



Unaudited Interim Condensed Consolidated
Financial Statements of

**ANDLAUER HEALTHCARE
GROUP INC.**

For the three and six months ended June 30, 2025 and 2024

Andlauer Healthcare Group Inc.

Interim Condensed Consolidated Balance Sheets

As at June 30, 2025 and December 31, 2024

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

	Note	June 30, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		\$ 58,981	\$ 40,483
Trade and other receivables		88,020	110,447
Income taxes receivable		6,041	2,670
Inventories		5,804	8,934
Prepaid expenses and other		6,380	6,373
Due from related parties	17	3	18
		<u>165,229</u>	<u>168,925</u>
Non-current assets			
Long-term deposits and other		1,143	1,289
Property, plant and equipment	5	186,681	188,124
Equity-accounted joint venture	3	15,911	-
Goodwill and intangible assets	6	313,446	333,668
Deferred income taxes	13	5,559	4,910
		<u></u>	<u></u>
Total Assets		\$ 687,969	\$ 696,916
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 34,768	\$ 44,500
Revolving credit facility	7	30,000	30,000
Term facility	7	24,934	-
Due to related parties	17	279	-
Current portion of lease liabilities	14	32,628	31,729
		<u>122,609</u>	<u>106,229</u>
Long-term liabilities			
Lease liabilities	14	90,579	94,586
Deferred income taxes	13	35,012	39,783
Due to related parties	17	-	291
Term facility	7	-	24,895
		<u></u>	<u></u>
Total Liabilities		248,200	265,784
Equity			
Common share capital	9	671,799	673,868
Contributed surplus	11	7,845	6,978
Accumulated other comprehensive income		21,563	33,821
Merger reserve	2	(488,916)	(488,916)
Retained earnings		227,478	205,381
		<u>439,769</u>	<u>431,132</u>
Commitments and contingencies	16		
Total Liabilities and Equity		\$ 687,969	\$ 696,916

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 six months ended June 30, 2025 and 2024

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

	Note	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Revenue	12	\$ 156,602	\$ 161,446	\$ 322,690	\$ 322,584
Operating expenses					
Cost of transportation and services		78,209	80,855	162,978	163,321
Direct operating expenses		24,604	26,573	51,237	52,846
Selling, general and administrative expenses		16,918	14,241	32,101	27,057
Depreciation and amortization	5, 6	17,994	17,602	35,931	35,942
		137,725	139,271	282,247	279,166
Operating income		18,877	22,175	40,443	43,418
Gain on deconsolidation of subsidiary	3	126	-	5,146	-
Share of profit of equity-accounted joint venture, net of tax	3	511	-	803	-
Interest expense	15	(2,010)	(1,709)	(3,966)	(3,288)
Interest income		305	703	628	1,398
Other income		597	304	800	313
Income before income taxes		18,406	21,473	43,854	41,841
Current income tax expense	13	7,117	6,968	14,137	14,480
Deferred income tax recovery	13	(2,161)	(1,226)	(3,958)	(3,293)
		4,956	5,742	10,179	11,187
Net income		\$ 13,450	\$ 15,731	\$ 33,675	\$ 30,654
Net earnings per share					
Basic earnings per share	10	\$ 0.34	\$ 0.38	\$ 0.86	\$ 0.74
Diluted earnings per share	10	\$ 0.34	\$ 0.38	\$ 0.85	\$ 0.73
Other comprehensive income					
Net income		\$ 13,450	\$ 15,731	\$ 33,675	\$ 30,654
Foreign currency translation adjustment		(12,046)	2,336	(12,258)	7,873
Other comprehensive (loss) income for the period		(12,046)	2,336	(12,258)	7,873
Total comprehensive income for the period		\$ 1,404	\$ 18,067	\$ 21,417	\$ 38,527

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 six months ended June 30, 2025 and 2024

(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, 2024	39,251	\$ 673,868	\$ 33,821	\$ (488,916)	\$ 6,978	\$ 205,381	\$ 431,132
Net income and comprehensive loss for the period	-	-	(12,258)	-	-	33,675	21,417
Share-based compensation (note 11)	7	39	-	-	867	-	906
Shares repurchased for cancellation (note 9)	(108)	(2,108)	-	-	-	(2,095)	(4,203)
Transaction costs (note 9)	-	-	-	-	-	(83)	(83)
Dividends (note 9)	-	-	-	-	-	(9,400)	(9,400)
Balance at June 30, 2025	39,150	\$ 671,799	\$ 21,563	\$ (488,916)	\$ 7,845	\$ 227,478	\$ 439,769
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	-	-	7,873	-	-	30,654	38,527
Share-based compensation (note 11)	205	2,619	-	-	(117)	-	2,502
Shares repurchased for cancellation (note 9)	(2,159)	(42,405)	-	-	-	(53,876)	(96,281)
Transaction costs (note 9)	-	-	-	-	-	(2,239)	(2,239)
Dividends (note 9)	-	-	-	-	-	(8,083)	(8,083)
Balance at June 30, 2024	39,513	\$ 679,004	\$ 22,067	\$ (488,916)	\$ 6,191	\$ 185,650	\$ 403,996

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

Andlauer Healthcare Group Inc.

