



**MEDICAL
FACILITIES
CORPORATION**

FOURTH QUARTER AND FISCAL 2025 YEAR END

March 11, 2026

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Medical Facilities Corporation (the "Corporation"), its business environment, strategies, performance, outlook and the risks applicable to the Corporation. It is supplemental to and should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Corporation for the year ended December 31, 2025 ("financial statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

Substantially all of the Corporation's operating cash flows are in U.S. dollars and all amounts presented in the financial statements and herein, except per share amounts, are stated in thousands of U.S. dollars, unless indicated otherwise.

Additional information about the Corporation and its annual information form are available on SEDAR+ at www.sedarplus.ca.

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1. CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of the Corporation’s business and operating initiatives, focuses and strategies, expectations of future performance and consolidated financial results, and expectations with respect to cash flows and level of liquidity. Generally, forward-looking information can be identified by use of words such as “may”, “will”, “could”, “should”, “would”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “forecast”, “objective” and “continue” (or the negative thereof) and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that were identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of business strategies, consistent and stable economic conditions and conditions in the financial markets, and the consistent and stable legislative environment in which the Corporation operates.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: ability to obtain and maintain contractual arrangements with insurers and other payors, ability to attract and retain qualified physicians, availability of qualified personnel or management, legislative and regulatory changes, capital expenditures, general state of the economy, global supply chain disruptions, enactment of import tariffs or other restrictive trade policies and measures, competition in the industry, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability and manage organic growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of patient satisfaction, public health crises or outbreaks of infectious diseases, information technology governance and security, occurrences of natural and man-made disasters and similar events, risk of future legal proceedings, insurance limits, income tax matters, ability to meet solvency requirements to pay dividends, leverage and restrictive covenants, unpredictability and volatility of common share price, and issuance of additional common shares diluting existing shareholders’ interests, and other factors set forth under the heading “Risk Factors” in this MD&A and under the heading “Risk Factors” in the Corporation’s most recently filed annual information form (which is available on SEDAR+ at www.sedarplus.ca).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management’s current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although management has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, the Corporation does not undertake the obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

2. NON-IFRS FINANCIAL MEASURES

The Corporation uses certain non-IFRS financial measures which it believes provide useful measures for evaluation and assessment of the Corporation's performance. They are presented on a uniform basis from period to period, thereby allowing for consistent comparability. Management believes that the non-IFRS financial measures presented in this MD&A (i) are relevant for users of the financial statements to assess the Corporation's performance and ability to pay dividends, and (ii) may be used to calculate certain ongoing rights and obligations of the Corporation. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS Accounting Standards, are unlikely to be comparable to similar measures presented by other issuers, and should not be considered as alternatives to comparable measures determined in accordance with IFRS Accounting Standards as indicators of the Corporation's financial performance, including its liquidity, cash flows, and profitability.

The Corporation uses the following non-IFRS financial measures which are presented in Sections 5 and 6 of this MD&A under the heading "Reconciliation of net income for the period from continuing operations to EBITDA" and in Section 7 of this MD&A under the heading "Reconciliation of Non-IFRS Financial Measures", and reconciled to the applicable IFRS measures:

- **Cash available for distribution** is a non-IFRS financial measure of cash generated from operations during a reporting period which is available for distribution to common shareholders. Cash available for distribution is derived from net cash provided by operating activities, before certain non-cash adjustments, including (i) net changes in non-cash operating working capital, (ii) market value adjustments on share-based compensation, (iii) interest expense on exchangeable interest liability, and (iv) the difference between accrual-based amounts and actual cash flows related to interest and taxes, less (v) maintenance capital expenditures, (vi) payment of lease liabilities, (vii) repayments of notes payable by the Facilities, and (viii) non-controlling interest in cash flows of the Facilities. The Corporation calculates cash available for distribution in U.S. dollars and translates it into Canadian dollars using the average exchange rate applicable during the period per the Bank of Canada. Management believes that cash available for distribution is relevant in understanding the Corporation's ability to earn cash and pay dividends to its common shareholders.
- **Cash available for distribution per common share** is a non-IFRS financial measure calculated as the cash available for distribution divided by the basic weighted average number of common shares outstanding during the period.
- **Distributions** is a non-IFRS financial measure of cash distributed to holders of common shares, more commonly referred to as dividends declared.
- **Distributions per common share** is a non-IFRS financial measure calculated as the distributions divided by the basic weighted average number of common shares outstanding during the period.
- **Earnings before interest, taxes, depreciation and amortization ("EBITDA")** is a non-IFRS financial measure defined as net income for the period from continuing operations before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, and (v) amortization of other intangibles. Management believes that EBITDA is relevant in understanding the Corporation's ability to service its debt, finance capital expenditures and pay dividends to its common shareholders.
- **Adjusted EBITDA** is a non-IFRS financial measure defined as EBITDA before impairment of goodwill.
- **Payout ratio** is a non-IFRS financial measure calculated as distributions per common share in Canadian dollars divided by cash available for distribution per common share in Canadian dollars. Management monitors the payout ratio to ensure the Corporation can adhere to its dividend policy.

3. BUSINESS OVERVIEW

The Corporation is a British Columbia corporation. The capital of the Corporation is in the form of publicly traded common shares. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol “DR”. The Corporation’s current quarterly dividend on its common shares is Cdn\$0.09 per common share (refer to Section 10 “Share Capital and Dividends” of this MD&A under the heading “Dividends”).

The Corporation’s operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, Medical Facilities America, Inc. (“MFA”) and Medical Facilities (USA) Holdings, Inc. (“MFH”), the Corporation owns controlling interests in, and/or controls by virtue of retaining approval rights over certain significant governance matters, and derives substantially all of its income from, three limited liability entities (each a “Facility” and, collectively, the “Facilities”), each of which own a specialty surgical hospital (an “SSH”). The three SSHs are located in Arkansas, Oklahoma, and South Dakota. SSHs are licensed for both inpatient and outpatient surgeries, and provide facilities, including staffing, surgical materials and supplies, and other support necessary for scheduled surgical, pain management, imaging, and diagnostic procedures, and derive their revenue primarily from the fees charged for the use of these facilities. The Facilities mainly focus on a limited number of clinical specialties such as orthopedics, neurosurgery, pain management and other non-emergency elective procedures. In addition, one of the SSHs provides urgent care services.

On November 15, 2024, Black Hills Surgical Hospital, LLP (“BHSH”), a Facility located in Rapid City, South Dakota, was sold to Sanford Health for cash proceeds of \$96.1 million for the Corporation’s 54.2% ownership share, subject to customary adjustments.

