



Unaudited Interim Condensed Consolidated  
Financial Statements of

**ANDLAUER HEALTHCARE  
GROUP INC.**

For the three months ended March 31, 2024 and 2023

**Andlauer Healthcare Group Inc.**  
**Interim Condensed Consolidated Balance Sheets**

**As at March 31, 2024 and December 31, 2023**

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

<b>Assets</b>	<b>Note</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Current assets</b>			
Cash and cash equivalents		\$ 68,158	\$ 59,740
Trade and other receivables		100,251	102,206
Income taxes receivable		1,126	1,230
Inventories		5,313	5,329
Prepaid expenses and other		5,804	6,605
Due from related parties	16	108	1
		<u>180,760</u>	<u>175,111</u>
<b>Non-current assets</b>			
Long-term deposits and other		974	911
Property, plant and equipment	4	165,402	166,200
Goodwill and intangible assets	5	334,923	334,919
Deferred income taxes	12	5,114	5,285
		<u>345,413</u>	<u>342,315</u>
<b>Total Assets</b>		<b><u>\$ 687,173</u></b>	<b><u>\$ 682,426</u></b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Term facility	6	\$ 24,856	\$ -
Accounts payable and accrued liabilities		40,308	41,795
Current portion of lease liabilities	13	27,944	27,697
		<u>93,108</u>	<u>69,492</u>
<b>Long-term liabilities</b>			
Lease liabilities	13	72,310	75,384
Deferred income taxes	12	41,405	42,955
Due to related parties	16	325	206
Term facility	6	-	24,819
		<u>114,040</u>	<u>143,364</u>
<b>Total Liabilities</b>		<b><u>207,148</u></b>	<b><u>212,856</u></b>
<b>Equity</b>			
Common share capital	8	715,704	718,790
Contributed surplus	10	6,626	6,308
Accumulated other comprehensive income		19,731	14,194
Merger reserve	2	(488,916)	(488,916)
Retained earnings		226,880	219,194
		<u>480,025</u>	<u>469,570</u>
Commitments and contingencies	15		
<b>Total Liabilities and Equity</b>		<b><u>\$ 687,173</u></b>	<b><u>\$ 682,426</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 months ended March 31, 2024 and 2023

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

	Note	March 31, 2024	March 31, 2023
<b>Revenue</b>	11	<b>\$ 161,138</b>	<b>\$ 164,774</b>
<b>Operating expenses</b>			
Cost of transportation and services		82,466	84,179
Direct operating expenses		26,273	27,035
Selling, general and administrative expenses		12,816	13,110
Depreciation and amortization	4	18,340	16,760
		<u>139,895</u>	<u>141,084</u>
<b>Operating income</b>		<b>21,243</b>	<b>23,690</b>
Interest expense	14	(1,579)	(1,933)
Interest income		695	599
Other income		9	19
		<u>20,368</u>	<u>22,375</u>
<b>Income before income taxes</b>		<b>20,368</b>	<b>22,375</b>
Current income tax expense	12	7,512	7,685
Deferred income tax recovery	12	(2,067)	(1,838)
		<u>5,445</u>	<u>5,847</u>
<b>Net income</b>		<b>\$ 14,923</b>	<b>\$ 16,528</b>
<b>Net earnings per share</b>			
Basic earnings per share	9	<b>\$ 0.36</b>	<b>\$ 0.39</b>
Diluted earnings per share	9	<b>\$ 0.35</b>	<b>\$ 0.39</b>
<b>Other comprehensive income</b>			
Net income		\$ 14,923	\$ 16,528
Foreign currency translation adjustment		5,537	(200)
Other comprehensive income (loss) for the year		5,537	(200)
<b>Total comprehensive income for the year</b>		<b>\$ 20,460</b>	<b>\$ 16,328</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 three months ended March 31, 2024 and 2023