Interim Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2025 and 2024

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

	Note	June 30, 2025	June 30, 2024
Operating activities			
Net income for the period		\$ 33,675	\$ 30,654
Changes not involving cash:			
Gain on deconsolidation of subsidiary	3	(5,146)	-
Depreciation and amortization		35,931	35,942
Amortization of capitalized financing costs	7	39	84
Share of profit of equity-accounted joint venture, net of tax	3	(803)	-
Share-based compensation	11	906	2,502
Deferred income tax recovery	13	(3,958)	(3,293)
Gain on derecognition of lease liabilities		-	(161)
Gain on disposal of property, plant and equipment		(439)	(46)
		60,205	65,682
Changes in non-cash operating working capital:			
Trade and other receivables		17,638	5,132
Inventories		2,770	(492)
Accounts payable and accrued liabilities		(8,338)	2,006
Income taxes		(3,281)	(3,060)
Net change in other operating working capital balances		(37)	1,844
Cash flows from operating activities		68,957	71,112
Financing activities			
Proceeds from revolving credit facility		-	40,000
Capitalized financing costs		-	(124)
Dividends	9	(9,400)	(8,083)
Principal repayments on lease liabilities	14	(16,969)	(14,852)
Net change in related party balances		(590)	114
Shares repurchased for cancellation	9	(4,203)	(96,281)
Transaction costs recorded in equity	9	(83)	(2,239)
Cash flows used in financing activities		(31,245)	(81,465)
Investing activities			
Purchase of property, plant and equipment		(11,569)	(9,581)
Proceeds on disposal of property, plant and equipment		457	711
Purchase of intangible assets	6	(1,187)	(553)
Cash contributed on deconsolidation of subsidiary	3	(6,128)	-
Cash flows used in investing activities		(18,427)	(9,423)
Net increase (decrease) in cash and cash equivalents		19,285	(19,776)
Effect of foreign currency translation on cash and cash equivalents		(787)	768
Cash and cash equivalents, beginning of period		40,483	59,740
Cash and cash equivalents, end of period		\$ 58,981	\$ 40,732

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

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

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 20.8 million multiple voting shares and 10,200 subordinate voting shares of AHG, representing approximately 53.2% of the issued and outstanding shares and 82.0% 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.

On April 23, 2025, the Company entered into a definitive agreement with affiliates of UPS (NYSE: UPS) (collectively "UPS") under which UPS will acquire all of the issued and outstanding shares of the Company for \$55.00 per share in cash (the "Arrangement"). At a special meeting of shareholders held on June 24, 2025, holders of the Company's subordinate voting shares and multiple voting shares voted overwhelmingly in favour of a resolution to approve the Arrangement; and on June 26, 2025, the Ontario Superior Court of Justice (Commercial List) issued a final order approving the Arrangement.

The Company expects the Arrangement to be completed in the second half of 2025, subject to receipt of approval under the Competition Act (Canada), and the satisfaction or waiver of the other customary closing conditions. All other regulatory clearances and approvals required to consummate the Arrangement have been obtained.

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, 2024 and 2023.

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 as disclosed in note 3 in connection with our equity-accounted joint venture.

These consolidated financial statements were authorized for issue by the Board of Directors effective July 31, 2025.

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.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

2. Basis of presentation (continued)

b) Basis of measurement (continued)

Common control transaction

These consolidated financial statements comprise the results of AHG and Andlauer Healthcare Logistics Inc. (formerly 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 (Andlauer Healthcare Logistics Inc., Credo Canada Systems Inc., Andlauer Specialized Transportation 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.

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.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

2. Basis of presentation (continued)

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, 2024.

3. Equity-accounted joint venture and deconsolidation

Effective March 1, 2025, the Company entered into a joint venture to combine its packaging subsidiary, Nova Pack Ltd. ("Nova Pack"), with NowPac Inc. ("NowPac"), a privately-owned Toronto-based company specializing in contract packaging services for the healthcare sector.

Accuristix Inc., a subsidiary of AHG, entered into an arrangement with the NowPac shareholders (the "JV") whereby Nova Pack acquired 100% of the issued and outstanding shares of NowPac in consideration for cash of \$5,468 (funded from the \$6,128 cash and cash equivalents remaining in Nova Pack prior to deconsolidation) and the issuance of a 50% equity interest in Nova Pack. Accuristix recorded its investment in the JV at fair value of \$15,154, comprising 50% of the fair value of the enterprise. Accuristix recognized a gain of \$5,146 on deconsolidation of its investment in Nova Pack in accordance with IFRS 10. In connection with the shareholders agreement, Accuristix has a call option and the former NowPac shareholders have a put option which each become exercisable after March 1, 2028.