On December 31, 2025, the Corporation sold its 51.0% ownership share in The Surgery Center of Newport Coast, LLC (“SCNC”), an ambulatory surgery center located in Newport Beach, California, to Newport Center GK, LLC for cash proceeds of \$1.5 million. In connection with this transaction, the Corporation recorded a post-tax gain of \$0.5 million in the results of discontinued operations.

On January 30, 2026, subsequent to the year end, the Corporation completed the sale of its 64.0% ownership interest in Oklahoma Spine Hospital, LLC (“OSH”), a Facility located in Oklahoma City, Oklahoma, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH’s physician partners, for cash proceeds of \$46.0 million, subject to customary adjustments. Negotiations to sell OSH began before December 31, 2025. OSH’s assets are classified as assets held for sale in the Corporation’s consolidated balance sheet as of December 31, 2025, and its financial results are presented as discontinued operations in the Corporation’s consolidated statements of income and comprehensive income for the years ended December 31, 2025 and 2024.

The sale of OSH has strengthened the Corporation’s subsequent consolidated balance sheet, enabling the return of capital to the Corporation’s common shareholders.

Government Stimulus

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the “CARES Act”) was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Paycheck Protection Program (“PPP”).

During the year ended December 31, 2024, the U.S. Small Business Administration concluded the Post Payment Loan Reviews on all of the Facilities’ outstanding PPP loans of \$12.0 million, closing the reviews with no findings and confirming full forgiveness. As a result, the respective Facilities recorded government stimulus income of \$12.0 million in the consolidated statement of income and comprehensive income for the year ended December 31, 2024. Of this, \$7.3 million related to continuing operations, while the remaining \$4.7 million related to discontinued operations.

Other Information

Facility service revenue (“revenue”) and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Revenue for any given period is dependent on the volume of the procedures performed as well as the acuity and complexity of the procedures (“case mix”) and composition of payors (“payor mix”), including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Various payors have different reimbursement rates for the same type of procedure which are generally based on either predetermined rates per procedure or discounted fee-for-service rates. Medicare and Medicaid typically have lower reimbursement rates than other payors.

Revenue is recorded in the period when healthcare services are provided based upon established billing rates less adjustments required by contractual arrangements with the payors. Estimates of contractual adjustments under payor arrangements are based upon the payment terms specified in the related contractual agreements and payment history.

The volume of procedures performed at the Facilities depends on, among other things: (i) the Facilities’ ability to deliver high quality care and superior services to patients and their family members; (ii) the Facilities’ success in encouraging physicians to perform procedures at the Facilities through, among other things, maintenance of an efficient work environment for physicians as well as availability of facilities; and (iii) the Facilities’ establishment and maintenance of strong relationships with major third-party payors in the geographic areas served. The case mix at each Facility is a function of the clinical specialties of the physicians and medical staff and is also dependent on the equipment and infrastructure at each Facility.

Non-controlling interests in the Facilities are indirectly owned, primarily by physicians practicing at the Facilities. Upon acquisition by the Corporation of indirect controlling interests in the SSHs located in Arkansas, Oklahoma, and South Dakota, the non-controlling interest holders were granted the right to exchange up to 14% (5% in the case of Arkansas Surgical Hospital) of the ownership interest in their respective Facilities for common shares of the Corporation. The liability associated with this derivative instrument is recorded on the Corporation’s consolidated balance sheet. To date, the non-controlling interest holders of one of the eligible Facilities have exercised portions of their exchangeable interests.

Summary of Facility Information as of December 31, 2025

	Arkansas Surgical Hospital Hospital (“ASH”)	Oklahoma Spine Hospital Hospital (“OSH”) ⁽¹⁾	Sioux Falls Specialty Hospital Hospital (“SFSH”)
Location	North Little Rock Arkansas	Oklahoma City Oklahoma	Sioux Falls South Dakota
Year Opened	2005	1999	1985
Year Acquired by the Corporation	2012	2005	2004
Ownership Interest	51.0%	64.0%	51.0%
Non-controlling Interest	49.0%	36.0%	49.0%
Exchangeable Interest	5.0%	1.0%	14.0%
Size	126,000 sq ft	61,000 sq ft	97,000 sq ft
Operating/Procedure Rooms	13/2	7/2	15/1
Overnight Rooms	41 ⁽²⁾	25	33

⁽¹⁾ The Corporation sold all of its ownership interest in OSH subsequent to the year end.

⁽²⁾ Licensed for 47 beds.

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

<i>In thousands of U.S. dollars, except per share amounts and as indicated otherwise</i>	Year Ended December 31,		
	2025	2024 ⁽¹⁾	2023 ⁽¹⁾
Facility service revenue	254,166	246,088	238,166
Government stimulus income	-	7,285	-
Revenue and other income	254,166	253,373	238,166
Operating expenses	207,508	201,003	200,869
Income from operations	46,658	52,370	37,297
Net income for the year from continuing operations	34,615	48,265	25,120
Attributable to:			
Owners of the Corporation ⁽²⁾	15,425	28,181	7,196
Non-controlling interest ⁽²⁾	19,190	20,084	17,924
Net income for the year from discontinued operations, net of tax	9,803	57,297	18,879
Earnings per share from continuing operations attributable to owners of the Corporation			
Basic	\$0.79	\$1.17	\$0.28
Fully diluted	\$0.79	\$1.17	\$0.28
EBITDA ⁽³⁾	58,388	63,838	55,602
Cash available for distribution ^{(3) (4)}	C\$ 30,328	C\$ 36,507	C\$ 30,214
Distributions ⁽³⁾	C\$ 6,708	C\$ 8,321	C\$ 8,085
Cash available for distribution per common share ^{(3) (4)}	C\$ 1.557	C\$ 1.521	C\$ 1.196
Distributions per common share ⁽³⁾	C\$ 0.344	C\$ 0.347	C\$ 0.320
Payout ratio ^{(3) (4)}	22.1%	22.8%	26.8%
	December 31, 2025	December 31, 2024	December 31, 2023
Total assets	272,635	346,294	354,885
Total long-term financial liabilities	49,639	54,638	93,300

⁽¹⁾ The comparative results for the years ended December 31, 2024 and 2023 include the results of continuing operations and discontinued operations. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of discontinued operations for the prior years are presented separately in the Corporation's consolidated statements of income and comprehensive income to provide a clear comparison.

