



Unaudited Interim Condensed Consolidated  
Financial Statements of

**ANDLAUER HEALTHCARE  
GROUP INC.**

For the three and nine months ended September 30, 2023 and 2022

**Andlauer Healthcare Group Inc.**  
**Interim Condensed Consolidated Balance Sheets**  
**As at September 30, 2023 and December 31, 2022**

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

<b>Assets</b>	<b>Note</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Current assets</b>			
Cash and cash equivalents		\$ 68,285	\$ 65,855
Trade and other receivables		99,417	98,423
Inventories		4,343	3,326
Prepaid expenses and other		9,190	4,416
Due from related parties	17	105	56
		<u>181,340</u>	<u>172,076</u>
<b>Non-current assets</b>			
Long-term deposits and other		1,052	997
Property, plant and equipment	5	166,568	175,880
Goodwill and intangible assets	6	343,463	357,698
Deferred income taxes	13	5,660	5,809
		<u>356,743</u>	<u>540,194</u>
<b>Total Assets</b>		<b><u>\$ 698,083</u></b>	<b><u>\$ 712,460</u></b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 45,890	\$ 42,918
Current portion of lease liabilities	14	26,909	26,547
Income taxes payable		4,009	16,313
		<u>76,808</u>	<u>85,778</u>
<b>Long-term liabilities</b>			
Lease liabilities	14	77,857	87,182
Deferred income taxes	13	44,604	48,609
Due to related parties	17	133	342
Term facility	7	24,758	49,557
		<u>147,352</u>	<u>185,690</u>
<b>Total Liabilities</b>		<b><u>224,160</u></b>	<b><u>271,468</u></b>
<b>Equity</b>			
Common share capital	9	726,000	727,835
Contributed surplus	11	6,137	5,806
Accumulated other comprehensive income		19,215	19,642
Merger reserve	2	(488,916)	(488,916)
Retained earnings		211,487	176,625
		<u>473,923</u>	<u>440,992</u>
Commitments and contingencies	16		
<b>Total Liabilities and Equity</b>		<b><u>\$ 698,083</u></b>	<b><u>\$ 712,460</u></b>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

On behalf of the Board:

“Peter Jelley”  
Director

“Thomas G. Wellner”  
Director

# Andlauer Healthcare Group Inc.

## Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the three and nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Revenue</b>	12	\$ 156,754	\$ 164,898	\$ 478,885	\$ 482,651
<b>Operating expenses</b>					
Cost of transportation and services		79,645	81,034	242,703	236,508
Direct operating expenses		25,334	28,262	78,746	81,291
Selling, general and administrative expenses		12,803	11,294	38,599	34,676
Depreciation and amortization		17,248	16,448	50,828	47,997
		135,030	137,038	410,876	400,472
<b>Operating income</b>		<b>21,724</b>	<b>27,860</b>	<b>68,009</b>	<b>82,179</b>
Interest expense	15	(1,889)	(1,746)	(5,731)	(4,991)
Interest income		1,044	86	2,400	203
Other income (expenses)		39	(236)	183	(391)
<b>Income before income taxes</b>		<b>20,918</b>	<b>25,964</b>	<b>64,861</b>	<b>77,000</b>
Current income tax expense	13	6,266	7,373	21,062	24,375
Deferred income tax recovery	13	(683)	(404)	(3,780)	(3,826)
		5,583	6,969	17,282	20,549
<b>Net income</b>		<b>\$ 15,335</b>	<b>\$ 18,995</b>	<b>\$ 47,579</b>	<b>\$ 56,451</b>
<b>Net earnings per share</b>					
Basic earnings per share	10	\$ 0.37	\$ 0.45	\$ 1.14	\$ 1.35
Diluted earnings per share	10	\$ 0.36	\$ 0.44	\$ 1.11	\$ 1.32
<b>Other comprehensive income</b>					
Net income		\$ 15,335	\$ 18,995	\$ 47,579	\$ 56,451
Foreign currency translation adjustment		4,812	13,907	(427)	17,515
Other comprehensive income (loss) for the period		4,812	13,907	(427)	17,515
<b>Total comprehensive income for the period</b>		<b>\$ 20,147</b>	<b>\$ 32,902</b>	<b>\$ 47,152</b>	<b>\$ 73,966</b>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

## Andlauer Healthcare Group Inc.

### Interim Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Number of shares (thousands) (note 9)	Share capital (note 9)	Accumulated other compre- hensive income	Merger reserve (note 2)	Contributed surplus (note 11)	Retained earnings	Total equity
Balance at December 31, 2022	41,914	\$ 727,835	\$ 19,642	\$ (488,916)	\$ 5,806	\$ 176,625	\$ 440,992
Net income and comprehensive loss for the period	-	-	(427)	-	-	47,579	47,152
Share-based compensation (note 11)	8	314	-	-	331	-	645
Shares repurchased for cancellation (note 9)	(108)	(2,149)	-	-	-	(2,247)	(4,396)
Dividends (note 9)	-	-	-	-	-	(10,470)	(10,470)
<b>Balance at September 30, 2023</b>	<b>41,814</b>	<b>\$ 726,000</b>	<b>\$ 19,215</b>	<b>\$ (488,916)</b>	<b>\$ 6,137</b>	<b>\$ 211,487</b>	<b>\$ 473,923</b>
Balance at December 31, 2021	41,669	\$ 719,936	\$ 4,899	\$ (488,916)	\$ 4,967	\$ 111,233	\$ 352,119
Net income and comprehensive income for the period	-	-	17,515	-	-	56,451	73,966
Shares issued in connection with business combinations (note 4)	155	7,500	-	-	-	-	7,500
Transaction costs, net of tax (note 4)	-	(63)	-	-	-	-	(63)
Share-based compensation (note 11)	33	170	-	-	797	-	967
Dividends (note 9)	-	-	-	-	-	(7,949)	(7,949)
<b>Balance at September 30, 2022</b>	<b>41,857</b>	<b>\$ 727,543</b>	<b>\$ 22,414</b>	<b>\$ (488,916)</b>	<b>\$ 5,764</b>	<b>\$ 159,735</b>	<b>\$ 426,540</b>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**Andlauer Healthcare Group Inc.**  
**Interim Condensed Consolidated Statements of Cash Flow**  
**For the nine months ended September 30, 2023 and 2022**