The following table, which has been revised from the provisional table included in the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025, resulting in an increase of \$126 to the preliminary gain on deconsolidation and other working capital adjustments, summarizes the fair value of Nova Pack on March 1, 2025, prior to deconsolidation:

	March 1, 2025
Cash and cash equivalents	\$ 6,128
Trade and other receivables	4,039
Inventories	300
Prepaid expenses and other	70
Property, plant and equipment	243
Goodwill	803
Accounts payable and accrued liabilities	(1,150)
Income taxes payable	(296)
Deferred income taxes	(129)
Net book value of subsidiary deconsolidated	\$ 10,008
Gain on deconsolidation	5,146
Final fair value prior to deconsolidation	\$ 15,154

Nova Pack, together with its wholly owned subsidiary, NowPac, is governed by a four-person board comprising of two management representatives of Accuristix and two management representatives of the former NowPac shareholders. Neither Accuristix nor the former NowPac shareholders control Nova Pack. Accordingly, AHG accounts for its investment in the joint venture as an equity-accounted investee.

Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the joint venture. The Company's 50% share of total comprehensive income, net of tax, for the three and six months ended June 30, 2025, was \$511 and \$803, respectively.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

3. Equity-accounted joint venture and deconsolidation (continued)

The table below summarizes the changes in the equity-accounted joint venture:

	Equity-accounted joint venture
Opening balance, March 1, 2025	\$ 15,154
Post closing working capital adjustments, net	(46)
Share of profit of equity-accounted joint venture, net of tax	803
Closing balance, June 30, 2025	\$ 15,911

During the three and six months ended June 30, 2025, transaction costs of \$nil and \$321 respectively have been expensed in selling, general and administrative expenses in the consolidated statements of income and comprehensive income in relation to this investment.

4. 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.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

4. Segment reporting (continued)

The following tables identify selected financial data as at June 30, 2025 and 2024 and for the three and six months then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at June 30, 2025 and for the three months then ended					
Revenue	\$ 130,469	\$ 41,575	\$ 1,886	\$ (17,328)	\$ 156,602
Segment income before tax	16,009	4,224	(1,827)	-	18,406
Interest income	268	59	1,414	(1,436)	305
Interest expense	(1,313)	(347)	(350)	-	(2,010)
Depreciation and amortization	(13,816)	(4,117)	(61)	-	(17,994)
Segment net income	11,724	3,242	(1,516)	-	13,450
Segment total assets	521,734	215,270	575,659	(624,694)	687,969
Additions of ROU assets	4,668	9	-	-	4,677
Capital expenditures	641	4,086	-	-	4,727
Segment total liabilities	78,726	88,422	38,238	42,814	248,200
As at June 30, 2024 and for the three months then ended					
Revenue	\$ 131,253	\$ 44,249	\$ 1,558	\$ (15,614)	\$ 161,446
Segment income before tax	16,633	4,580	260	-	21,473
Interest income	481	239	1,649	(1,666)	703
Interest expense	(1,296)	(335)	(78)	-	(1,709)
Depreciation and amortization	(13,640)	(3,962)	-	-	(17,602)
Segment net income	12,207	3,227	297	-	15,731
Segment total assets	523,319	174,960	618,007	(658,503)	657,783
Additions of ROU assets	11,787	42	-	-	11,829
Capital expenditures	669	934	-	-	1,603
Segment total liabilities	129,479	67,975	47,325	9,008	253,787

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

4. Segment Reporting (continued)

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at June 30, 2025 and for the six months then ended					
Revenue	\$ 266,109	\$ 88,213	\$ 3,728	\$ (35,360)	\$ 322,690
Segment income before tax	32,675	14,117	(2,938)	-	43,854
Interest income	818	148	2,825	(3,163)	628
Interest expense	(2,597)	(646)	(723)	-	(3,966)
Depreciation and amortization	(27,608)	(8,199)	(124)	-	(35,931)
Segment net income	24,135	11,798	(2,258)	-	33,675
Segment total assets	521,734	215,270	575,659	(624,694)	687,969
Additions of ROU assets	14,466	44	-	-	14,510
Capital expenditures	3,953	7,610	6	-	11,569
Segment total liabilities	78,726	88,422	38,238	42,814	248,200
As at June 30, 2024 and for the six months then ended					
Revenue	\$ 263,381	\$ 87,109	\$ 2,413	\$ (30,319)	\$ 322,584
Segment income before tax	33,053	8,521	267	-	41,841
Interest income	914	470	3,346	(3,332)	1,398
Interest expense	(2,516)	(694)	(78)	-	(3,288)
Depreciation and amortization	(27,939)	(8,003)	-	-	(35,942)
Segment net income	24,302	6,219	133	-	30,654
Segment total assets	523,319	174,960	618,007	(658,503)	657,783
Additions of ROU assets	15,947	44	-	-	15,991
Capital expenditures	8,204	1,377	-	-	9,581
Segment total liabilities	129,479	67,975	45,325	9,008	253,787

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 three and six months ended June 30, 2025 and 2024.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