⁽²⁾ Net income from continuing operations attributable to owners of the Corporation fluctuates significantly between the periods due to variations in finance costs, primarily in the value of the exchangeable interest liability, and income taxes. These charges are incurred at the corporate level rather than at the Facility level. On the other hand, net income from continuing operations attributable to non-controlling interest represents the interest of the Facilities' non-controlling interest holders in the net income of the Facilities on a stand-alone basis and, therefore, does not vary as significantly between the periods.

⁽³⁾ Non-IFRS financial measures. Please refer to Section 2 under the heading "Non-IFRS Financial Measures", Sections 5 and 6 under the heading "Reconciliation of net income for the period from continuing operations to EBITDA", and Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures".

⁽⁴⁾ Cash available for distribution, cash available for distribution per common share, and payout ratio are not restated for discontinued operations, but have been restated for market value adjustments on share-based compensation, and stock options expense.

Selected Financial Information for the Year Ended December 31, 2025 compared to the Year Ended December 31, 2024

For the year ended December 31, 2025, revenue and other income from continuing operations was \$254.2 million, an increase of 0.3% from \$253.4 million for the prior year, despite the recognition of PPP government stimulus income of \$7.3 million in the prior year. Facility service revenue from continuing operations increased by 3.3% from \$246.1 million for the prior year, mainly due to higher surgical case volume, as well as the combined positive impact of case and payor mix, and payor rate increases.

EBITDA for the year ended December 31, 2025 was \$58.4 million or 23.0% of revenue and other income from continuing operations compared to \$63.8 million or 25.2% of revenue and other income from continuing operations for the prior year. Excluding the prior year PPP government stimulus income, EBITDA increased from the prior year by \$1.8 million or 3.2%, mainly due to lower non-controllable, non-cash corporate level charges related to share-based compensation plans.

Net income from continuing operations for the year ended December 31, 2025 was \$34.6 million compared to \$48.3 million for the prior year, with the decrease mainly attributable to higher income tax expense and the prior year recognition of PPP government stimulus income, partly offset by lower finance costs driven by lower net interest expense.

Net income from discontinued operations, net of tax, for the year ended December 31, 2025 of \$9.8 million and \$57.3 million for the prior year was reclassified out of continuing operations due to the sales of BHSH, SCNC and OSH. The decrease from prior year is mainly due to the post-tax gain of \$33.6 million on the sale of BHSH recognized in the results of discontinued operations in the prior year.

The Corporation generated cash available for distribution of Cdn\$30.3 million for the year ended December 31, 2025, representing a decrease of Cdn\$6.2 million or 16.9% from Cdn\$36.5 million for the prior year. Distributions per common share decreased between the years by Cdn\$0.003 to Cdn\$0.344, while the payout ratio was 22.1% for the year ended December 31, 2025 compared to 22.8% for the prior year. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading “Reconciliation of Non-IFRS Financial Measures”.

Selected Financial Information for the Year Ended December 31, 2024 compared to the Year Ended December 31, 2023

For the year ended December 31, 2024, revenue and other income from continuing operations was \$253.4 million, an increase of 6.4% from \$238.2 million for the same period in 2023, including the recognition of PPP government stimulus income of \$7.3 million in 2024. Facility service revenue from continuing operations of \$246.1 million for the year ended December 31, 2024 increased by 3.3% from the same period in 2023, primarily due to the combined positive impact of case and payor mix, along with higher surgical case volume.

EBITDA for the year ended December 31, 2024 was \$63.8 million or 25.2% of revenue and other income from continuing operations compared to \$55.6 million or 23.3% of revenue and other income from continuing operations for the same period in 2023. Excluding the PPP government stimulus income recognized in 2024, EBITDA increased from the prior year by \$1.0 million or 1.7%, mainly due to the increase in facility service revenue which exceeded the net increase in operating expenses before depreciation and amortization.

Net income from continuing operations for the year ended December 31, 2024 was \$48.3 million compared to \$25.1 million for the same period in 2023, with the increase mostly attributable to lower income tax expense and the recognition of PPP government stimulus income in 2024, as well as lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the same period in 2023 (refer to Section 5 “Consolidated Operating and Financial Review” of this MD&A under the heading “Change in Value of Exchangeable Interest Liability”).

Net income from discontinued operations, net of tax, for the year ended December 31, 2024 of \$57.3 million and \$18.9 million for the same period in 2023 was reclassified out of continuing operations due to the sales of BHSH, SCNC and OSH. The increase from 2023 is mainly due to the post-tax gain of \$33.6 million on the sale of BHSH recognized in the results of discontinued operations in 2024.

The Corporation generated cash available for distribution of Cdn\$36.5 million for the year ended December 31, 2024, representing an increase of Cdn\$6.3 million or 20.8% from Cdn\$30.2 million for the same period in 2023.

Distributions per common share increased between the years by Cdn\$0.027 to Cdn\$0.347, while the payout ratio was 22.8% for the year ended December 31, 2024 compared to 26.8% for the same period in 2023. For a reconciliation of the foregoing non-IFRS financial measures to the applicable IFRS measures, see Section 7 under the heading “Reconciliation of Non-IFRS Financial Measures”.

5. CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Continuing Operations for the Three Months Ended December 31, 2025

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended December 31, 2025 to the three months ended December 31, 2024:

<i>Unaudited</i>	Three Months Ended			
	December 31,			
<i>In thousands of U.S. dollars, except per share amounts</i>	2025	2024	\$ Change	% Change
Revenue and other income				
Facility service revenue	75,105	69,149	5,956	8.6%
	75,105	69,149	5,956	8.6%
Operating expenses				
Salaries and benefits	18,766	17,736	1,030	5.8%
Drugs and supplies	22,964	20,545	2,419	11.8%
General and administrative expenses ⁽¹⁾	12,891	12,783	108	0.8%
Depreciation of property and equipment	1,384	1,331	53	4.0%
Depreciation of right-of-use assets	1,420	1,431	(11)	(0.8%)
Amortization of other intangibles	136	135	1	0.7%
	57,561	53,961	3,600	6.7%
Income from operations	17,544	15,188	2,356	15.5%
Finance costs (income)				
Change in value of exchangeable interest liability	4,575	(19,464)	24,039	123.5%
Interest expense on exchangeable interest liability	1,534	1,972	(438)	(22.2%)
Interest expense, net of interest income	552	359	193	53.8%
Gain on foreign currency	(12)	(9)	(3)	(33.3%)
	6,649	(17,142)	23,791	138.8%
Income before income taxes	10,895	32,330	(21,435)	(66.3%)
Income tax expense (recovery)	1,181	(4,394)	5,575	126.9%
Net income for the period from continuing operations	9,714	36,724	(27,010)	(73.5%)
Attributable to:				
Owners of the Corporation	2,739	30,828	(28,089)	(91.1%)
Non-controlling interest	6,975	5,896	1,079	18.3%
Basic earnings per share attributable to owners of the Corporation	\$0.15	\$1.32	(1.17)	(88.6%)
Fully diluted earnings per share attributable to owners of the Corporation	\$0.15	\$0.64	(0.49)	(76.6%)
Reconciliation of net income for the period from continuing operations to EBITDA ⁽²⁾				
Net income for the period from continuing operations	9,714	36,724	(27,010)	(73.5%)
Income tax expense (recovery)	1,181	(4,394)	5,575	126.9%
Finance costs (income)	6,649	(17,142)	23,791	138.8%
Depreciation of property and equipment	1,384	1,331	53	4.0%
Depreciation of right-of-use assets	1,420	1,431	(11)	(0.8%)
Amortization of other intangibles	136	135	1	0.7%
EBITDA ⁽²⁾	20,484	18,085	2,399	13.3%