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

	Number of shares (thousands) (note 8)	Share capital (note 8)	Accumulated other compre- hensive income	Merger reserve (note 2)	Contributed surplus (note 10)	Retained earnings	Total equity
Balance at December 31, 2023	41,467	\$ 718,790	\$ 14,194	\$ (488,916)	\$ 6,308	\$ 219,194	\$ 469,570
Net income and comprehensive income for the period	-	-	5,537	-	-	14,923	20,460
Share-based compensation (note 10)	16	90	-	-	318	-	408
Shares repurchased for cancellation (note 8)	(159)	(3,176)	-	-	-	(3,105)	(6,281)
Dividends (note 8)	-	-	-	-	-	(4,132)	(4,132)
<b>Balance at March 31, 2024</b>	<b>41,324</b>	<b>\$ 715,704</b>	<b>\$ 19,731</b>	<b>\$ (488,916)</b>	<b>\$ 6,626</b>	<b>\$ 226,880</b>	<b>\$ 480,025</b>
Balance at December 31, 2022	41,914	\$ 727,835	\$ 19,642	\$ (488,916)	\$ 5,806	\$ 176,625	\$ 440,992
Net income and comprehensive income (loss) for the period	-	-	(200)	-	-	16,528	16,328
Share-based compensation (note 10)	-	-	-	-	225	-	225
Dividends (note 8)	-	-	-	-	-	(3,353)	(3,353)
<b>Balance at March 31, 2023</b>	<b>41,914</b>	<b>\$ 727,835</b>	<b>\$ 19,442</b>	<b>\$ (488,916)</b>	<b>\$ 6,031</b>	<b>\$ 189,800</b>	<b>\$ 454,192</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 three months ended March 31, 2024 and 2023**

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

	Note	March 31, 2024	March 31, 2023
<b>Operating activities</b>			
Net income for the period		\$ 14,923	\$ 16,528
Changes not involving cash:			
Depreciation and amortization		18,340	16,760
Amortization of capitalized financing costs	6	37	67
Share-based compensation	10	408	225
Deferred income tax recovery	12	(2,067)	(1,838)
Loss (gain) on disposal of property, plant and equipment		22	(123)
		<u>31,663</u>	<u>31,619</u>
Changes in non-cash operating working capital:			
Trade and other receivables		2,283	(2,923)
Inventories		25	(264)
Accounts payable and accrued liabilities		(1,601)	(724)
Income taxes		43	(1,339)
Net change in other operating working capital balances		783	(1,973)
<b>Cash flows from operating activities</b>		<b><u>33,196</u></b>	<b><u>24,396</u></b>
<b>Financing activities</b>			
Dividends	8	(4,132)	(3,353)
Principal repayments on lease liabilities	13	(7,184)	(7,171)
Net change in related party balances		188	36
Shares repurchased for cancellation	8	(6,281)	-
<b>Cash flows used in financing activities</b>		<b><u>(17,409)</u></b>	<b><u>(10,488)</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(7,978)	(5,209)
Proceeds on disposal of property, plant and equipment		281	382
Purchase of intangible assets	5	(332)	(513)
<b>Cash flows used in investing activities</b>		<b><u>(8,029)</u></b>	<b><u>(5,340)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>7,758</b>	<b>8,568</b>
Effect of foreign currency translation on cash and cash equivalents		660	(27)
<b>Cash and cash equivalents, beginning of period</b>		<b><u>59,740</u></b>	<b><u>65,855</u></b>
<b>Cash and cash equivalents, end of period</b>		<b><u>\$ 68,158</u></b>	<b><u>\$ 74,396</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 three months ended March 31, 2024 and 2023

(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 52.9% of the issued and outstanding shares and 81.8% 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, 2023 and 2022.

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 except for changes in the estimated useful lives of certain property, plant and equipment as described in note 4.

These consolidated financial statements were authorized for issue by the Board of Directors effective May 2, 2024.

##### 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., Andlauer Specialized Transportation Inc. (formerly 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., Andlauer Specialized Transportation Inc. (formerly 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 three months ended March 31, 2024 and 2023

(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, 2023, except for changes in the estimated useful lives of certain property, plant and equipment as described in note 4.