5. Property, plant and equipment

	Facilities ¹	Furniture and fixtures	Leasehold improvements	Logistics and transportation equipment ¹	Total
Cost					
Balance at December 31, 2024	\$ 194,142	\$ 6,844	\$ 27,825	\$ 249,011	\$ 477,822
Additions	8,902	61	6,708	10,408	26,079
Deconsolidation of subsidiary	-	-	-	(1,176)	(1,176)
Dispositions	-	-	-	(1,739)	(1,739)
Foreign currency adjustments	(478)	(29)	(148)	(2,555)	(3,210)
Balance at June 30, 2025	\$ 202,566	\$ 6,876	\$ 34,385	\$ 253,949	\$ 497,776
Accumulated depreciation					
Balance at December 31, 2024	\$ 120,767	\$ 5,494	\$ 19,400	\$ 144,037	\$ 289,698
Depreciation for the period	9,626	210	1,636	13,882	25,354
Deconsolidation of subsidiary	-	-	-	(933)	(933)
Dispositions	-	-	-	(1,721)	(1,721)
Foreign currency adjustments	(166)	(11)	(60)	(1,066)	(1,303)
Balance at June 30, 2025	\$ 130,227	\$ 5,693	\$ 20,976	\$ 154,199	\$ 311,095
Net carrying amounts					
At December 31, 2024	\$ 73,375	\$ 1,350	\$ 8,425	\$ 104,974	\$ 188,124
At June 30, 2025	\$ 72,339	\$ 1,183	\$ 13,409	\$ 99,750	\$ 186,681

¹ 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 six months ended June 30, 2025 and 2024

(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
Cost					
Balance at December 31, 2024	\$ 199,146	\$ 172,035	\$ 44,760	\$ 14,820	\$ 430,761
Additions	-	-	-	1,187	1,187
Deconsolidation of subsidiary	(803)	-	-	-	(803)
Foreign currency adjustments	(5,507)	(5,267)	(1,574)	(60)	(12,408)
Balance at June 30, 2025	\$ 192,836	\$ 166,768	\$ 43,186	\$ 15,947	\$ 418,737
Accumulated amortization					
Balance at December 31, 2024	\$ -	\$ 75,239	\$ 14,798	\$ 7,056	\$ 97,093
Amortization for the period	-	7,739	2,205	633	10,577
Foreign currency adjustments	-	(1,828)	(546)	(5)	(2,379)
Balance at June 30, 2025	\$ -	\$ 81,150	\$ 16,457	\$ 7,684	\$ 105,291
Net carrying amounts					
At December 31, 2024	\$ 199,146	\$ 96,796	\$ 29,962	\$ 7,764	\$ 333,668
At June 30, 2025	\$ 192,836	\$ 85,618	\$ 26,729	\$ 8,263	\$ 313,446

7. Credit facilities

	June 30, 2025	December 31, 2024
Revolving credit facility	\$ 30,000	\$ 30,000
Term facility	25,000	25,000
	55,000	55,000
Less: capitalized financing costs	(66)	(105)
Credit facilities	\$ 54,934	\$ 54,895

Recorded in the consolidated balance sheets as follows:

	June 30, 2025	December 31, 2024
Revolving credit facility	\$ 30,000	\$ 30,000
Term facility	24,934	24,895
Credit facilities	\$ 54,934	\$ 54,895

The movement in credit facilities from December 31, 2024 is as follows:

	Credit Facilities
Balance at December 31, 2024	\$ 54,895
Non-cash movements	
Amortization of capitalized financing costs	39
Balance at June 30, 2025	\$ 54,934

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7. Credit facilities (continued)

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 \$25,000. There is no repayment schedule for either the revolving credit facility or the term facility, except at maturity. The credit facilities will mature and be due and payable on March 1, 2026.

The credit facilities are available to be drawn in Canadian dollars by way of prime rate loans, Canadian overnight repo rate average ("CORRA") loans, letters of credit and, prior to June 28, 2024, bankers' acceptances, 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 June 30, 2025, the credit facilities comprise term CORRA loans drawn at an interest rate of 4.5% (December 31, 2024 – 5.3%).

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 June 30, 2025 and December 31, 2024, 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 six months ended June 30, 2025 was \$614 and \$1,273, respectively (June 30, 2024 – \$500 and \$916, respectively).

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 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 June 30, 2025, all of the multiple voting shares and 10,200 subordinate voting shares are owned by AMG.

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9. Share capital (continued)

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, 2024	20,808	18,443	39,251	\$ 312,119	\$ 361,749	\$ 673,868
Shares issued in connection with the exercise of options (note 11)	-	6	6	-	36	36
Shares issued in connection with the settlement of restricted share units (note 11)	-	1	1	-	3	3
Shares repurchased for cancellation in connection with the Company's normal course issuer bid (2024)	-	(108)	(108)	-	(2,108)	(2,108)
Balance at June 30, 2025	20,808	18,342	39,150	\$ 312,119	\$ 359,680	\$ 671,799

Normal course issuer bid (2024)

On July 2, 2024, the Company commenced a NCIB for up to a maximum of 1,770,429 of its subordinate voting shares, or approximately 10% of its public float as of June 26, 2024 over the 12-month period which concluded on July 1, 2025 (effectively, June 30, 2025). For the three and six months ended June 30, 2025, a total of 34,800 and 107,500, respectively, subordinate voting shares, comprising approximately 0.2% and 0.6%, respectively, of the number of subordinate voting shares outstanding, have been purchased and cancelled pursuant to the NCIB at an average price of \$39.46 and \$39.09, respectively, per share, for a total purchase price of approximately \$1,373 and \$4,203, respectively. For the three and six months ended June 30, 2025, the excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of \$691 and \$2,095, respectively, was recognized as a share repurchase premium and a reduction to retained earnings. Transaction costs of \$26 and \$83 have been charged to retained earnings in connection with the NCIB for the three and six months ended June 30, 2025, respectively.