⁽¹⁾ General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of \$0.2 million for the three months ended December 31, 2025 and \$0.5 for the three months ended December 31, 2024.

⁽²⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading “Non-IFRS Financial Measures” for a discussion of such measures.

Revenue and Other Income

Unaudited In thousands of U.S. dollars	Three Months Ended December 31,			
	2025	2024	\$ Change	% Change
ASH	26,872	24,396	2,476	10.1%
SFSH	48,233	44,753	3,480	7.8%
Revenue and other income	75,105	69,149	5,956	8.6%

For the three months ended December 31, 2025, facility service revenue increased from the same period in 2024 by \$6.0 million or 8.6%, mainly due to the combined impact of case and payor mix (\$3.8 million), as well as higher surgical case volume (\$1.8 million), and payor rate increases (\$1.0 million). This was partly offset by a decrease in pain management cases (\$0.5 million).

Total surgical cases increased by 3.2%, with increases at both ASH and SFSH. Outpatient cases increased by 8.8%, but inpatient cases decreased by 25.3%, and observation cases decreased by 3.8%. Surgical case volume changes by payor over the same period last year came predominantly from Medicare and Blue Cross Blue Shield, which increased by 9.7% and 2.6%, respectively. Pain management cases were down by 27.7% compared to the same period last year, with most of the decrease coming from ASH.

The above factors are reflected in each Facility's revenue as follows:

- ASH's revenue increased mainly due to the combined impact of case and payor mix, driven by higher acuity orthopedic cases, along with higher surgical case volume, and payor rate increases, partly offset by a decrease in pain management cases due to the departure of a pain physician in the fourth quarter of 2024.
- SFSH's revenue increased mainly due to the combined impact of case and payor mix, which included more orthopedic procedures, as well as higher surgical case volume.

Operating Expenses

For the three months ended December 31, 2025, operating expenses, including salaries and benefits, drugs and supplies, general and administrative expenses ("G&A"), impairment of goodwill, depreciation of property and equipment, depreciation of right-of-use assets, and amortization of other intangibles (collectively "operating expenses"), increased by \$3.6 million or 6.7% from the same period last year to \$57.6 million. As a percentage of revenue and other income, operating expenses decreased to 76.6% from 78.0% in the same period last year.

Unaudited In thousands of U.S. dollars	Three Months Ended December 31,					
	2025	Percentage of Revenue	2024	Percentage of Revenue	\$ Change	% Change
ASH	21,421	79.7%	19,220	78.8%	2,201	11.5%
SFSH	34,076	70.6%	32,245	72.1%	1,831	5.7%
Corporate	2,064	n/a	2,496	n/a	(432)	(17.3%)
Operating expenses	57,561	76.6%	53,961	78.0%	3,600	6.7%

Consolidated salaries and benefits increased by \$1.0 million or 5.8%, primarily due to increases in clinical and non-clinical salaries and wages (\$1.4 million) as a result of annual merit increases and market wage pressures, along with higher benefit costs from increased health plan utilization (\$0.2 million). This was partly offset by the cash-settlement of stock options relating to the Chief Financial Officer ("CFO") in the same period last year (\$0.4 million), as well as a reduction in salaried physicians at certain Facilities (\$0.1 million). As a percentage of revenue and other income, consolidated salaries and benefits decreased to 25.0% from 25.6% a year earlier.

Consolidated drugs and supplies increased by \$2.4 million or 11.8%, primarily due to the impact of case mix (\$1.3 million), which reflected more orthopedic cases, along with higher surgical volume (\$1.0 million). As a

percentage of revenue and other income, the consolidated cost of drugs and supplies increased to 30.6% from 29.7% a year earlier.

Consolidated G&A increased by \$0.1 million or 0.8%. The increase in G&A was primarily due to higher costs for contracted services (\$0.5 million), physician guarantees (\$0.2 million), and repairs and maintenance (\$0.2 million). This was mostly offset by a cost recovery from savings realized by SFSH's accountable care organization ("ACO") (\$0.6 million), as well as a decrease in corporate level costs related to share-based compensation plans driven by the decrease in the Corporation's share price in the current period as compared an increase in the same period last year (\$0.3 million). As a percentage of revenue and other income, consolidated G&A decreased to 17.2% from 18.5% a year earlier.

Consolidated depreciation of property and equipment increased by \$0.1 million or 4.0%, mainly due to the purchase of fixed assets, partly offset by certain fixed assets being fully depreciated. As a percentage of revenue and other income, consolidated depreciation of property and equipment decreased to 1.8% from 1.9% a year earlier.

Consolidated depreciation of right-of-use assets remained consistent with the same period in 2024, as new lease additions were offset by the expiration and termination of certain other leases. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets decreased to 1.9% from 2.1% a year earlier.

Consolidated amortization of other intangibles remained consistent with the same period in 2024. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.2%.

Income from Operations

Consolidated income from operations for the three months ended December 31, 2025 of \$17.5 million was \$2.4 million or 15.5% higher than the consolidated income from operations of \$15.2 million recorded in the same period last year, representing 23.4% of revenue and other income, compared to 22.0% in the same period in 2024. The increase is mainly due to higher income from operations at the Facilities, driven by the increase in facility service revenue.