## 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.

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

### 3. Segment reporting (continued)

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 March 31, 2024 and 2023 and for the three months then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
<b>As at March 31, 2024 and for the three months then ended</b>					
Revenue	\$ 132,128	\$ 42,860	\$ 855	\$ (14,705)	\$ 161,138
Segment income before tax	16,420	3,941	7	-	20,368
Interest income	433	231	1,697	(1,666)	695
Interest expense	(1,220)	(359)	-	-	(1,579)
Depreciation and amortization	(14,299)	(4,041)	-	-	(18,340)
Segment net income	12,095	2,992	(164)	-	14,923
Segment total assets	533,129	176,443	670,843	(693,242)	687,173
Additions of ROU assets	4,160	2	-	-	4,162
Capital expenditures	7,535	443	-	-	7,978
Segment total liabilities	153,833	72,686	6,363	(25,734)	207,148
<b>As at March 31, 2023 and for the three months then ended</b>					
Revenue	\$ 132,933	\$ 46,033	\$ 1,785	\$ (15,977)	\$ 164,774
Segment income before tax	17,138	5,057	180	-	22,375
Interest income	(429)	99	929	-	599
Interest expense	(1,097)	(450)	(386)	-	(1,933)
Depreciation and amortization	(12,981)	(3,779)	-	-	(16,760)
Segment net income	12,647	3,768	113	-	16,528
Segment total assets	558,458	178,098	731,461	(749,856)	718,161
Additions of ROU assets	2,924	4	-	-	2,928
Capital expenditures	4,355	854	-	-	5,209
Segment total liabilities	227,892	87,681	30,745	(82,349)	263,969

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 March 31, 2024 and 2023.



## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

#### 4. Property, plant and equipment

Effective January 1, 2024, the Company revised the estimated useful lives and related depreciation methods of certain tangible assets reflecting a reassessment of their expected usefulness to the Company, and recent experience related to their economic lives.

These changes are summarized as follows:

Asset	Depreciation method prior to January 1, 2024	Depreciation method effective January 1, 2024
Furniture and fixtures	20-30% declining balance	7 years straight line
Logistics and transportation equipment	Primarily 20-30% declining balance, except for storage vaults which are amortized straight line over 40 years, and certain transportation equipment which is amortized straight line over periods of 3-7 years	3 to 10 years straight line, except for storage vaults which are amortized straight line over 40 years

The changes in estimates have been made on a prospective basis. For the three months ended March 31, 2024, the changes in estimates increased depreciation expense by \$1,057. The full year impact of the changes in estimates is expected to result in a net reduction of depreciation expense of \$947.

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, 2023	\$ 164,079	\$ 9,522	\$ 27,044	\$ 217,823	\$ 418,468
Additions	2,760	25	103	9,252	12,140
Dispositions	-	-	-	(1,060)	(1,060)
Foreign currency adjustments	146	9	64	834	1,053
<b>Balance at March 31, 2024</b>	<b>\$ 166,985</b>	<b>\$ 9,556</b>	<b>\$ 27,211</b>	<b>\$ 226,849</b>	<b>\$ 430,601</b>
<b>Accumulated depreciation</b>					
Balance at December 31, 2023	\$ 101,940	\$ 7,593	\$ 16,417	\$ 126,318	\$ 252,268
Depreciation for the period	4,560	358	764	7,614	13,296
Dispositions	-	-	-	(757)	(757)
Foreign currency adjustments	45	2	10	335	392
<b>Balance at March 31, 2024</b>	<b>\$ 106,545</b>	<b>\$ 7,953</b>	<b>\$ 17,191</b>	<b>\$ 133,510</b>	<b>\$ 265,199</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2023</b>	<b>\$ 62,139</b>	<b>\$ 1,929</b>	<b>\$ 10,627</b>	<b>\$ 91,505</b>	<b>\$ 166,200</b>
<b>At March 31, 2024</b>	<b>\$ 60,440</b>	<b>\$ 1,603</b>	<b>\$ 10,020</b>	<b>\$ 93,339</b>	<b>\$ 165,402</b>

<sup>1</sup> Facilities and certain logistics and transportation equipment assets are ROU assets, capitalized in accordance with IFRS 16. Refer to note 13.