Substantial issuer bid (2024)

On May 15, 2024, the Company commenced a substantial issuer bid ("SIB") under which the Company offered to purchase for cancellation up to 2,000,000 subordinate voting shares of the Company at a price of \$45.00 per share for an aggregate purchase price not exceeding \$90,000. The offer closed on June 19, 2024. Andlauer Management Group Inc. participated in the SIB and converted 1,032,045 multiple voting shares to subordinate voting shares, at their book value of \$15.00 per share, which were taken up in the SIB. In aggregate, the Company purchased and cancelled 2,000,000 shares for total consideration of \$90,000. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of \$50,771, was recognized as a share repurchase premium and a reduction to retained earnings. Transaction costs, including federal taxes on share buybacks, of \$2,239 have been charged to retained earnings in connection with the SIB.

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9. Share capital (continued)

Normal course issuer bid (2023)

On March 29, 2023, the Company commenced 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 which terminated on March 28, 2024. For the three and six months ended June 30, 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 and six months ended June 30, 2025, the Company declared total dividends of \$4,698, or \$0.12 per common shares and \$9,400, or \$0.24 per common share, respectively (June 30, 2024 – \$4,132, or \$0.10 per common share and \$8,083, or \$0.20 per common share, respectively), on subordinate voting and multiple voting shares. At June 30, 2025, \$4,698 (June 30, 2024 – \$3,951) was included in accounts payable and accrued liabilities, and was paid on July 15, 2025 and 2024, respectively, to common shareholders of record on June 30, 2025 and June 30, 2024, 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 June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
(in thousands of dollars and number of shares)				
Net income	\$ 13,450	\$ 15,731	\$ 33,675	\$ 30,654
Weighted average number of common shares	39,152	41,108	39,194	41,246
Earnings per share – basic	\$ 0.34	\$ 0.38	\$ 0.86	\$ 0.74

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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 June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Net income	\$ 13,450	\$ 15,731	\$ 33,675	\$ 30,654
Weighted average number of common shares	39,152	41,108	39,194	41,246
Dilutive effects:				
Stock options	537	557	517	595
Restricted share units	50	30	52	30
Deferred share units	74	60	73	58
Weighted average number of diluted common shares	39,813	41,755	39,836	41,929
Earnings per share – diluted	\$ 0.34	\$ 0.38	\$ 0.85	\$ 0.73

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. Of these options, 10 thousand were exercised during the six months ended June 30, 2025 (June 30, 2024 – 259 thousand) while 768 thousand remain outstanding and are exercisable (June 30, 2024 – 784 thousand).

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, 6 thousand were forfeited during the six months ended June 30, 2025 (June 30, 2024 – 2 thousand), while 52 thousand remain outstanding with 13 thousand being exercisable (June 30, 2024 – 61 thousand with nil being exercisable).

On November 15, 2024, the Board of Directors approved a grant of 51 thousand options which were granted to executive officers and management personnel in connection with its long-term incentive plan. These options vest over four years on a straight-line basis beginning December 11, 2025. Of these options, 1 thousand were forfeited during the six months ended June 30, 2025, while 50 thousand remain outstanding.

Of the options outstanding at June 30, 2025, a total of 535 thousand (June 30, 2024 – 535 thousand) are held by non-executive directors; 168 thousand (June 30, 2024 – 154 thousand) are held by executive officers; with the remaining 167 thousand (June 30, 2024 – 156 thousand) held by management personnel.

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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)	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	887	\$ 18.23	1,106	\$ 16.41
Exercised	(10)	15.00	(259)	15.00
Forfeited	(7)	40.25	(2)	\$ 39.73
Ending balance	870	\$ 18.09	845	\$ 16.79
Options exercisable	781	\$ 15.41	784	\$ 15.00

The table below summarizes stock options outstanding and exercisable at June 30, 2025:

(in thousands of options and in dollars)	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	Number of options	Weighted average remaining contractual life (in years)	Number of options
Exercise price			
\$ 15.00	768	4.45	768
39.73	52	8.45	13
43.08	50	9.45	-
	870	4.98	781

The Company recognized compensation expense of \$253 for the six months ended June 30, 2025 (June 30, 2024 –\$228), with corresponding increases to contributed surplus in connection with the vesting of options.

During the six months ended June 30, 2025, 10 thousand options were exercised on a cashless basis resulting in 6 thousand subordinate voting common shares being issued from treasury and in the surrender of 4 thousand options used to fund the cashless option exercise. The volume weighted average price used to calculate the cashless exercise in accordance with the Company's Omnibus Equity Incentive Plan was \$39.36 per share at the time of exercise resulting in a \$36 net increase in share capital.