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

	Note	September 30, 2023	September 30, 2022
<b>Operating activities</b>			
Net income for the period		\$ 47,579	\$ 56,451
Changes not involving cash:			
Depreciation and amortization		50,828	47,997
Amortization of capitalized financing costs	7	201	201
Share-based compensation	11	645	967
Deferred income tax recovery	13	(3,780)	(3,826)
Loss on disposal of property, plant and equipment		26	20
		<u>95,499</u>	<u>101,810</u>
Changes in non-cash operating working capital:			
Trade and other receivables		(1,016)	(3,120)
Inventories		(1,016)	(256)
Accounts payable and accrued liabilities		2,961	2,005
Income taxes payable		(12,346)	1,282
Net change in other operating working capital balances		(4,827)	(1,338)
<b>Cash flows from operating activities</b>		<b><u>79,255</u></b>	<b><u>100,383</u></b>
<b>Financing activities</b>			
Dividends	9	(10,470)	(7,949)
Principal repayments on lease liabilities	14	(20,849)	(21,688)
Net change in related party balances		(204)	(777)
Proceeds from revolving credit facility		-	12,000
Repayment of revolving credit facility		-	(23,000)
Repayment of term facility	7	(25,000)	-
Shares repurchased for cancellation	9	(4,396)	-
Transaction costs recorded in share capital		-	(63)
<b>Cash flows used in financing activities</b>		<b><u>(60,919)</u></b>	<b><u>(41,477)</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(15,893)	(14,725)
Proceeds on disposal of property, plant and equipment		1,242	1,021
Purchase of intangible assets	6	(1,256)	(1,607)
Business combinations, net of cash acquired	4	-	(19,318)
<b>Cash flows used in investing activities</b>		<b><u>(15,907)</u></b>	<b><u>(34,629)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>2,429</b>	<b>24,277</b>
Effect of foreign currency translation on cash and cash equivalents		1	1,416
<b>Cash and cash equivalents, beginning of period</b>		<b><u>65,855</u></b>	<b><u>24,990</u></b>
<b>Cash and cash equivalents, end of period</b>		<b><u>\$ 68,285</u></b>	<b><u>\$ 50,683</u></b>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

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#### 1. Reporting entity

Andlauer Healthcare Group Inc. (“AHG”, or the “Company”) was incorporated under the Ontario Business Corporations Act with its head office located at 100 Vaughan Valley Blvd. in Woodbridge, Ontario. AHG’s subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol “AND”. AHG specializes in third party logistics and transportation solutions for the healthcare sector in Canada and the United States.

In addition to the shares issued to the public, Andlauer Management Group Inc. (“AMG”) holds 21.84 million multiple voting shares and 10,200 subordinate voting shares of AHG, representing approximately 52.3% of the issued and outstanding shares and 81.4% of the voting power attached to all of the shares. AMG is owned and controlled by Michael Andlauer, Chief Executive Officer, Chief Operating Decision Maker (“CODM”), and a director of AHG.

#### 2. Basis of presentation

##### a) Statement of compliance

These unaudited interim condensed consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Under International Financial Reporting Standards (“IFRS”), additional disclosures are required in the annual financial statements and therefore, these consolidated financial statements and accompanying notes should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the years ended December 31, 2022 and 2021.

These consolidated financial statements have been prepared using consistent accounting policies and methods used in the preparation of the Company’s annual audited consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors effective November 2, 2023.

##### b) Basis of measurement

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for share based compensation and business combinations, which were recorded at fair value.

##### Common control transaction

These consolidated financial statements comprise the results of AHG and Associated Logistics Solutions Inc., Credo Canada Systems Inc., 2186940 Ontario Inc., Skelton Canada Inc., and their respective subsidiaries. Prior to the Company’s initial public offering (“IPO”) on December 11, 2019, certain of AHG’s subsidiaries (Associated Logistics Solutions Inc., Credo Canada Systems Inc., 2186940 Ontario Inc. and their respective subsidiaries at that time – collectively, the “AHG Entities”) were owned 100% by AMG. Pursuant to a share purchase agreement between AHG and AMG, and in connection with a corporate reorganization immediately prior to the IPO, AHG acquired a 100% ownership interest in the AHG Entities based on the value of consideration of \$577,625. Total net parent investment immediately prior to the IPO was \$88,709. A merger reserve of \$488,916 is recorded to reflect the difference in carrying value of the net assets acquired and the consideration paid since AHG and the AHG Entities were all related parties under common control of AMG at the time of the acquisition. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. AHG accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities.

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

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## 2. Basis of presentation (continued)

### c) Basis of consolidation

#### (i) Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting by recording assets acquired and liabilities assumed at their respective fair values. The Company measures goodwill as the fair value of the consideration transferred, including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

#### (ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

#### (iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

### d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand. The functional currency of Canadian operations is the Canadian dollar and the functional currency of U.S. operations is the U.S. dollar.

### e) Judgments and estimates

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2022.

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

### 3. Segment reporting

The Company is organized into operating segments, which aggregate into two reportable segments: Specialized Transportation and Healthcare Logistics. The operating segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Company's CODM reviews internal management reports, evaluating the metrics as summarized in the tables that follow.

The Company evaluates performance based on the various financial measures of its operating segments. Performance is measured based on segment income or loss before tax. This measure is included in the internal management reports that are reviewed by the Company's CEO and refers to "Income before income taxes" in the consolidated statements of income and comprehensive income. Segment income or loss before tax 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 the same industries.