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

## 5. Goodwill and intangible assets

	Goodwill	Customer relationships	Brand	Software	Total
<b>Cost</b>					
Balance at December 31, 2023	\$ 190,560	\$ 163,824	\$ 42,306	\$ 11,941	\$ 408,631
Additions	-	-	-	332	332
Foreign currency adjustments	2,392	2,287	684	11	5,374
<b>Balance at March 31, 2024</b>	<b>\$ 192,952</b>	<b>\$ 166,111</b>	<b>\$ 42,990</b>	<b>\$ 12,284</b>	<b>\$ 414,337</b>
<b>Accumulated amortization</b>					
Balance at December 31, 2023	\$ -	\$ 57,775	\$ 9,795	\$ 6,142	\$ 73,712
Amortization for the period	-	3,761	1,070	213	5,044
Foreign currency adjustments	-	507	151	-	658
<b>Balance at March 31, 2024</b>	<b>\$ -</b>	<b>\$ 62,043</b>	<b>\$ 11,016</b>	<b>\$ 6,355</b>	<b>\$ 79,414</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2023</b>	<b>\$ 190,560</b>	<b>\$ 106,049</b>	<b>\$ 32,511</b>	<b>\$ 5,799</b>	<b>\$ 334,919</b>
<b>At March 31, 2024</b>	<b>\$ 192,952</b>	<b>\$ 104,068</b>	<b>\$ 31,974</b>	<b>\$ 5,929</b>	<b>\$ 334,923</b>

## 6. Credit facilities

	March 31, 2024	December 31, 2023
Term facility	\$ 25,000	\$ 25,000
	25,000	25,000
Less: capitalized financing costs	(144)	(181)
<b>Credit facilities</b>	<b>\$ 24,856</b>	<b>\$ 24,819</b>

Recorded in the consolidated balance sheets as follows:

	March 31, 2024	December 31, 2023
Revolving credit facility	\$ -	\$ -
Term facility	24,856	24,819
<b>Credit facilities</b>	<b>\$ 24,856</b>	<b>\$ 24,819</b>

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

## 6. Credit facilities (continued)

The movement in credit facilities from December 31, 2023 is as follows:

	<b>Credit Facilities</b>
Balance at December 31, 2023	\$ 24,819
<b>Non-cash movements</b>	
Amortization of capitalized financing costs	37
<b>Balance at March 31, 2024</b>	<b>\$ 24,856</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. 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 March 31, 2024, the credit facilities comprise bankers' acceptances drawn at an interest rate of 6.7% (December 31, 2023 – 6.9%).

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 March 31, 2024 and December 31, 2023, 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 months ended March 31, 2024 was \$416 (March 31, 2023 – \$795).

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 7. 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 6). The Company believes that the carrying amount of each of these items 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.

## 8. 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 March 31, 2024, 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, 2023	21,840	19,627	41,467	\$ 327,600	\$ 391,190	\$ 718,790
Shares issued in connection with the exercise of options (note 10)	-	16	16	-	90	90
Shares repurchased for cancellation in connection with the Company's normal course issuer bid	-	(159)	(159)	-	(3,176)	(3,176)
<b>Balance at March 31, 2024</b>	<b>21,840</b>	<b>19,484</b>	<b>41,324</b>	<b>\$ 327,600</b>	<b>\$ 388,104</b>	<b>\$ 715,704</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 8. Share capital (continued)

### 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.

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 terminated on March 28, 2024. In connection with the NCIB, the Company established an ASPP with its designated broker that contained specified parameters regarding how its subordinate voting shares may be purchased under the NCIB during self-imposed blackout periods. For the three month period ended March 31, 2024, a total of 159,350 subordinate voting shares, comprising approximately 0.8% of the number of subordinate voting shares outstanding, have been purchased and cancelled pursuant to the NCIB at an average price of \$39.42 per share, for a total purchase price of approximately \$6,281. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of \$3,105, was recognized as a share repurchase premium and a reduction to retained earnings.

### Dividends to subordinate voting and multiple voting shareholders

During the three months ended March 31, 2024, the Company declared total dividends of \$4,132, or \$0.10 per common share (March 31, 2023 – \$3,353, or \$0.08 per common share), on subordinate voting and multiple voting shares. These amounts were included in accounts payable and accrued liabilities as at March 31, 2024 and 2023 respectively, and were paid on April 15, 2024 and April 17, 2023 respectively, to common shareholders of record on March 28, 2024 and March 31, 2023 respectively.