<i>Unaudited</i>	Three Months Ended December 31,					
<i>In thousands of U.S. dollars</i>	2025	Percentage of Revenue	2024	Percentage of Revenue	\$ Change	% Change
ASH	5,451	20.3%	5,176	21.2%	275	5.3%
SFSH	14,157	29.4%	12,508	27.9%	1,649	13.2%
Corporate	(2,064)	n/a	(2,496)	n/a	432	17.3%
Income from operations	17,544	23.4%	15,188	22.0%	2,356	15.5%

Finance Costs (Income)

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income from continuing operations for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest holders during the trailing twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar. The change in value of the exchangeable interest liability for the three months ended December 31, 2025 of \$4.6 million increased by \$24.0 million from the same period in 2024, attributable to variations in all three factors, including the forfeiture of common shares to

be issued for the exchangeable interest liability relating to BSHS's non-controlling interest holders (as of September 30, 2024: 1,579,818 common shares) upon the sale of BSHS in the fourth quarter of 2024. The exchangeable interest liability relating to OSH's non-controlling interest holders (as of December 31, 2025: 42,331 common shares) was forfeited upon the sale of OSH, subsequent to the year end, on January 30, 2026.

The following table provides a calculation of the change in value of the exchangeable interest liability for the reporting periods:

<i>In thousands of U.S. dollars, except as indicated otherwise</i>	December 31, 2025	September 30, 2025 <i>Unaudited</i>	Change	December 31, 2024	September 30, 2024 <i>Unaudited</i>	Change
Number of common shares to be issued for exchangeable interest liability	3,419,978	3,442,524	(22,546)	3,621,847	5,892,420	(2,270,573)
Closing price of the Corporation's common shares	C\$15.87	C\$14.14	C\$1.73	C\$15.61	C\$13.49	C\$2.12
Closing exchange rate of U.S. dollar to Canadian dollar	\$1.3726	\$1.3921	(\$0.0195)	\$1.4385	\$1.3526	\$0.0859
Exchangeable interest liability	39,542	34,967	4,575	39,303	58,767	(19,464)

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by \$0.4 million, driven by the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income increased by \$0.2 million, mainly due to lower interest income at the corporate level due to the lower average cash balance as a result of utilizing part of the cash proceeds received on the sale of BSHS to buyback shares under a substantial issuer bid in the first quarter of 2025.

Gain on Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency gain increased marginally due to the relative change in foreign exchange rates between the reporting periods.

Income Tax

Current and deferred tax components of the income tax expense (recovery) for the reporting periods are as follows:

<i>Unaudited</i>	Three Months Ended December 31,			
<i>In thousands of U.S. dollars</i>	2025	2024	\$ Change	% Change
Current income tax expense	1,476	1,746	(270)	(15.5%)
Deferred income tax recovery	(295)	(6,140)	5,845	95.2%
Income tax expense (recovery)	1,181	(4,394)	5,575	126.9%

The decrease in current income tax expense versus the prior period was primarily due to book to tax timing differences in the prior period. The variance in deferred income tax recovery versus the prior period was due to the change in the exchangeable interest liability and a tax basis update in the prior period.

Net Income from Continuing Operations

The \$27.0 million decrease in net income from continuing operations for the three months ended December 31, 2025 was mainly attributable to higher finance costs driven by the variance in the change in value of

exchangeable interest liability versus the same period last year (refer to Section 5 “Consolidated Operating and Financial Review” of this MD&A under the heading “Change in Value of Exchangeable Interest Liability”), as well as higher income taxes, partly offset by higher income from operations at the Facilities.

EBITDA

EBITDA of \$20.5 million for the three months ended December 31, 2025 increased by \$2.4 million from \$18.1 million recorded in the same period last year, representing 27.3% of revenue and other income compared to 26.2% a year earlier. The increase is mainly due to higher income from operations at the Facilities, driven by the increase in facility service revenue. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the period from continuing operations to EBITDA”.

Selected Discontinued Operations for the Three Months Ended December 31, 2025

Certain Facilities classified as discontinued operations in the financial statements, namely SCNC and OSH (collectively “Selected Discontinued Operations”), were under the Corporation’s controlling ownership for the full duration of the three months ended December 31, 2025 and 2024. As a result, management believes that the financial results of the Selected Discontinued Operations are relevant for users of the financial statements to assess the Corporation’s performance.

The following table and discussion compare operating and financial results of the Selected Discontinued Operations of the Corporation for the three months ended December 31, 2025 to the three months ended December 31, 2024:

<i>Unaudited</i>	Three Months Ended			
	December 31,			
<i>In thousands of U.S. dollars, except per share amounts</i>	2025	2024 ⁽¹⁾	\$ Change	% Change
Facility service revenue	22,239	21,928	311	1.4%
Operating expenses ⁽²⁾	19,111	22,511	(3,400)	(15.1%)
Income (loss) from operations	3,128	(583)	3,711	636.5%
Finance costs	60	95	(35)	(36.8%)
Income before income taxes	3,068	(678)	3,746	552.5%
Income tax expense	448	12	436	3,633.3%
Gain on sale of SCNC, net of tax	(536)	-	(536)	(100.0%)
Net income (loss) for the period from Selected Discontinued Operations	3,156	(690)	3,846	557.4%
Reconciliation of net income (loss) for the period from Selected Discontinued Operations to EBITDA ⁽³⁾ and Adjusted EBITDA ⁽³⁾				
Net income (loss) for the period from Selected Discontinued Operations	3,156	(690)	3,846	557.4%
Non-operating gains, net of tax	(536)	-	(536)	(100.0%)
Income tax expense	448	12	436	3,633.3%
Finance costs	60	95	(35)	(36.8%)
Depreciation of property and equipment, and right-of-use assets	546	1,464	(918)	(62.7%)
EBITDA ⁽³⁾ from Selected Discontinued Operations	3,674	881	2,793	317.0%
Impairment of goodwill	-	2,265	(2,265)	(100.0%)
Adjusted EBITDA ⁽³⁾ from Selected Discontinued Operations	3,674	3,146	528	16.8%

⁽¹⁾ The comparative results for the three months ended December 31, 2024 are comprised of the results of Selected Discontinued Operations, classified as discontinued operations in the current period, to provide a clear comparison.

⁽²⁾ Operating expenses for the three months ended December 31, 2024 include a non-cash impairment charge against goodwill of \$2.3 million relating to the SCNC cash-generating unit (“PY Impairment Charge”).

⁽³⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading “Non-IFRS Financial Measures” for a discussion of such measures.

For the three months ended December 31, 2025, facility service revenue from Selected Discontinued Operations increased from the same period in 2024 by \$0.3 million or 1.4%, mainly due to the combined impact of case and payor mix.

