192	**2,474**	2,280	**4,176**	2,097	**143**	86	**8,248**	6,655
Segment measure of profit	**6,565**	8,663	**(4,561)**	(1,957)	**28,888**	5,642	**(6,075)**	(1,749)	**24,817**	10,599
Finance costs									**1,971**	2,080
Income tax expense/(recovery)									**7,676**	2,282
Net Income (loss)									**15,170**	6,237
Reportable segment assets[1]	**80,053**	76,720	**70,284**	79,471	**166,499**	89,226	**3,396**	4,247	**320,232**	249,664
Reportable segment liabilities[1]	**23,223**	20,560	**19,067**	24,314	**41,129**	14,153	**60,914**	64,658	**144,333**	123,685
Capital additions[2]	**1,495**	4,738	**2,383**	886	**1,625**	1,846	**514**	480	**6,017**	7,950

[1] Comparative figures as at December 31, 2019.
[2] Comparative figures as at June 30, 2019.

Geographical segments

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

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

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

	Net Sales		Net Sales		Non-current assets		Non-current assets
	Three-months ended June 30		Six-months ended June 30		June 30		December 31
In thousands of US dollars	**2020**	2019	**2020**	2019	**2020**	2019	2019
Canada	**16,830**	14,066	**35,584**	29,167	**46,004**	46,504	48,429
United States	**91,733**	60,322	**159,923**	120,066	**112,070**	73,300	83,928
Other countries	**3,887**	8,228	**11,140**	15,958	**—**	—	—
	112,450	82,616	**206,647**	165,191	**158,074**	119,804	132,357

Major customers

Net sales from one customer represented approximately 26.9% (2019: 10.6%) of the Company's total net sales. Five customers represented 47.1% (2019: 37.0%) of the Company's total net sales.

Major products

	Three-months ended June 30		Six-months ended June 30	
In thousands of US dollars	**2020**	2019	**2020**	2019
Rubber Solutions				
Tolling	**614**	2,285	**3,379**	4,680
Mixing	**20,404**	29,047	**47,627**	58,046
	21,018	31,332	**51,006**	62,726
AirBoss Defense Group				
Defense	**75,241**	11,327	**102,649**	23,783
Industrial	**5,522**	7,343	**12,261**	15,051
	80,763	18,670	**114,910**	38,834
Engineered Products	**10,669**	32,614	**40,731**	63,631
Total	**112,450**	82,616	**206,647**	165,191

NOTE 16 RELATED PARTIES

Transactions with Related Parties

During the quarter, the Company paid rent for the corporate office of CAD $45 (2019: CAD $45) to a company controlled by the Chairman of the Company; year-to-date $90 (2019: $90).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately $7 (2019: $7) to a company in which the Chairman is an officer; year-to-date $16 (2019: $15).

During 2014, the Company provided a share purchase loan of CAD $1,000 to the former Vice-Chair to purchase common shares of the Company that was repaid in November 2019. In December 2016, the Company provided a share purchase loan of CAD $250 to the former Chief Financial Officer that was repaid in June 2020. In March 2018, the Company provided a share purchase loan of CAD $500 to the President and Chief Operating Officer. On June 28, 2019, the Company provided share purchase loans of CAD $300 to the Executive Vice President, Corporate and General Counsel; CAD $92 to the President and Chief Operating Officer; and CAD $100 to the former Vice-President Human Resources that was repaid in April 2020. All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or the fifth anniversary of the issuance date. All share purchase loans issued prior to 2019 bear interest at 1% annually and all subsequent loans share purchase loans bear interest at 2% annually. In all cases, loans are full recourse and interest is due and payable semi-annually. In total, 86,807 shares of the Company having a fair value of $1,162 were pledged as collateral on these loans. At June 30, 2020, the loan receivables of $658, including accrued interest of $4, were included in other assets, and trade and other receivables, including derivatives. During the quarter, interest of $6 (2019: $7) was paid; year-to-date $10 (2019: $7).

NOTE 17 RECLASSIFCATION OF COMPARATIVE AMOUNTS

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

Corporate Information

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President and Chief Operating Officer:
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Chief Financial Officer:
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