The following table identifies selected financial data as at September 30, 2023 and 2022 and for the three months then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
<b>As at September 30, 2023 and for the three months then ended</b>					
Revenue	\$ 128,245	\$ 42,102	\$ 1,782	\$ (15,375)	\$ 156,754
Segment income before tax	15,032	4,794	1,092	-	20,918
Interest income	734	267	1,714	(1,671)	1,044
Interest expense	(2,768)	(504)	(286)	1,669	(1,889)
Depreciation and amortization	(13,404)	(3,844)	-	-	(17,248)
Segment net income	11,022	3,529	784	-	15,335
Segment total assets	541,204	176,573	697,783	(717,477)	698,083
Additions of ROU assets	5,007	10	-	-	5,017
Capital expenditures	4,634	828	-	-	5,462
Segment total liabilities	188,903	79,231	5,996	(49,970)	224,160
<b>As at September 30, 2022 and for the three months then ended</b>					
Revenue	\$ 130,036	\$ 48,017	\$ 1,113	\$ (14,268)	\$ 164,898
Segment income before tax	19,608	6,327	29	-	25,964
Interest income	(795)	(22)	903	-	86
Interest expense	(921)	(557)	(268)	-	(1,746)
Depreciation and amortization	(12,742)	(3,706)	-	-	(16,448)
Segment net income	14,410	4,616	(31)	-	18,995
Segment total assets	554,389	175,229	736,520	(757,214)	708,924
Additions of ROU assets	3,296	-	-	-	3,296
Capital expenditures	7,097	466	-	-	7,563
Segment total liabilities	248,676	92,951	30,464	(89,707)	282,384



## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

### 3. Segment Reporting (continued)

The following table identifies selected financial data as at September 30, 2023 and 2022 and for the nine months then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
<b>As at September 30, 2023 and for the nine months then ended</b>					
Revenue	\$ 388,646	\$ 131,809	\$ 5,350	\$ (46,920)	\$ 478,885
Segment income before tax	47,027	14,658	3,176	-	64,861
Interest income	864	532	4,950	(3,946)	2,400
Interest expense	(7,169)	(1,435)	(1,071)	3,944	(5,731)
Depreciation and amortization	(39,392)	(11,436)	-	-	(50,828)
Segment net income	34,609	10,692	2,278	-	47,579
Segment total assets	541,204	176,573	697,783	(717,477)	698,083
Additions of ROU assets	11,622	263	-	-	11,885
Capital expenditures	12,799	3,094	-	-	15,893
Segment total liabilities	188,903	79,231	5,996	(49,970)	224,160
<b>As at September 30, 2022 and for the nine months then ended</b>					
Revenue	\$ 385,554	\$ 135,029	\$ 3,353	\$ (41,285)	\$ 482,651
Segment income (loss) before tax	61,025	16,252	(277)	-	77,000
Interest income	(2,341)	(67)	2,611	-	203
Interest expense	(2,721)	(1,611)	(659)	-	(4,991)
Depreciation and amortization	(37,338)	(10,659)	-	-	(47,997)
Segment net income (loss)	44,935	11,884	(368)	-	56,451
Segment total assets	554,389	175,229	736,520	(757,214)	708,924
Additions of ROU assets	9,437	198	-	-	9,635
Additions of property, plant and equipment through business combinations <sup>1</sup>	-	5,159	-	-	5,159
Capital expenditures	13,267	1,458	-	-	14,725
Segment total liabilities	248,676	92,951	30,464	(89,707)	282,384

<sup>1</sup> Includes \$3,798 of ROU assets acquired through business combinations.

The Company's Healthcare Logistics segment purchases transportation services from its Specialized Transportation segment. Fees for these services are based on negotiated rates, which approximate fair value, and are reflected as revenues of the Specialized Transportation segment. Rates are adjusted from time to time based on market conditions. The Company also charges fees for services and costs incurred from its corporate office to subsidiaries. Intersegment revenues and expenses and related intersegment payables and receivables are eliminated in the Company's consolidated results.

The Company does not have any customers that individually represent more than 10% of revenue for the periods ended September 30, 2023 and 2022.

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 4. Business combinations

On March 1, 2022, the Company acquired all of the issued and outstanding shares of Logistics Support Unit (LSU) Inc. ("LSU"), a leading third-party logistics provider offering specialty pharmacy, warehousing, distribution and order management services throughout Canada to national and international companies, as well as government clients in the pharmaceutical, medical and biotechnology sectors, for \$26,747, the estimated fair value of the business acquired. The acquisition was financed through a combination of cash on hand, drawing \$12,000 on the credit facilities and by issuing 154,639 subordinate voting shares totaling \$7,500 to the shareholder of LSU.

For the period from acquisition on March 1, 2022 to September 30, 2022, LSU contributed revenue of \$18,860 and net income before amortization of intangible assets acquired of \$2,173 (\$1,245 net of intangible amortization) to the Company's financial results. If the Company had acquired LSU on January 1, 2022, management estimates that consolidated revenue would have been approximately \$486,900 and consolidated net income would have been approximately \$58,200. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2022.

During the nine months ended September 30, 2022, transaction costs of \$345 were expensed in selling, general and administrative expenses in the consolidated statements of income and comprehensive income and \$63, net of deferred taxes, was charged to share capital in relation to the acquisition.

The following table summarizes the final acquisition date fair value of identifiable net assets and goodwill acquired:

Identifiable assets acquired and liabilities assumed	LSU (March 1, 2022)
Cash and cash equivalents	\$ (71)
Trade and other receivables	4,636
Inventories	663
Prepaid expenses and other	140
Property, plant and equipment, including ROU assets	5,159
Intangible assets	15,900
Accounts payable and accrued liabilities	(1,778)
Income taxes payable	(4,160)
Lease liabilities	(3,398)
Deferred tax liabilities	(2,496)
Total identifiable net assets	14,595
Goodwill	12,152
<b>Final purchase consideration</b>	<b>\$ 26,747</b>

Trade and other receivables comprise gross amounts due of \$4,636, all of which were expected to be collectible at the acquisition date.

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 4. Business combinations (continued)

The Company attributes value to the customer relationships maintained by LSU, and to its brand. For the nine months ended September 30, 2022, the Company recorded intangible assets of \$12,700 in connection with customer relationships and \$3,200 in connection with the brand of LSU. The customer relationships and brand are definite life intangible assets each of which will be amortized over 10 years.

The goodwill is principally attributable to the premium of established business operations with a strong reputation in healthcare logistics, and the synergies expected to be achieved from integrating LSU into the Company's existing business. Goodwill arising from the acquisition of LSU is allocated to the Healthcare Logistics segment.

Of the goodwill acquired through the business combination, \$4,850 is deductible for tax purposes.