During the six months ended June 30, 2024, 259 thousand options were exercised (113 thousand on a cash basis and 146 thousand on a cashless basis) resulting in 205 thousand subordinate voting common shares being issued from treasury and in the surrender of 54 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 \$39.54 per share at the time of exercise resulting in a \$2,619 net increase in share capital.

When options are exercised, the option value that was originally recognized is transferred from contributed surplus to share capital. For the six months ended June 30, 2025, the transfer of the option value of the options exercised resulted in a \$36 reduction to contributed surplus (June 30, 2024 – \$932) at a weighted average option value of \$3.60 per share.

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11. Share-based payment arrangements (continued)

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.

On November 15, 2024, the Board of Directors approved a grant of 26 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 \$42.19 per unit.

RSUs accrue dividend equivalents as of each dividend payment date in respect of which normal cash dividends are paid on subordinate voting common shares and are reinvested in RSUs.

For the six months ended June 30, 2025 the Company recognized a compensation expense of \$378, net of \$42 related to forfeitures and including \$12 for dividend equivalents reinvested, with a corresponding net increase to contributed surplus (June 30, 2024 – \$311, net of \$nil related to forfeitures and including \$7 for dividend equivalents respectively).

During the six months ended June 30, 2025, less than 1 thousand RSUs were settled resulting in less than 1 thousand subordinate voting common shares being issued from treasury. When RSUs are settled, the fair value that was originally recognized is transferred from contributed surplus to share capital, net of applicable withholding taxes for certain employees. The transfer of the RSU value of the options exercised resulted in a \$3 reduction to contributed surplus at a RSU fair value of \$39.96 per share, and a corresponding increase of \$3 to share capital.

The table below summarizes the changes in the outstanding RSUs:

(in thousands of RSUs and in dollars)	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price
Opening balance	53	\$ 41.08	30	\$ 39.95
Reinvested	1	44.58	-	-
Settled	(1)	39.96	-	-
Forfeited	(4)	41.08	-	-
Ending balance	49	\$ 41.17	30	\$ 39.95
RSUs vested	5	\$ 39.98	-	\$ 39.95

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 six months ended June 30, 2025, the Company recognized a compensation expense of \$275, with corresponding increases to contributed surplus (June 30, 2024 –\$276).

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11. Share-based payment arrangements (continued)

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

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	June 30, 2025	June 30, 2024
Opening balance	71	57
Granted	6	7
Ending balance	77	64

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 4), and revenue disaggregated by primary geographical markets. All of the revenue generated in the United States comprises ground transportation revenue.

Major products/service lines	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Logistics and distribution	\$ 40,888	\$ 39,463	\$ 83,447	\$ 77,381
Packaging solutions	687	4,786	4,766	9,728
Healthcare Logistics segment	41,575	44,249	88,213	87,109
Ground transportation	103,210	105,006	211,685	211,394
Air freight forwarding	8,205	7,918	16,567	15,913
Dedicated and last mile delivery	19,054	18,329	37,857	36,074
Intersegment revenue	(15,442)	(14,056)	(31,632)	(27,906)
Specialized Transportation segment	115,027	117,197	234,477	235,475
Total revenue	\$ 156,602	\$ 161,446	\$ 322,690	\$ 322,584

Primary geographical markets	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Canada	\$ 133,039	\$ 133,475	\$ 275,616	\$ 265,211
United States	23,563	27,971	47,074	57,373
Total revenue	\$ 156,602	\$ 161,446	\$ 322,690	\$ 322,584

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13. Income taxes

a) Amounts recognized in income or loss

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Current income tax expense:				
Current taxes on income for the reporting period	\$ 7,039	\$ 6,920	\$ 14,325	\$ 14,136
Current taxes relating to previous periods and other adjustments	78	48	(188)	344
	7,117	6,968	14,137	14,480
Deferred income tax recovery:				
Recognition of tax benefits related to loss for the period	(271)	(225)	(610)	(243)
Origination and reversal of temporary differences	(1,895)	(914)	(3,531)	(2,675)
Deferred taxes relating to previous years and other adjustments	5	(87)	183	(375)
	(2,161)	(1,226)	(3,958)	(3,293)
Income tax expense reported to the statements of income and comprehensive income	\$ 4,956	\$ 5,742	\$ 10,179	\$ 11,187

Total cash outflow for actual taxes paid for the three and six months ended June 30, 2025 was \$8,354 and \$17,203 respectively (June 30, 2024 – \$7,360 and \$17,484 respectively).

b) Reconciliation of effective tax rate

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Income before income taxes	\$ 18,406	\$ 21,473	\$ 43,854	\$ 41,841
Consolidated Canadian federal and provincial income tax rate	26.5%	26.5%	26.5%	26.5%
Income tax expense based on statutory rate	4,878	5,690	11,621	11,088
(Decrease) increase in income taxes resulting from non-deductible items or other adjustments	(5)	91	(22)	130
Temporary differences related to investment in joint venture not recognized	-	-	(1,415)	-
Taxes relating to previous years and other adjustments	83	(39)	(5)	(31)
Total income tax expense	\$ 4,956	\$ 5,742	\$ 10,179	\$ 11,187

c) Deferred taxes

	June 30, 2025	December 31, 2024
Deferred tax assets	\$ 5,559	\$ 4,910
Deferred tax liabilities	(35,012)	(39,783)
Net deferred tax liability	\$ (29,453)	\$ (34,873)