EBITDA from Selected Discontinued Operations for the three months ended December 31, 2025 increased from the same period in 2024 by \$2.8 million, mainly due to the PY Impairment Charge, and higher income from operations from the Selected Discontinued Operations, driven by the increase in facility service revenue and reduction in operating expenses.

Excluding the PY Impairment Charge, Adjusted EBITDA from Selected Discontinued Operations for the three months ended December 31, 2025 increased from the same period in 2024 by \$0.5 million or 16.8%.

Net income from Selected Discontinued Operations for the three months ended December 31, 2025 increased \$3.8 million, mainly due to the PY Impairment Charge, as well as the post-tax gain recorded on the sale of SCNC in the current period, and higher income from operations from the Selected Discontinued Operations.

Continuing Operations for the Year Ended December 31, 2025

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the year ended December 31, 2025 to the year ended December 31, 2024:

<i>In thousands of U.S. dollars, except per share amounts</i>	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Revenue and other income				
Facility service revenue	254,166	246,088	8,078	3.3%
Government stimulus income	-	7,285	(7,285)	(100.0%)
	254,166	253,373	793	0.3%
Operating expenses				
Salaries and benefits	69,380	65,747	3,633	5.5%
Drugs and supplies	76,548	72,945	3,603	4.9%
General and administrative expenses ⁽¹⁾	49,850	50,843	(993)	(2.0%)
Depreciation of property and equipment	5,475	5,398	77	1.4%
Depreciation of right-of-use assets	5,715	5,530	185	3.3%
Amortization of other intangibles	540	540	-	0.0%
	207,508	201,003	6,505	3.2%
Income from operations	46,658	52,370	(5,712)	(10.9%)
Finance costs				
Change in value of exchangeable interest liability	239	(784)	1,023	130.5%
Interest expense on exchangeable interest liability	5,344	7,653	(2,309)	(30.2%)
Interest expense, net of interest income	1,322	3,191	(1,869)	(58.6%)
Loss on foreign currency	165	59	106	179.7%
	7,070	10,119	(3,049)	(30.1%)
Income before income taxes	39,588	42,251	(2,663)	(6.3%)
Income tax expense (recovery)	4,973	(6,014)	10,987	182.7%
Net income for the year from continuing operations	34,615	48,265	(13,650)	(28.3%)
Attributable to:				
Owners of the Corporation	15,425	28,181	(12,756)	(45.3%)
Non-controlling interest	19,190	20,084	(894)	(4.5%)
Basic earnings per share attributable to owners of the Corporation	\$0.79	\$1.17	(0.38)	(32.5%)
Fully diluted earnings per share attributable to owners of the Corporation	\$0.79	\$1.17	(0.38)	(32.5%)
Reconciliation of net income for the year from continuing operations to EBITDA ⁽²⁾				
Net income for the year from continuing operations	34,615	48,265	(13,650)	(28.3%)
Income tax expense (recovery)	4,973	(6,014)	10,987	182.7%
Finance costs	7,070	10,119	(3,049)	(30.1%)
Depreciation of property and equipment	5,475	5,398	77	1.4%
Depreciation of right-of-use assets	5,715	5,530	185	3.3%
Amortization of other intangibles	540	540	-	0.0%
EBITDA ⁽²⁾	58,388	63,838	(5,450)	(8.5%)

⁽¹⁾ General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of \$0.2 million for the year ended December 31, 2025 and \$2.5 million for the year ended December 31, 2024.

⁽²⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.

Revenue and Other Income

<i>In thousands of U.S. dollars</i>	Year Ended December 31,			
	2025	2024	\$ Change	% Change
ASH	98,026	95,547	2,479	2.6%
SFSH	156,140	157,826	(1,686)	(1.1%)
Revenue and other income	254,166	253,373	793	0.3%

For the year ended December 31, 2025, revenue and other income increased from the prior year by \$0.8 million or 0.3%, despite the \$7.3 million PPP government stimulus income recognized in the prior year. Facility service revenue increased from the prior year by \$8.1 million or 3.3%, mainly due to higher surgical case volume (\$4.2 million), along with the combined impact of case and payor mix (\$3.8 million), and payor rate increases (\$2.4 million). This was partly offset by a decrease in pain management cases (\$2.3 million).

Total surgical cases increased by 1.9%, with increases at both SFSH and ASH. Outpatient cases increased by 5.6%, but inpatient cases decreased by 22.4%, and observation cases decreased by 0.5%. Surgical case volume changes by payor over the prior year came predominantly from Medicare and Blue Cross Blue Shield, which increased by 3.4% and 2.4%, respectively. Pain management cases were down by 23.2% compared to the prior year, with most of the decrease coming from ASH.

The above factors are reflected in each Facility's revenue as follows:

- ASH's revenue and other income increased despite the prior year recognition of PPP government stimulus income of \$3.2 million. Facility service revenue increased, mainly due to the combined impact of case and payor mix, driven by higher acuity orthopedic cases, along with higher surgical case volume, and payor rate increases, partly offset by a decrease in pain management cases due to the ongoing impact from the departure of a pain physician in the fourth quarter of 2024.
- SFSH's revenue and other income decreased mainly due to the prior year recognition of PPP government stimulus income of \$4.1 million. Facility service revenue increased, mainly due to the combined impact of case and payor mix, which included more orthopedic procedures, along with higher surgical case volume, partly offset by a decrease in pain management cases due to the departure of a pain physician in the second quarter of 2025.

Operating Expenses

For the year ended December 31, 2025, operating expenses increased by \$6.5 million or 3.2% from the prior year to \$207.5 million. As a percentage of revenue and other income, operating expenses increased to 81.6% from 79.3% in the prior year.

<i>In thousands of U.S. dollars</i>	Year Ended December 31,					
	2025	Percentage of Revenue	2024	Percentage of Revenue	\$ Change	% Change
ASH	78,419	80.0%	74,066	77.5%	4,353	5.9%
SFSH	121,495	77.8%	117,390	74.4%	4,105	3.5%
Corporate	7,594	n/a	9,547	n/a	(1,953)	(20.5%)
Operating expenses	207,508	81.6%	201,003	79.3%	6,505	3.2%

Consolidated salaries and benefits increased by \$3.6 million or 5.5%, primarily due to increases in clinical and non-clinical salaries and wages (\$2.2 million) as a result of annual merit increases and market wage pressures, along with higher benefit costs from increased health plan utilization (\$1.9 million), and higher share-based compensation vesting expense at the corporate level (\$0.4 million). This was partly offset by a reduction in salaried physicians at certain Facilities (\$0.5 million), as well as the cash-settlement of stock options relating to

the CFO in the prior year (\$0.4 million). As a percentage of revenue and other income, consolidated salaries and benefits increased to 27.3% from 25.9% a year earlier.