#### 5. Property, plant and equipment

Reconciliation of the net carrying amounts for each class of property, plant and equipment is summarized below:

	Facilities <sup>1</sup>	Furniture and fixtures	Leasehold improvements	Logistics and transportation equipment <sup>1</sup>	Total
<b>Cost</b>					
Balance at December 31, 2022	\$ 161,746	\$ 9,186	\$ 23,695	\$ 188,122	\$ 382,749
Additions	2,477	282	3,119	21,900	27,778
Dispositions	-	-	-	(2,708)	(2,708)
Foreign currency adjustments	(11)	-	1	(47)	(57)
<b>Balance at September 30, 2023</b>	<b>\$ 164,212</b>	<b>\$ 9,468</b>	<b>\$ 26,815</b>	<b>\$ 207,267</b>	<b>\$ 407,762</b>
<b>Accumulated depreciation</b>					
Balance at December 31, 2022	\$ 84,046	\$ 7,178	\$ 13,800	\$ 101,845	\$ 206,869
Depreciation for the period	13,443	308	1,893	20,108	35,752
Dispositions	-	-	-	(1,440)	(1,440)
Foreign currency adjustments	1	-	-	12	13
<b>Balance at September 30, 2023</b>	<b>\$ 97,490</b>	<b>\$ 7,486</b>	<b>\$ 15,693</b>	<b>\$ 120,525</b>	<b>\$ 241,194</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2022</b>	<b>\$ 77,700</b>	<b>\$ 2,008</b>	<b>\$ 9,895</b>	<b>\$ 86,277</b>	<b>\$ 175,880</b>
<b>At September 30, 2023</b>	<b>\$ 66,722</b>	<b>\$ 1,982</b>	<b>\$ 11,122</b>	<b>\$ 86,742</b>	<b>\$ 166,568</b>

<sup>1</sup> Facilities and certain logistics and transportation equipment assets are ROU assets, capitalized in accordance with IFRS 16. Refer to note 14.

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 6. Goodwill and intangible assets

	Goodwill	Customer relationships	Brand	Software	Total
<b>Cost</b>					
Balance at December 31, 2022	\$ 192,908	\$ 166,069	\$ 42,977	\$ 9,880	\$ 411,834
Additions	-	-	-	1,256	1,256
Foreign currency adjustments	(177)	(169)	(51)	-	(397)
<b>Balance at September 30, 2023</b>	<b>\$ 192,731</b>	<b>\$ 165,900</b>	<b>\$ 42,926</b>	<b>\$ 11,136</b>	<b>\$ 412,693</b>
<b>Accumulated amortization</b>					
Balance at December 31, 2022	\$ -	\$ 43,172	\$ 5,647	\$ 5,317	\$ 54,136
Amortization for the period	-	11,271	3,206	599	15,076
Foreign currency adjustments	-	14	4	-	18
<b>Balance at September 30, 2023</b>	<b>\$ -</b>	<b>\$ 54,457</b>	<b>\$ 8,857</b>	<b>\$ 5,916</b>	<b>\$ 69,230</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2022</b>	<b>\$ 192,908</b>	<b>\$ 122,897</b>	<b>\$ 37,330</b>	<b>\$ 4,563</b>	<b>\$ 357,698</b>
<b>At September 30, 2023</b>	<b>\$ 192,731</b>	<b>\$ 111,443</b>	<b>\$ 34,069</b>	<b>\$ 5,220</b>	<b>\$ 343,463</b>

## 7. Credit facilities

	September 30, 2023	December 31, 2022
Revolving credit facility	\$ -	\$ -
Term facility	25,000	50,000
	25,000	50,000
Less: capitalized financing costs	(242)	(443)
<b>Credit facilities</b>	<b>\$ 24,758</b>	<b>\$ 49,557</b>

Recorded in the consolidated balance sheets as follows:

	September 30, 2023	December 31, 2022
Revolving credit facility	\$ -	\$ -
Term facility	24,758	49,557
<b>Credit facilities</b>	<b>\$ 24,758</b>	<b>\$ 49,557</b>

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 7. Credit facilities (continued)

The movement in credit facilities from December 31, 2022 is as follows:

	<b>Credit Facilities</b>
Balance at December 31, 2022	\$ 49,557
<b>Changes from financing cash flows</b>	
Repayment of term facility	(25,000)
	24,557
<b>Non-cash movements</b>	
Amortization of capitalized financing costs	201
<b>Balance at September 30, 2023</b>	<b>\$ 24,758</b>

The Company is party to credit facilities with a syndicate of lenders. The credit facilities comprise a revolving credit facility in the aggregate principal amount of up to \$100,000 and a term facility in the aggregate principal amount of up to \$50,000. The credit facilities will mature and be due and payable on March 1, 2025. There is no repayment schedule for either the revolving credit facility or the term facility, except at maturity; however, the Company classifies the revolving credit facility in current liabilities because of its intention to reduce drawn amounts with cash flow from operations within twelve months. Financing costs of \$621, which apply to the credit facilities in aggregate, were capitalized in the term facility.

The credit facilities are available to be drawn in Canadian dollars by way of prime rate loans, bankers' acceptances and letters of credit, and in U.S. dollars by way of base rate loans, and letters of credit, in each case, plus the applicable margin in effect from time to time. At September 30, 2023, the credit facilities comprise bankers' acceptances drawn at an interest rate of 6.8% (December 31, 2022 – 5.9%).

The credit facilities are guaranteed by each of the Company's material subsidiaries and are secured by (i) a first priority lien over all personal property of the Company, subject to certain exclusions and permitted liens, (ii) charges over certain material leased real property interests, and (iii) a first ranking pledge of 100% of the securities of any subsidiary owned by the Company.

The credit facilities are subject to customary negative covenants and include financial covenants requiring the Company to maintain at all times a maximum net leverage ratio and a minimum interest coverage ratio, tested on a quarterly basis. At September 30, 2023 and December 31, 2022, the Company was in compliance with all of its covenants under the credit facilities.

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense on the credit facilities for the three and nine months ended September 30, 2023 was \$802 and \$2,404, respectively, (2022 – \$489 and \$1,294, respectively).

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

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## 8. Financial instruments and financial risk management

### Accounting classifications and fair values

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, long-term deposits and other, accounts payable and accrued liabilities and its credit facilities (refer to note 7). The Company believes that the carrying amount of each of these items, other than the credit facilities, is a reasonable approximation of fair value given the short-term nature of the financial instruments.

As the credit facilities bear interest at a floating rate subject to fluctuations in the bank prime rate the carrying value of the debt approximates fair value.