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13. Income taxes (continued)

d) Movement in deferred tax balances

	June 30, 2025	Recognized in income or loss	Deconsolida- tion of Subsidiary	Foreign currency adjustments	December 31, 2024
Plant and equipment	\$ (7,958)	\$ 1,384	\$ 131	\$ 211	\$ (9,684)
Accounts payable and accrued liabilities	1,644	508	1	(14)	1,149
Intangibles	(27,784)	2,434	(5)	1,124	(31,337)
Benefit of losses carried forward	3,535	613	2	-	2,920
Leases	951	(863)	-	12	1,802
Transaction costs	159	(118)	-	-	277
Net deferred tax liability	\$ (29,453)	\$ 3,958	\$ 129	\$ 1,333	\$ (34,873)

	December 31, 2024	Recognized in income or loss	Foreign currency adjustments	June 30, 2024
Plant and equipment	\$ (9,684)	\$ 2,385	\$ (251)	\$ (11,818)
Accounts payable and accrued liabilities	1,149	39	(8)	1,118
Intangibles	(31,337)	1,605	(1,111)	(31,831)
Benefit of losses carried forward	2,920	73	-	2,847
Leases	1,802	(1,890)	42	3,650
Transaction costs	277	(410)	(1)	688
Net deferred tax liability	\$ (34,873)	\$ 1,802	\$ (1,329)	\$ (35,346)

	June 30, 2024	Recognized in income or loss	Foreign currency adjustments	December 31, 2023
Plant and equipment	\$ (11,818)	\$ 1,167	\$ (198)	\$ (12,787)
Accounts payable and accrued liabilities	1,118	248	2	868
Intangibles	(31,831)	2,564	(815)	(33,580)
Benefit of losses carried forward	2,847	316	-	2,531
Leases	3,650	(470)	41	4,079
Transaction costs	688	(532)	1	1,219
Net deferred tax liability	\$ (35,346)	\$ 3,293	\$ (969)	\$ (37,670)

e) Unrecognized deferred tax liabilities

As at June 30, 2025, temporary differences of \$46,339 (December 31, 2024 – \$40,390) exist in connection with wholly-owned investments in subsidiaries and the joint venture; and the related potential deferred tax liability of \$6,140 (December 31, 2024 – \$5,352) has not been recognized. The Company controls the dividend policies of its subsidiaries and is able to veto the payment of dividends of its joint venture and as such 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.

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13. Income taxes (continued)

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 \$12,356 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.

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 six months ended June 30, 2025 is 4.98% (year ended December 31, 2024 – 5.35%). 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 six months ended June 30, 2025 is 5.09% for Specialized Transportation and 6.56% for Healthcare Logistics (year ended December 31, 2024 – 5.56% for Specialized Transportation; 6.20% for Healthcare Logistics).

Right-of-use assets – Facilities	As at and for the six months ended June 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 73,377	\$ 62,141
Add: additions	8,902	29,412
Less: depreciation	(9,626)	(18,624)
Foreign currency adjustments	(312)	448
Ending balance	\$ 72,341	\$ 73,377

Right-of-use assets – Logistics and transportation equipment	As at and for the six months ended June 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 46,059	\$ 35,629
Add: additions	5,608	24,104
Less: derecognition of ROU assets	(572)	(165)
Less: depreciation	(7,115)	(13,973)
Foreign currency adjustments	(880)	464
Ending balance	\$ 43,100	\$ 46,059

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14. Leases (continued)

Net carrying amounts of right-of-use assets included in property, plant and equipment	June 30, 2025	December 31, 2024
Facilities	\$ 72,341	\$ 73,377
Logistics and transportation equipment	43,100	46,059
Balance	\$ 115,441	\$ 119,436
Lease liabilities – Facilities	As at and for the six months ended June 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 82,342	\$ 71,501
Add: additions	8,902	29,412
Add: interest expense	1,495	2,899
Less: principal repayments	(10,082)	(19,036)
Less: interest payments	(1,495)	(2,899)
Foreign currency adjustments	(324)	465
Ending balance	\$ 80,838	\$ 82,342
Lease liabilities – Logistics and transportation equipment	As at and for the six months ended June 30, 2025	As at and for the year ended December 31, 2024
Opening balance	\$ 43,973	\$ 31,580
Add: additions	5,608	24,104
Add: interest expense	1,198	2,002
Less: derecognition of ROU assets	-	(165)
Less: principal repayments	(6,887)	(12,007)
Less: interest payments	(1,198)	(2,002)
Foreign currency adjustments	(325)	461
Ending balance	\$ 42,369	\$ 43,973
Cash lease principal payments	Six months ended June 30, 2025	Year ended December 31, 2024
Repayments of lease principal	\$ (16,969)	\$ (31,043)
Total lease payments	\$ (16,969)	\$ (31,043)
Lease liabilities	June 30, 2025	December 31, 2024
Facilities	\$ (80,838)	\$ (82,342)
Logistics and transportation equipment	(42,369)	(43,973)
Balance	\$ (123,207)	\$ (126,315)
Lease liabilities included in consolidated balance sheets	June 30, 2025	December 31, 2024
Current	\$ (32,628)	\$ (31,729)
Non-current	(90,579)	(94,586)
Balance	\$ (123,207)	\$ (126,315)