Consolidated drugs and supplies increased by \$3.6 million or 4.9%, primarily due to the impact of case mix (\$3.1 million), which reflected more orthopedic cases, along with higher surgical volume (\$0.9 million). This was partly offset by higher vendor rebates (\$0.3 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies increased to 30.1% from 28.8% a year earlier.

Consolidated G&A decreased by \$1.0 million or 2.0%. The decrease in G&A was primarily due to a decrease in corporate level costs related to share-based compensation plans driven by the decrease in the Corporation's share price in the current year as compared an increase in the prior year (\$2.3 million), as well as a cost recovery from savings realized by SFSH's ACO (\$0.6 million), and a decrease in equipment purchases and rentals (\$0.5 million). This was partly offset by increases in billing and professional fees (\$0.6 million), repairs and maintenance (\$0.5 million), contracted services (\$0.3 million), IT costs (\$0.3 million), and various other Facility related expenses (\$0.7 million). As a percentage of revenue and other income, consolidated G&A decreased to 19.6% from 20.1% a year earlier.

Consolidated depreciation of property and equipment increased by \$0.1 million or 1.4%, mainly due to the purchase of fixed assets, partly offset by certain fixed assets being fully depreciated. As a percentage of revenue and other income, consolidated depreciation of property and equipment increased to 2.2% from 2.1% a year earlier.

Consolidated depreciation of right-of-use assets increased by \$0.2 million or 3.3%, mainly due to new lease additions, partly offset by the expiration and termination of certain other leases. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets remained unchanged from a year earlier at 2.2%.

Consolidated amortization of other intangibles remained unchanged from the prior year. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.2%.

Income from Operations

Consolidated income from operations for the year ended December 31, 2025 of \$46.7 million was \$5.7 million or 10.9% lower than the consolidated income from operations of \$52.4 million recorded in the prior year, representing 18.4% of revenue and other income, compared to 20.7% in the prior year. This was mainly due to the prior year recognition of PPP government stimulus income of \$7.3 million, excluding which income from operations increased by \$1.6 million, mainly due to lower non-controllable, non-cash corporate level charges related to share-based compensation plans.

<i>In thousands of U.S. dollars</i>	Year Ended December 31,					
	2025	Percentage of Revenue	2024	Percentage of Revenue	\$ Change	% Change
ASH	19,607	20.0%	21,481	22.5%	(1,874)	(8.7%)
SFSH	34,645	22.2%	40,436	25.6%	(5,791)	(14.3%)
Corporate	(7,594)	n/a	(9,547)	n/a	1,953	20.5%
Income from operations	46,658	18.4%	52,370	20.7%	(5,712)	(10.9%)

Finance Costs

Change in Value of Exchangeable Interest Liability

The liability for the exchangeable interest is recorded at fair value, and re-measured at each reporting date, and the changes in fair value are included in net income from continuing operations for the respective periods. Changes in the recorded value of the exchangeable interest liability between the reporting periods are attributable to the (i) changes in the number of common shares to be issued for the exchangeable interest liability, which are driven by the distributions to the non-controlling interest holders during the trailing twelve-month period ending on the reporting date, (ii) changes in the market price of the Corporation's common shares, and (iii) fluctuations of the value of the Canadian dollar against the U.S. dollar. The change in value of the exchangeable interest liability for the year ended December 31, 2025 of \$0.2 million increased by \$1.0 million from the prior year, attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to BSHS's non-controlling interest holders (as of December 31, 2023: 1,446,419 common shares) upon the sale of BSHS in the fourth quarter of 2024. The exchangeable interest liability relating to OSH's non-controlling interest holders (as of December 31, 2025: 42,331 common shares) was forfeited upon the sale of OSH, subsequent to the year end, on January 30, 2026.

The following table provides a calculation of the change in value of the exchangeable interest liability for the reporting periods:

<i>In thousands of U.S. dollars, except as indicated otherwise</i>	December 31, 2025	December 31, 2024	Change	December 31, 2024	December 31, 2023	Change
Number of common shares to be issued for exchangeable interest liability	3,419,978	3,621,847	(201,869)	3,621,847	5,913,560	(2,291,713)
Closing price of the Corporation's common shares	C\$15.87	C\$15.61	C\$0.26	C\$15.61	C\$8.98	C\$6.63
Closing exchange rate of U.S. dollar to Canadian dollar	\$1.3726	\$1.4385	(\$0.0659)	\$1.4385	\$1.3247	\$0.1138
Exchangeable interest liability	39,542	39,303	239	39,303	40,087	(784)

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased by \$2.3 million, driven by the variation in distributions from the Facilities between the reporting periods.

Interest Expense, Net of Interest Income

Interest expense, net of interest income decreased by \$1.9 million, mainly due to higher interest income at the corporate level due to the higher average cash balance as a result of the cash proceeds received on the sale of BSHS in the fourth quarter of 2024, as well as lower corporate credit facility interest expense due to the outstanding balance being fully repaid in the fourth quarter of 2024.

Loss on Foreign Currency

The Corporation's reporting currency is U.S. dollars; however, certain public company expenses and payments to holders of common shares are made in Canadian dollars. Foreign currency loss increased marginally due to the relative change in foreign exchange rates between the reporting periods.

Income Tax

Current and deferred tax components of the income tax expense (recovery) for the reporting periods are as follows:

<i>In thousands of U.S. dollars</i>	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Current income tax expense	4,055	3,278	777	23.7%
Deferred income tax expense (recovery)	918	(9,292)	10,210	109.9%
Income tax expense (recovery)	4,973	(6,014)	10,987	182.7%

The increase in current income tax expense versus the prior year was primarily due to higher income from operations at the Facilities. The variance in deferred income tax expense versus the prior year was due to the impact of the change in the exchangeable interest liability and a tax basis update in the prior year.

Net Income from Continuing Operations

The \$13.7 million decrease in net income from continuing operations for the year ended December 31, 2025 was mainly attributable to higher income tax expense and the prior year recognition of PPP government stimulus income, partly offset by lower finance costs driven by lower net interest expense.

EBITDA

EBITDA of \$58.4 million for the year ended December 31, 2025 decreased by \$5.4 million from \$63.8 million recorded a year earlier, representing 23.0% of revenue and other income compared to 25.2% a year earlier. Excluding the prior year PPP government stimulus income, EBITDA increased from the prior year by \$1.8 million or 3.2%, mainly due to lower non-controllable, non-cash corporate level charges related to share-based compensation plans. For a reconciliation of EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the year from continuing operations to EBITDA”.