## 9. Share capital

The Company is authorized to issue an unlimited number of subordinate voting common shares, an unlimited number of multiple voting common shares, and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution, or wind-up. Holders of multiple voting shares are entitled to four votes per multiple voting share, and holders of subordinate voting shares are entitled to one vote per subordinate voting share on all matters upon which holders of shares are entitled to vote.

As of the date hereof, all of the multiple voting shares and 10,200 subordinate voting shares are owned by AMG. The following table summarizes the number of common shares issued:

	Number of common shares (in thousands)			Share capital (in thousands of dollars)		
	Multiple voting common shares	Subordinate voting common shares	Total common shares	Multiple voting common shares	Subordinate voting common shares	Total share capital
Balance at December 31, 2022	21,840	20,074	41,914	\$ 327,600	\$ 400,235	\$ 727,835
Shares issued in connection with the settlement of DSUs (note 11)	-	8	8	-	314	314
Shares repurchased for cancellation in connection with the Company's normal course issuer bid	-	(108)	(108)	-	(2,149)	(2,149)
<b>Balance at September 30, 2023</b>	<b>21,840</b>	<b>19,974</b>	<b>41,814</b>	<b>\$ 327,600</b>	<b>\$ 398,400</b>	<b>\$ 726,000</b>

### Normal course issuer bid and automatic securities purchase plan

From time to time, the Company will announce a normal course issuer bid ("NCIB") approved by the Board and the TSX to repurchase and cancel a specified number of subordinate voting shares. All repurchases are made through the facilities of the Toronto Stock Exchange at market prices. Amounts paid above the average book value of the subordinate voting shares are charged to retained earnings. In connection with a NCIB, the Company may enter into an automatic securities purchase plan ("ASPP") with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the NCIB during times when the Company would ordinarily not be permitted to make such purchases due to regulatory restrictions or self-imposed blackout periods. The volume of purchases is determined by the broker in its sole discretion based on purchase price and maximum volume parameters established by the Company in accordance with the rules of the TSX, applicable securities laws and the terms of the ASPP. Any purchases made under an ASPP will be included in computing the number of subordinate voting shares purchased under a NCIB.

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 9. Share capital (continued)

On March 24, 2023, the Company announced that the TSX had approved its notice of intention to make a NCIB for up to a maximum of 1,856,857 of its subordinate voting shares, or approximately 10% of its public float as of March 23, 2023, over the 12-month period commencing on March 29, 2023. The bid will terminate on March 28, 2024, or such earlier time as the Company completes its purchases pursuant to the bid or provides notice of termination. In connection with the NCIB, the Company established an ASPP with its designated broker that contains specified parameters regarding how its subordinate voting shares may be purchased under the NCIB during self-imposed blackout periods. The Company paused its ASPP and issued manual instructions to its designated broker for the period from August 9, 2023 to September 30, 2023 at which time the ASPP was reinstated under amended terms and conditions. As of September 30, 2023, a total of 107,740 subordinate voting shares, comprising approximately 0.5% of the number of subordinate voting shares outstanding, have been purchased and cancelled pursuant to the NCIB at an average price of \$40.81 per share, for a total purchase price of approximately \$4,396. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of \$2,247, was recognized as a share repurchase premium and a reduction to retained earnings.

#### Dividends to subordinate voting and multiple voting shareholders

During the nine months ended September 30, 2023, the Company declared total dividends of \$10,470, or \$0.25 per common share (September 30, 2022 – \$7,949, or \$0.19 per common share), on subordinate voting and multiple voting shares. Included in accounts payable and accrued liabilities as at September 30, 2023 is \$3,763 (September 30, 2022 – \$2,930) for dividends paid on October 16, 2023 and October 17, 2022, to common shareholders of record on September 30, 2023 and 2022 respectively.

#### 10. Earnings per share

##### Basic earnings per share

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
(in thousands of dollars and number of shares)				
Net income	\$ 15,335	\$ 18,995	\$ 47,579	\$ 56,451
Weighted average number of common shares	41,883	41,835	41,904	41,794
<b>Earnings per share – basic</b>	<b>\$ 0.37</b>	<b>\$ 0.45</b>	<b>\$ 1.14</b>	<b>\$ 1.35</b>

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 10. Earnings per share (continued)

### Diluted earnings per share

The basic earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

(in thousands of dollars and number of shares)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net income	\$ 15,335	\$ 18,995	\$ 47,579	\$ 56,451
Weighted average number of common shares	41,883	41,835	41,904	41,794
Dilutive effects:				
Stock options	691	822	719	815
Deferred share units	57	44	54	42
Weighted average number of diluted common shares	42,631	42,701	42,677	42,651
<b>Earnings per share – diluted</b>	<b>\$ 0.36</b>	<b>\$ 0.44</b>	<b>\$ 1.11</b>	<b>\$ 1.32</b>

## 11. Share-based payment arrangements

### Stock option plan (equity settled)

The Company offers a stock option plan for the benefit of certain of its employees. Each stock option entitles its holder to receive one subordinate voting common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant. The options vest in equal installments over four years and the expense is recognized following the treasury method as each installment is fair valued separately and recorded over the respective vesting periods.

On December 11, 2019 the Board of Directors approved a grant of 1.65 million options. There were no options exercised during the nine months ended September 30, 2023 (September 30, 2022 – 47 thousand). Of the options outstanding at September 30, 2023, a total of 635 thousand (December 31, 2022 – 635 thousand) are held by non-executive directors; 200 thousand (December 31, 2022 – 200 thousand) are held by executive officers; with the remaining 239 thousand (December 31, 2022 – 239 thousand) held by management personnel.



# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 11. Share-based payment arrangements (continued)

### Stock option plan (equity-settled) (continued)

The table below summarizes the changes in the outstanding stock options:

(in thousands of options and in dollars)	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	1,074	\$ 15.00	1,202	\$ 15.00
Exercised	-	-	(47)	15.00
Ending balance	1,074	\$ 15.00	1,155	\$ 15.00
<b>Options exercisable</b>	<b>780</b>	<b>\$ 15.00</b>	<b>568</b>	<b>\$ 15.00</b>

The Company recognized compensation expense of \$69 and \$208 for the three and nine months ended September 30, 2023 respectively (2022 – \$167 and \$502 respectively), with corresponding increases to contributed surplus in connection with the vesting of options issued at the time of the initial public offering.