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

14. Leases (continued)

Maturity analysis for lease liabilities – contractual undiscounted cash flows	June 30, 2025	December 31, 2024
Less than one year	\$ 35,548	\$ 36,403
One to 5 years	80,908	87,838
More than 5 years	16,599	18,855
Total undiscounted lease liabilities	\$ 133,055	\$ 143,096

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for the three and six months ended June 30, 2025 was \$1,396 and \$2,693 respectively (June 30, 2024 – \$1,209 and \$2,372 respectively). Total cash outflow for leases for the three and six months ended June 30, 2025 was \$9,912 and \$19,662 (June 30, 2024 – \$8,877 and \$17,224 respectively).

15. Interest expense

Interest expense recognized in income and comprehensive income	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Leases	\$ 1,396	\$ 1,209	\$ 2,693	\$ 2,372
Credit facilities	614	500	1,273	916
Total interest expense	\$ 2,010	\$ 1,709	\$ 3,966	\$ 3,288

Interest expense recognized in the consolidated statements of income and comprehensive income equates to total interest paid for the periods ended June 30, 2025 and 2024.

16. Commitments and contingencies

- 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.
- As at June 30, 2025, the Company had outstanding letters of guarantee in the amount of \$393 (December 31, 2024 – \$394).
- 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 \$5,485 (December 31, 2024 – \$5,509).
- The Company has made commitments to purchase equipment totalling approximately \$2,144 (December 31, 2024 – \$3,010).

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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 year or prior year 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.

MA&S Developments Inc. is partially owned by AMG and rents a short-term parking facility for trucks and trailers to the Company in Mississippi. The Company also rents short-term parking from arm's length providers.

Ready Staffing Solutions Inc., a company partially owned by Mr. Andlauer's spouse, provides the Company with temporary agency employee services – providing hourly dock labour for handling operations, principally in the GTA. The Company also purchases temporary agency employee services from arm's length providers.

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Revenue				
Transportation services				
1708998 Ontario Limited (Medical Courier Services)	\$ -	\$ 48	\$ 45	\$ 99
Expenses				
Transportation services				
1708998 Ontario Limited (Medical Courier Services)	-	37	46	89
Contract labour services				
Ready Staffing Solutions Inc.	1,602	1,545	3,266	3,092
Equipment rent				
Andlauer Properties and Leasing Inc.	448	542	928	1,183
Facility rent				
Andlauer Properties and Leasing Inc.	720	569	1,493	1,116
9143-5271 Quebec Inc.	474	387	890	774
MA&S Developments Inc.	24	-	48	-
Maintenance services				
Logiserv Inc.	-	14	-	14
Travel services				
Andlauer Properties and Leasing Inc. (formerly C-GHBS Inc.)	10	-	37	-
Capital Expenditures				
Purchases of logistics and transportation equipment				
Logiserv Inc.	-	46	-	46

Andlauer Healthcare Group Inc.

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For the six months ended June 30, 2025 and 2024

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17. Related parties (continued)

	June 30, 2025	December 31, 2024
Trade receivables due from related parties		
Andlauer Properties and Leasing Inc.	\$ 13	\$ 13
1708998 Ontario Limited (Medical Courier Services)	-	13
	13	26
Due from related parties		
Andlauer Management Group Inc.	3	18
Total due from related parties	\$ 16	\$ 44
Trade payables due to related parties		
Ready Staffing Solutions Inc.	\$ 282	\$ 181
1708998 Ontario Limited (Medical Courier Services)	-	17
Andlauer Properties and Leasing Inc.	1	93
Andlauer Management Group Inc.	-	11
	283	302
Due to related parties		
Andlauer Properties and Leasing Inc.	279	291
Total due to related parties	\$ 562	\$ 593

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 and six month periods ended:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Key management compensation				
Salaries and benefits	\$ 1,032	\$ 1,011	\$ 2,064	\$ 2,022
Share-based payment arrangements	158	120	314	240
Director deferred share units	137	138	275	276
Total key management compensation	\$ 1,327	\$ 1,269	\$ 2,653	\$ 2,538

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.

Andlauer Healthcare Group Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

18. Capital management (continued)

	June 30, 2025	December 31, 2024
Total lease liabilities	\$ 123,207	\$ 126,315
Credit facilities	54,934	54,895
Less: cash and cash equivalents	(58,981)	(40,483)
Net debt	119,160	140,727
Last twelve months' net income	67,489	64,468
Last twelve months' interest income	(1,382)	(2,152)
Last twelve months' interest expense	8,263	7,585
Last twelve months' income tax expense	22,722	23,730
Last twelve months' depreciation and amortization	70,923	70,934
EBITDA	168,015	164,565
Net leverage ratio	0.71	0.86