## 9. 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	Three Months Ended
(in thousands of dollars and number of shares)	March 31, 2024	March 31, 2023
Net income	\$ 14,923	\$ 16,528
Weighted average number of common shares	41,384	41,914
<b>Earnings per share – basic</b>	<b>\$ 0.36</b>	<b>\$ 0.39</b>

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## 9. 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:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
(in thousands of dollars and number of shares)		
Net income	\$ 14,923	\$ 16,528
Weighted average number of common shares	41,384	41,914
Dilutive effects:		
Stock options	641	728
Restricted share units	30	-
Deferred share units	57	51
Weighted average number of diluted common shares	42,112	42,693
<b>Earnings per share – diluted</b>	<b>\$ 0.35</b>	<b>\$ 0.39</b>

## 10. 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. Of these options, 25 thousand were exercised during the three months ended March 31, 2024 (March 31, 2023 – nil) while 1.018 million remain outstanding and are exercisable. On December 11, 2023, the Board of Directors approved a grant of 63 thousand options which were granted to executive officers and management personnel in connection with its long-term incentive plan. Of these options, 2 thousand were forfeited during the three months ended March 31, 2024 (March 31, 2023 - nil).

Of the options outstanding at March 31, 2024, a total of 635 thousand (March 31, 2023 – 635 thousand) are held by non-executive directors; 204 thousand (March 31, 2023 – 200 thousand) are held by executive officers; with the remaining 240 thousand (March 31, 2023 – 239 thousand) held by management personnel.

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

## 10. 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)	March 31, 2024		March 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	1,106	\$ 16.41	1,074	\$ 15.00
Exercised	(25)	15.00	-	-
Forfeited	(2)	\$ 39.73	-	-
Ending balance	1,079	\$ 16.40	1,074	\$ 15.00
<b>Options exercisable</b>	<b>1,018</b>	<b>\$ 15.00</b>	<b>780</b>	<b>\$ 15.00</b>

The table below summarizes stock options outstanding and exercisable at March 31, 2024:

(in thousands of options and in dollars)	Options Outstanding		Options Exercisable
	Number of options	Weighted average remaining contractual life (in years)	Number of options
Exercise price			
\$ 15.00	1,018	5.70	1,018
39.73	61	9.70	-
	<b>1,079</b>	<b>5.93</b>	<b>1,018</b>

The Company recognized compensation expense of \$114 for the three months ended March 31, 2024 (March 31, 2023 – \$70), with corresponding increases to contributed surplus in connection with the vesting of options.

During the three months ended March 31, 2024, 25 thousand options were exercised on a cashless basis resulting in 16 thousand subordinate voting common shares being issued from treasury and in the surrender of 9 thousand options used to fund the cashless option exercise. The volume weighted average price used to calculate the cashless exercises in accordance with the Company's Omnibus Equity Incentive Plan was \$42.77 per share at the time of exercise resulting in a \$90 net increase in share capital. When options are exercised, the option value that was originally recognized is transferred from contributed surplus to share capital. The transfer of the option value of the options exercised resulted in a \$90 reduction to contributed surplus at \$3.60 per share.

### Restricted share units ("RSUs") program (equity settled)

On December 11, 2023, the Board of Directors approved a grant of 30 thousand RSUs which were granted to executive officers and management personnel in connection with its long-term incentive plan. The fair value of the RSUs is determined to be the share price fair value at the date of the grant. The RSUs vest in equal installments over four years and the expense is recognized as a share-based compensation expense, through contributed surplus over the vesting period. The fair value of the RSUs granted was \$39.95 per unit. For the three months ended March 31, 2024 the Company recognized a compensation expense of \$156, with a corresponding increase to contributed surplus (March 31, 2023 – \$nil).

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

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

#### Restricted share units (“RSUs”) program (equity settled) (continued)

The table below summarizes the changes in the outstanding RSUs:

(in thousands of RSUs and in dollars)	March 31, 2024	
	Number of RSUs	Weighted average grant date fair value
Opening balance	30	\$ 39.95
Ending balance	30	\$ 39.95
<b>RSUs exercisable</b>	<b>-</b>	<b>\$ 39.95</b>

#### 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 months ended March 31, 2024, the Company recognized a compensation expense of \$138, with corresponding increases to contributed surplus (March 31, 2023 – \$155).

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	March 31, 2024	March 31, 2023
Opening balance	57	51
Granted	3	3
<b>Ending balance</b>	<b>60</b>	<b>54</b>



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## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 11. 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.