### Director deferred share units (“DSUs”) program (equity settled)

Each non-executive director receives at least 50% of their annual director retainer in DSUs. DSUs vest when granted but are not redeemable for settlement until the director ceases to be a member of the Board. The number of DSUs issued is calculated for each director as the director’s quarterly retainer divided by the volume weighted average trading price on the TSX for the five trading days prior to such issuance. For the three and nine months ended September 30, 2023, the Company recognized a compensation expense of \$138 and \$437 respectively, with corresponding increases to contributed surplus (2022 – \$155 and \$465 respectively).

On June 5 and 12, 2023, an aggregate of 8 thousand DSUs were settled by the issuance of subordinate voting shares of the Company from treasury in connection with the retirement of a director resulting in a reduction of \$314 to contributed surplus and a corresponding increase in share capital.

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	September 30, 2023	September 30 2022
Opening balance	51	37
Granted	10	10
Settled	(8)	-
<b>Closing balance</b>	<b>53</b>	<b>47</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 12. Revenue

### a) Revenue streams

The Company generates revenue primarily from the provision of supply chain transportation and logistics services to its customers. The Company's contracts are typically satisfied over a short period of time. Consequently, the Company applies the practical expedient and does not disclose information related to its remaining performance obligations.

### b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (note 3), and revenue disaggregated by primary geographical markets. All of the revenue generated in the United States comprises ground transportation revenue.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Major products/service lines</b>				
Logistics and distribution	\$ 38,356	\$ 42,574	\$ 118,317	\$ 117,664
Packaging solutions	3,746	5,443	13,492	17,365
<b>Healthcare Logistics segment</b>	<b>42,102</b>	<b>48,017</b>	<b>131,809</b>	<b>135,029</b>
Ground transportation	103,856	105,353	315,567	309,180
Air freight forwarding	7,362	7,704	22,582	26,834
Dedicated and last mile delivery	17,027	16,980	50,497	49,540
Intersegment revenue	(13,593)	(13,156)	(41,570)	(37,932)
<b>Specialized Transportation segment</b>	<b>114,652</b>	<b>116,881</b>	<b>347,076</b>	<b>347,622</b>
<b>Total revenue</b>	<b>\$ 156,754</b>	<b>\$ 164,898</b>	<b>\$ 478,885</b>	<b>\$ 482,651</b>
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Primary geographical markets</b>				
Canada	\$ 126,214	\$ 130,377	\$ 382,354	\$ 385,289
United States	30,540	34,521	96,531	97,362
<b>Total revenue</b>	<b>\$ 156,754</b>	<b>\$ 164,898</b>	<b>\$ 478,885</b>	<b>\$ 482,651</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

### 13. Income taxes

#### a) Amounts recognized in income or loss

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Current income tax expense:</b>				
Current taxes on income for the reporting period	\$ 6,266	\$ 7,373	\$ 21,188	\$ 24,375
Current taxes relating to previous periods and other adjustments	-	-	(126)	-
	6,266	7,373	21,062	24,375
<b>Deferred income tax recovery:</b>				
Utilization (recognition) of tax benefits related to income (loss) for the period	86	(166)	156	(574)
Origination and reversal of temporary differences	(769)	(238)	(4,096)	(3,252)
Deferred taxes relating to previous periods and other adjustments	-	-	160	-
	(683)	(404)	(3,780)	(3,826)
<b>Income tax expense reported to the statements of income and comprehensive income</b>	<b>\$ 5,583</b>	<b>\$ 6,969</b>	<b>\$ 17,282</b>	<b>\$ 20,549</b>

Total cash outflow for actual taxes paid for the three and nine months ended September 30, 2023 was \$10,961 and \$33,123 respectively (September 30, 2022 – \$7,221 and \$22,818 respectively).

#### b) Amounts recognized directly in equity

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Transaction costs, before tax	\$ -	\$ -	\$ -	\$ 86
Tax	-	-	-	(23)
<b>Transaction costs, net of tax</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63</b>

#### c) Reconciliation of effective tax rate

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Income before income taxes	\$ 20,918	\$ 25,964	\$ 64,861	\$ 77,000
Consolidated Canadian federal and provincial income tax rate	26.5%	26.5%	26.5%	26.5%
Income tax expense based on statutory rate	5,543	6,880	17,188	20,405
Increase in income taxes resulting from non-deductible items or other adjustments	40	89	60	144
Taxes relating to previous periods and other adjustments	-	-	34	-
<b>Total income tax expense</b>	<b>\$ 5,583</b>	<b>\$ 6,969</b>	<b>\$ 17,282</b>	<b>\$ 20,549</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 13. Income taxes (continued)

##### d) Deferred taxes

	September 30, 2023	December 31, 2022
Deferred tax assets	\$ 5,660	\$ 5,809
Deferred tax liabilities	(44,604)	(48,609)
<b>Net deferred tax liability</b>	<b>\$ (38,944)</b>	<b>\$ (42,800)</b>

##### e) Movement in deferred tax balances

	September 30, 2023	Recognized in income or loss	Foreign currency adjustments	December 31, 2022
Plant and equipment	\$ (12,658)	\$ 1,126	\$ 19	\$ (13,803)
Accounts payable and accrued liabilities	824	5	-	819
Intangibles	(35,160)	3,827	60	(39,047)
Benefit of losses carried forward	2,627	(156)	-	2,783
Leases	3,943	(248)	(3)	4,194
Transaction costs	1,480	(774)	-	2,254
<b>Net deferred tax (liability) asset</b>	<b>\$ (38,944)</b>	<b>\$ 3,780</b>	<b>\$ 76</b>	<b>\$ (42,800)</b>

	December 31, 2022	Recognized in income or loss	Acquired in business combina- tions	Foreign currency adjustments	September 30, 2022
Plant and equipment	\$ (13,803)	\$ (1,770)	\$ 444	\$ 24	\$ (12,501)
Accounts payable and accrued liabilities	819	73	-	5	741
Intangibles	(39,047)	52	1,982	653	(41,734)
Benefit of losses carried forward	2,783	55	-	-	2,728
Leases	4,194	68	(109)	(29)	4,264
Transaction costs	2,254	(259)	-	-	2,513
<b>Net deferred tax (liability) asset</b>	<b>\$ (42,800)</b>	<b>\$ (1,781)</b>	<b>\$ 2,317</b>	<b>\$ 653</b>	<b>\$ (43,989)</b>

	September 30, 2022	Recognized in equity	Recognized in income or loss	Acquired in business combina- tions	Foreign currency adjustments	December 31, 2021
Plant and equipment	\$ (12,501)	\$ -	\$ 973	\$ (560)	\$ (522)	\$ (12,392)
Accounts payable and accrued liabilities	741	-	134	-	-	607
Intangibles	(41,734)	-	3,690	(2,107)	(2,331)	(40,986)
Benefit of losses carried forward	2,728	-	574	-	-	2,154
Leases	4,264	-	(764)	170	110	4,748
Transaction costs	2,513	23	(781)	-	-	3,271
<b>Net deferred tax (liability) asset</b>	<b>\$ (43,989)</b>	<b>\$ 23</b>	<b>\$ 3,826</b>	<b>\$ (2,497)</b>	<b>\$ (2,743)</b>	<b>\$ (42,598)</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 13. Income taxes (continued)

f) **Unrecognized deferred tax liabilities**

As at September 30, 2023, temporary differences of \$40,390 (December 31, 2022 – \$40,390) exist in connection with wholly-owned investments in subsidiaries; and the related potential deferred tax liability of \$5,352 (December 31, 2022 – \$5,352) has not been recognized. The Company controls the dividend policies of its subsidiaries and controls the timing of payment of such dividends. Accordingly, the Company controls the timing of reversal of the related taxable temporary differences; and management is satisfied that they will not reverse in the foreseeable future.

g) **Non-capital loss carryforwards**

The Company recognized deferred tax assets in connection with certain losses for the current year on the basis that it will have sufficient future taxable profit.

The Company has total non-capital tax loss carry forwards of \$9,869 that begin to expire in 2039.

h) **Uncertainty over income tax treatments**

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

#### 14. Leases

The Company leases buildings and equipment in the operation of its Transportation and Logistics businesses. The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. The Company estimates its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. Building lease terms range from 5 to 10 years. Facilities lease liabilities are calculated using the Company's incremental borrowing rate based on the specific lease commitments and term for each facility. The average incremental borrowing rate for facilities for the three months ended September 30, 2023 is 5.76% (year ended December 31, 2022 – 5.20%). Equipment lease terms range from 1 to 7 years. Equipment lease liabilities are calculated using the operating segment's average incremental borrowing rate on an equipment lease portfolio basis for that period. The average incremental borrowing rate for equipment for the nine months ended September 30, 2023 is 5.62% for Specialized Transportation and 5.74% for Healthcare Logistics (year ended December 31, 2022 – 4.87% for Specialized Transportation; 5.49% for Healthcare Logistics).

<b>Right-of-use assets – Facilities</b>	<b>As at and for the nine months ended September 30, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 77,701	\$ 89,343
Add: additions	2,477	2,744
Add: additions through business combinations	-	2,756
Less: depreciation	(13,443)	(17,487)
Foreign currency adjustments	(12)	345
<b>Ending balance</b>	<b>\$ 66,723</b>	<b>\$ 77,701</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 14. Leases (continued)

Right-of-use assets – Logistics and transportation equipment	As at and for the nine months ended September 30, 2023	As at and for the year ended December 31, 2022
Opening balance	\$ 32,333	\$ 33,443
Add: additions	9,408	9,294
Add: additions through business combinations	-	1,042
Less: depreciation	(8,480)	(11,519)
Foreign currency adjustments	(3)	73
<b>Ending balance</b>	<b>\$ 33,258</b>	<b>\$ 32,333</b>
<b>Net carrying amounts of right-of-use assets included in property, plant and equipment</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Facilities	\$ 66,723	\$ 77,701
Logistics and transportation equipment	33,258	32,333
<b>Balance</b>	<b>\$ 99,981</b>	<b>\$ 110,034</b>
<b>Lease liabilities – Facilities</b>	<b>As at and for the nine months ended September 30, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 86,925	\$ 98,681
Add: additions	2,477	2,744
Add: additions through business combinations	-	2,006
Add: interest expense	2,364	3,623
Less: principal repayments	(13,249)	(16,857)
Less: interest payments	(2,364)	(3,623)
Foreign currency adjustments	(12)	351
<b>Ending balance</b>	<b>\$ 76,141</b>	<b>\$ 86,925</b>
<b>Lease liabilities – Logistics and transportation equipment</b>	<b>As at and for the nine months ended September 30, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 26,804	\$ 28,282
Add: additions	9,408	9,294
Add: additions through business combinations	-	1,392
Add: interest expense	963	1,165
Less: principal repayments	(7,600)	(12,177)
Less: interest payments	(963)	(1,165)
Foreign currency adjustments	13	13
<b>Ending balance</b>	<b>\$ 28,625</b>	<b>\$ 26,804</b>
<b>Cash lease principal payments</b>	<b>Nine months ended September 30, 2023</b>	<b>Year ended December 31, 2022</b>
Repayments of lease principal	\$ (20,849)	\$ (29,034)
<b>Total lease payments</b>	<b>\$ (20,849)</b>	<b>\$ (29,034)</b>

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 14. Leases (continued)

<b>Lease liabilities</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Facilities	\$ (76,141)	\$ (86,925)
Logistics and transportation equipment	(28,625)	(26,804)
<b>Balance</b>	<b>\$ (104,766)</b>	<b>\$ (113,729)</b>
<b>Lease liabilities included in consolidated balance sheets</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Current	\$ (26,909)	\$ (26,547)
Non-current	(77,857)	(87,182)
<b>Balance</b>	<b>\$ (104,766)</b>	<b>\$ (113,729)</b>
<b>Maturity analysis for lease liabilities – contractual undiscounted cash flows</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 30,422	\$ 30,523
One to 5 years	76,838	81,317
More than 5 years	6,926	12,886
<b>Total undiscounted lease liabilities</b>	<b>\$ 114,186</b>	<b>\$ 124,726</b>

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for the three and nine months ended September 30, 2023 was \$1,087 and \$3,327 respectively (September 30, 2022 – \$1,188 and \$3,628 respectively). Total cash outflow for leases for the three and nine months ended September 30, 2023 was \$7,802 and \$24,176 respectively (September 30, 2022 – \$8,542 and \$25,316 respectively).