	March 31, 2024	March 31, 2023
<b>Major products/service lines</b>		
Logistics and distribution	\$ 37,918	\$ 40,523
Packaging solutions	4,942	5,510
<b>Healthcare Logistics segment</b>	<b>42,860</b>	<b>46,033</b>
Ground transportation	106,388	108,260
Air freight forwarding	7,995	7,542
Dedicated and last mile delivery	17,745	17,131
Intersegment revenue	(13,850)	(14,192)
<b>Specialized Transportation segment</b>	<b>118,278</b>	<b>118,741</b>
<b>Total revenue</b>	<b>\$ 161,138</b>	<b>\$ 164,774</b>
<b>Primary geographical markets</b>		
Canada	\$ 131,736	\$ 131,046
United States	29,402	33,728
<b>Total revenue</b>	<b>\$ 161,138</b>	<b>\$ 164,774</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 12. Income taxes

### a) Amounts recognized in income or loss

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
<b>Current income tax expense:</b>		
Current taxes on income for the reporting year	\$ 7,216	\$ 7,685
Current taxes relating to previous years and other adjustments	296	-
	7,512	7,685
<b>Deferred income tax recovery:</b>		
Recognition of tax benefits related to loss for the period	(18)	(170)
Origination and reversal of temporary differences	(1,761)	(1,668)
Deferred taxes relating to previous years and other adjustments	(288)	-
	(2,067)	(1,838)
<b>Income tax expense reported to the statements of income and comprehensive income</b>	<b>\$ 5,445</b>	<b>\$ 5,847</b>

Total cash outflow for actual taxes paid for the three months ended March 31, 2024 was \$7,360 (March 31, 2023 – \$8,908).

### b) Reconciliation of effective tax rate

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Income before income taxes	\$ 20,368	\$ 22,375
Consolidated Canadian federal and provincial income tax rate	26.5%	26.5%
Income tax expense based on statutory rate	5,398	5,929
Increase (decrease) in income taxes resulting from non-deductible items or other adjustments	47	(82)
<b>Total income tax expense</b>	<b>\$ 5,445</b>	<b>\$ 5,847</b>

### c) Deferred taxes

	March 31, 2024	December 31, 2023
Deferred tax assets	\$ 5,114	\$ 5,285
Deferred tax liabilities	(41,405)	(42,955)
<b>Net deferred tax liability</b>	<b>\$ (36,291)</b>	<b>\$ (37,670)</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 12. Income taxes (continued)

### d) Movement in deferred tax balances

	March 31, 2024	Recognized in income or loss	Foreign currency adjustments	December 31, 2023
Plant and equipment	\$ (11,971)	\$ 955	\$ (139)	\$ (12,787)
Accounts payable and accrued liabilities	1,043	174	1	868
Intangibles	(32,880)	1,280	(580)	(33,580)
Benefit of losses carried forward	2,622	91	-	2,531
Leases	3,943	(166)	30	4,079
Transaction costs	952	(267)	-	1,219
<b>Net deferred tax liability</b>	<b>\$ (36,291)</b>	<b>\$ 2,067</b>	<b>\$ (688)</b>	<b>\$ (37,670)</b>

	December 31, 2023	Recognized in income or loss	Foreign currency adjustments	March 31, 2023
Plant and equipment	\$ (12,787)	\$ 308	\$ 138	\$ (13,233)
Accounts payable and accrued liabilities	868	10	(1)	859
Intangibles	(33,580)	3,635	588	(37,803)
Benefit of losses carried forward	2,531	(422)	(23)	2,976
Leases	4,079	(183)	(30)	4,292
Transaction costs	1,219	(757)	1	1,975
<b>Net deferred tax liability</b>	<b>\$ (37,670)</b>	<b>\$ 2,591</b>	<b>\$ 673</b>	<b>\$ (40,934)</b>

	March 31, 2023	Recognized in income or loss	Foreign currency adjustments	December 31, 2022
Plant and equipment	\$ (13,233)	\$ 564	\$ 6	\$ (13,803)
Accounts payable and accrued liabilities	859	40	-	819
Intangibles	(37,803)	1,244	-	(39,047)
Benefit of losses carried forward	2,976	170	23	2,783
Leases	4,292	98	-	4,194
Transaction costs	1,975	(278)	(1)	2,254
<b>Net deferred tax (liability) asset</b>	<b>\$ (40,934)</b>	<b>\$ 1,838</b>	<b>\$ 28</b>	<b>\$ (42,800)</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

## 12. Income taxes (continued)

### e) Unrecognized deferred tax liabilities

As at March 31, 2024, temporary differences of \$40,390 (December 31, 2023 – \$40,390) exist in connection with wholly-owned investments in subsidiaries; and the related potential deferred tax liability of \$5,352 (December 31, 2023 – \$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.

### f) 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 \$10,096 that begin to expire in 2039.

### g) 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.

## 13. 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 March 31, 2024 is 5.55% (year ended December 31, 2023 – 5.76%). 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 three months ended March 31, 2024 is 5.70% for Specialized Transportation and 8.66% for Healthcare Logistics (year ended December 31, 2023 – 5.94% for Specialized Transportation; 5.74% for Healthcare Logistics).

<b>Right-of-use assets – Facilities</b>	<b>As at and for the three months ended March 31, 2024</b>	<b>As at and for the year ended December 31, 2023</b>
Opening balance	\$ 62,141	\$ 77,701
Add: additions	2,760	2,477
Less: depreciation	(4,560)	(17,934)
Foreign currency adjustments	101	(103)
<b>Ending balance</b>	<b>\$ 60,442</b>	<b>\$ 62,141</b>

# Andlauer Healthcare Group Inc.

## Notes to Interim Condensed Consolidated Financial Statements

### For the three months ended March 31, 2024 and 2023

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

### 13. Leases (continued)

Right-of-use assets – Logistics and transportation equipment	As at and for the three months ended March 31, 2024	As at and for the year ended December 31, 2023
Opening balance	\$ 35,629	\$ 32,333
Add: additions	1,402	15,010
Less: depreciation	(3,575)	(11,691)
Foreign currency adjustments	36	(23)
<b>Ending balance</b>	<b>\$ 33,492</b>	<b>\$ 35,629</b>

  

Net carrying amounts of right-of-use assets included in property, plant and equipment	March 31, 2024	December 31, 2023
Facilities	\$ 60,442	\$ 62,141
Logistics and transportation equipment	33,492	35,629
<b>Balance</b>	<b>\$ 93,934</b>	<b>\$ 97,770</b>

  

Lease liabilities – Facilities	As at and for the three months ended March 31, 2024	As at and for the year ended December 31, 2023
Opening balance	\$ 71,501	\$ 86,925
Add: additions	2,760	2,477
Add: interest expense	771	3,085
Less: principal repayments	(4,597)	(17,794)
Less: interest payments	(771)	(3,085)
Foreign currency adjustments	106	(107)
<b>Ending balance</b>	<b>\$ 69,770</b>	<b>\$ 71,501</b>

  

Lease liabilities – Logistics and transportation equipment	As at and for the three months ended March 31, 2024	As at and for the year ended December 31, 2023
Opening balance	\$ 31,580	\$ 26,804
Add: additions	1,402	15,010
Add: interest expense	392	1,321
Less: principal repayments	(2,587)	(10,158)
Less: interest payments	(392)	(1,321)
Foreign currency adjustments	89	(76)
<b>Ending balance</b>	<b>\$ 30,484</b>	<b>\$ 31,580</b>

  

Cash lease principal payments	Three months ended March 31, 2024	Year ended December 31, 2023
Repayments of lease principal	\$ (7,184)	\$ (27,952)
<b>Total lease payments</b>	<b>\$ (7,184)</b>	<b>\$ (27,952)</b>

## Andlauer Healthcare Group Inc.

### Notes to Interim Condensed Consolidated Financial Statements

#### For the three months ended March 31, 2024 and 2023

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

### 13. Leases (continued)

<b>Lease liabilities</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Facilities	\$ (69,770)	\$ (71,501)
Logistics and transportation equipment	(30,484)	(31,580)
<b>Balance</b>	<b>\$ (100,254)</b>	<b>\$ (103,081)</b>

  

<b>Lease liabilities included in consolidated balance sheets</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Current	\$ (27,944)	\$ (27,697)
Non-current	(72,310)	(75,384)
<b>Balance</b>	<b>\$ (100,254)</b>	<b>\$ (103,081)</b>

  

<b>Maturity analysis for lease liabilities – contractual undiscounted cash flows</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Less than one year	\$ 30,992	\$ 32,285
One to 5 years	74,413	76,377
More than 5 years	3,875	5,636
<b>Total undiscounted lease liabilities</b>	<b>\$ 109,280</b>	<b>\$ 114,298</b>

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for the three months ended March 31, 2024 was \$1,163 (March 31, 2023 – \$1,138). Total cash outflow for leases for the three months ended March 31, 2024 was \$8,347 (March 31, 2023 – \$8,309).