<b>Net investment lease</b>	<b>As at and for the nine months ended September 30, 2023</b>	<b>As at and for year ended December 31, 2022</b>
Opening balance	\$ 61	\$ 784
Add: interest received	-	11
Less: payments received	(61)	(723)
Less: interest income	-	(11)
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ 61</b>

In January 2021, the Company sub-leased a facility to a third party that had previously been classified as a right-of-use asset. The Company derecognized the net book value of the right-of-use asset and established a net investment lease at that time. As at September 30, 2023 the lease has been fully paid and terminated. The Company recognized less than \$1 of interest income for the nine months ended September 30, 2023 (2022 – \$10).

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 15. Interest expense

Interest expense recognized in income and comprehensive income	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Leases	\$ 1,087	\$ 1,188	\$ 3,327	\$ 3,628
Credit facilities	802	489	2,404	1,294
Other	-	69	-	69
<b>Total interest expense</b>	<b>\$ 1,889</b>	<b>\$ 1,746</b>	<b>\$ 5,731</b>	<b>\$ 4,991</b>

Interest expense recognized in the consolidated statements of income and comprehensive income equates to total interest paid for the periods ended September 30, 2023 and 2022.

#### 16. Commitments and contingencies

- a) The Company is, from time to time, involved in claims, legal proceedings and complaints arising in the normal course of business and provisions for such claims have been recorded where appropriate. The Company does not believe the final determination of these claims will have an adverse material effect on its consolidated financial statements.
- b) As at September 30, 2023, the Company had outstanding letters of guarantee in the amount of \$365 (December 31, 2022 – \$365).
- c) The Company has made commitments to lease fleet equipment, with the terms to begin upon delivery of the equipment. Commitments range from 72 to 84 months and total \$13,124 (December 31, 2022 – \$11,371).
- d) The Company has made commitments to purchase fleet equipment totalling approximately \$11,948 (December 31, 2022 – \$10,126).

#### 17. Related parties

During the period, the Company entered into transactions with related parties that were incurred in the normal course of business. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. All outstanding balances with these related parties are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognized in the current period or prior period for bad or doubtful debts in respect of amounts owed by related parties.

The Company is indirectly controlled by Michael Andlauer, the Chief Executive Officer and CODM. Included in these consolidated financial statements are the following transactions and balances with companies related either directly or indirectly to Mr. Andlauer.

The Company recovers certain facilities lease costs from Andlauer Management Group Inc. ("AMG"). The Company also provides certain shared services (primarily accounting services) to AMG.



# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

#### 17. Related parties (continued)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Revenue</b>				
<b>Transportation services</b>				
1708998 Ontario Limited (Medical Courier Services)	\$ 52	\$ 41	\$ 158	\$ 132
<b>Shared service recovery</b>				
Andlauer Properties and Leasing Inc.	5	5	15	15
Andlauer Management Group Inc.	4	3	12	9
9143-5271 Quebec Inc.	8	8	24	24
1708998 Ontario Limited (Medical Courier Services)	6	3	18	9
<b>Expenses</b>				
<b>Transportation services</b>				
1708998 Ontario Limited (Medical Courier Services)	34	37	114	104
Med Express Ltd.	-	14	20	27
<b>Contract labour services</b>				
Ready Staffing Solutions Inc.	1,529	1,762	4,954	4,799
<b>Equipment rent</b>				
Andlauer Properties and Leasing Inc.	588	557	1,614	1,749
<b>Facility rent</b>				
Andlauer Properties and Leasing Inc.	517	358	1,706	1,340
9143-5271 Quebec Inc.	387	383	1,157	1,149
<b>Maintenance services</b>				
D.C. Racking and Maintenance Inc. and Logiserv Inc.	-	-	-	14
<b>Travel services</b>				
C-GHBS Inc.	-	-	58	72
<b>Capital Expenditures</b>				
<b>Purchases of logistics and transportation equipment</b>				
Logiserv Inc.	-	-	-	47

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

### 17. Related parties (continued)

	September 30, 2023	December 31, 2022
<b>Trade receivables due from related parties</b>		
Andlauer Properties and Leasing Inc.	\$ 16	\$ 15
Med Express Ltd.	7	-
1708998 Ontario Limited (Medical Courier Services)	19	32
Bulldogs Hockey Inc.	10	-
	52	47
<b>Due from related parties</b>		
Andlauer Management Group Inc.	67	56
Andlauer Properties and Leasing Inc.	38	-
	105	56
<b>Total due from related parties</b>	<b>\$ 157</b>	<b>\$ 103</b>
<b>Trade payables due to related parties</b>		
Ready Staffing Solutions Inc.	\$ 465	\$ 463
1708998 Ontario Limited (Medical Courier Services)	-	18
Andlauer Properties and Leasing Inc.	368	73
Andlauer Management Group Inc.	-	9
C-GHBS Inc.	-	12
Logiserv Inc.	-	12
	833	587
<b>Due to related parties</b>		
Andlauer Properties and Leasing Inc.	133	342
<b>Total due to related parties</b>	<b>\$ 966</b>	<b>\$ 929</b>

### Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO, four named executive officers comprising key management and the Board of Directors.

Key management personnel compensation comprised the following:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Key management compensation</b>				
Salaries and benefits	\$ 1,015	\$ 876	\$ 3,046	\$ 2,622
Share-based payment arrangements	44	106	132	319
Director deferred share units	130	155	437	465
<b>Total key management compensation</b>	<b>\$ 1,189</b>	<b>\$ 1,137</b>	<b>\$ 3,615</b>	<b>\$ 3,406</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the nine months ended September 30, 2023 and 2022

(In thousands of Canadian dollars, except shares, share price and earnings per share) (unaudited)

## 18. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends and distributions to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company monitors capital using a net leverage ratio, calculated as net debt divided by the last twelve months' earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company seeks to keep its net leverage ratio below 3.0 in the ordinary course of business.

	September 30, 2023	December 31, 2022
Total lease liabilities	\$ 104,766	\$ 113,729
Term facility	24,758	49,557
Less: cash and cash equivalents	(68,285)	(65,855)
Net debt	61,239	97,431
Last twelve months' net income	67,403	76,275
Last twelve months' interest income	(2,796)	(599)
Last twelve months' interest expense	7,598	6,858
Last twelve months' income tax expense	24,216	27,483
Last twelve months' depreciation and amortization	67,283	64,452
EBITDA	163,704	174,469
Net leverage ratio	0.37	0.56