### 14. Interest expense

<b>Interest expense recognized in income and comprehensive income</b>	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Leases	\$ 1,163	\$ 1,138
Credit facilities	416	795
<b>Total interest expense</b>	<b>\$ 1,579</b>	<b>\$ 1,933</b>

Interest expense recognized in the consolidated statements of income and comprehensive income equates to total interest paid for the periods ended March 31, 2024 and 2023.

## **Andlauer Healthcare Group Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

#### **For the three months ended March 31, 2024 and 2023**

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

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#### **15. 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 March 31, 2024, the Company had outstanding letters of guarantee in the amount of \$365 (December 31, 2023 – \$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 \$13,482 (December 31, 2023 – \$12,926).
- d) The Company has made commitments to purchase fleet equipment totalling approximately \$2,364 (December 31, 2023 – \$4,848).

#### **16. 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.

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#### 16. Related parties (continued)

	March 31, 2024	March 31, 2023
<b>Revenue</b>		
<b>Transportation services</b>		
1708998 Ontario Limited (Medical Courier Services)	\$ 51	\$ 56
<b>Shared service recovery</b>		
Andlauer Properties and Leasing Inc.	-	5
Andlauer Management Group Inc.	-	4
9143-5271 Quebec Inc.	-	8
1708998 Ontario Limited (Medical Courier Services)	-	6
<b>Expenses</b>		
<b>Transportation services</b>		
1708998 Ontario Limited (Medical Courier Services)	52	44
Med Express Ltd.	-	10
<b>Contract labour services</b>		
Ready Staffing Solutions Inc.	1,547	1,693
<b>Equipment rent</b>		
Andlauer Properties and Leasing Inc.	642	500
<b>Facility rent</b>		
Andlauer Properties and Leasing Inc.	547	588
9143-5271 Quebec Inc.	387	383



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

#### 16. Related parties (continued)

	March 31, 2024	December 31, 2023
<b>Trade receivables due from related parties</b>		
Andlauer Properties and Leasing Inc.	\$ 13	\$ 13
1708998 Ontario Limited (Medical Courier Services)	19	41
	32	54
<b>Due from related parties</b>		
Andlauer Management Group Inc.	8	1
Andlauer Properties and Leasing Inc.	100	-
	108	1
<b>Total due from related parties</b>	<b>\$ 140</b>	<b>\$ 55</b>
<b>Trade payables due to related parties</b>		
Ready Staffing Solutions Inc.	\$ 399	\$ 150
1708998 Ontario Limited (Medical Courier Services)	31	13
Andlauer Properties and Leasing Inc.	79	287
Andlauer Management Group Inc.	9	-
	518	450
<b>Due to related parties</b>		
Andlauer Properties and Leasing Inc.	325	206
<b>Total due to related parties</b>	<b>\$ 843</b>	<b>\$ 656</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 for the three-month periods ended:

	March 31, 2024	March 31, 2023
<b>Key management compensation</b>		
Salaries and benefits	\$ 1,011	\$ 1,015
Share-based payment arrangements	120	44
Director deferred share units	138	155
<b>Total key management compensation</b>	<b>\$ 1,269</b>	<b>\$ 1,214</b>

# Andlauer Healthcare Group Inc.

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### For the three months ended March 31, 2024 and 2023

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

## 17. 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.

	March 31, 2024	December 31, 2023
Total lease liabilities	\$ 100,254	\$ 103,081
Term facility	24,856	24,819
Less: cash and cash equivalents	(68,158)	(59,740)
Net debt	56,952	68,160
Last twelve months' net income	49,612	66,140
Last twelve months' interest income	(3,266)	(3,170)
Last twelve months' interest expense	7,853	8,207
Last twelve months' income tax expense	24,065	24,467
Last twelve months' depreciation and amortization	69,729	68,149
EBITDA	147,993	163,793
Net leverage ratio	0.38	0.42