Selected Discontinued Operations for the Year Ended December 31, 2025

The Selected Discontinued Operations were under the Corporation's controlling ownership for the full duration of the years ended December 31, 2025 and 2024. As a result, management believes that the financial results of the Selected Discontinued Operations are relevant for users of the financial statements to assess the Corporation's performance.

The following table and discussion compare operating and financial results of the Selected Discontinued Operations of the Corporation for the year ended December 31, 2025 to the year ended December 31, 2024:

<i>In thousands of U.S. dollars, except per share amounts</i>	Year Ended December 31,			
	2025	2024 ⁽¹⁾	\$ Change	% Change
Facility service revenue	88,010	85,441	2,569	3.0%
Government stimulus income	-	4,113	(4,113)	(100.0%)
Revenue and other income	88,010	89,554	(1,544)	(1.7%)
Operating expenses ⁽²⁾	76,852	80,590	(3,738)	(4.6%)
Income from operations	11,158	8,964	2,194	24.5%
Finance costs	322	400	(78)	(19.5%)
Income before income taxes	10,836	8,564	2,272	26.5%
Income tax expense	1,569	462	1,107	239.6%
Gain on sale of SCNC, net of tax	(536)	-	(536)	(100.0%)
Net income for the year from Selected Discontinued Operations	9,803	8,102	1,701	21.0%
Reconciliation of net income for the year from Selected Discontinued Operations to EBITDA⁽³⁾ and Adjusted EBITDA⁽³⁾				
Net income for the year from Selected Discontinued Operations	9,803	8,102	1,701	21.0%
Non-operating gains, net of tax	(536)	-	(536)	(100.0%)
Income tax expense	1,569	462	1,107	239.6%
Finance costs	322	400	(78)	(19.5%)
Depreciation of property and equipment, and right-of-use assets	3,934	5,280	(1,346)	(25.5%)
EBITDA⁽³⁾ from Selected Discontinued Operations	15,092	14,244	848	6.0%
Impairment of goodwill	-	2,265	(2,265)	(100.0%)
Adjusted EBITDA⁽³⁾ from Selected Discontinued Operations	15,092	16,509	(1,417)	(8.6%)

⁽¹⁾ The comparative results for the year ended December 31, 2024 are comprised of the results of Selected Discontinued Operations, classified as discontinued operations in the current year, to provide a clear comparison.

⁽²⁾ Operating expenses for the year ended December 31, 2024 include a non-cash impairment charge against goodwill of \$2.3 million relating to the SCNC cash-generating unit ("PY Impairment Charge").

⁽³⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.

For the year ended December 31, 2025, revenue and other income from Selected Discontinued Operations decreased from the prior year by \$1.5 million or 1.7%, mainly due to the recognition of PPP government stimulus income related to the Selected Discontinued Operations of \$4.1 million in the prior year. Facility service revenue from Selected Discontinued Operations increased from the prior year by \$2.6 million or 3.0%, mainly due to combined impact of case and payor mix.

EBITDA from Selected Discontinued Operations for the year ended December 31, 2025 increased from the prior year by \$0.8 million, mainly due to higher income from operations from the Selected Discontinued Operations driven by the increase in facility service revenue, as well as the PY Impairment Charge, partly offset by the PPP government stimulus income recognized in the prior year.

Excluding the PY Impairment Charge, and the PPP government stimulus income recognized in the prior year, Adjusted EBITDA from Selected Discontinued Operations for the year ended December 31, 2025 increased from the prior year by \$2.7 million or 21.7%.

Net income from Selected Discontinued Operations for the year ended December 31, 2025 increased \$1.7 million, mainly due to higher income from operations from the Selected Discontinued Operations, along with the PY Impairment Charge, and the post-tax gain recorded on the sale of SCNC in the current year, partly offset by the PPP government stimulus income recognized in the prior year.

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

<i>Unaudited</i>	2025				2024			
<i>In thousands of U.S. dollars, except per share amounts</i>	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue and other income								
Facility service revenue	75,105	60,007	58,497	60,557	69,149	56,457	60,812	59,670
Government stimulus income	-	-	-	-	-	7,285	-	-
	75,105	60,007	58,497	60,557	69,149	63,742	60,812	59,670
Operating expenses								
Salaries and benefits	18,766	17,370	16,909	16,335	17,736	16,139	16,141	15,731
Drugs and supplies	22,964	17,628	17,654	18,302	20,545	16,870	17,737	17,793
General and administrative expenses	12,891	12,275	12,354	12,330	12,783	12,725	12,661	12,674
Depreciation of property and equipment	1,384	1,355	1,378	1,358	1,331	1,358	1,346	1,363
Depreciation of right-of-use assets	1,420	1,428	1,426	1,441	1,431	1,409	1,379	1,311
Amortization of other intangibles	136	136	135	133	135	136	136	133
	57,561	50,192	49,856	49,899	53,961	48,637	49,400	49,005
Income from operations	17,544	9,815	8,641	10,658	15,188	15,105	11,412	10,665
Finance costs (income)								
Change in value of exchangeable interest liability	4,575	(5,625)	(1,241)	2,530	(19,464)	4,935	8,559	5,186
Interest expense on exchangeable interest liability	1,534	1,265	845	1,700	1,972	1,926	1,707	2,048
Interest expense, net of interest income	552	449	441	(120)	359	832	981	1,019
Loss (gain) on foreign currency	(12)	18	29	130	(9)	14	11	43
	6,649	(3,893)	74	4,240	(17,142)	7,707	11,258	8,296
Income before income taxes	10,895	13,708	8,567	6,418	32,330	7,398	154	2,369
Income tax expense (recovery)	1,181	2,722	1,704	(634)	(4,394)	(764)	(677)	(179)
Net income for the period from continuing operations	9,714	10,986	6,863	7,052	36,724	8,162	831	2,548
Attributable to:								
Owners of the Corporation	2,739	7,010	3,035	2,641	30,828	2,144	(3,403)	(1,388)
Non-controlling interest	6,975	3,976	3,828	4,411	5,896	6,018	4,234	3,936
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	\$0.15	\$0.38	\$0.16	\$0.12	\$1.32	\$0.09	(\$0.14)	(\$0.06)
Fully diluted	\$0.15	\$0.18	\$0.13	\$0.12	\$0.64	\$0.09	(\$0.14)	(\$0.06)
Reconciliation of net income for the period from continuing operations to EBITDA ⁽¹⁾								
Net income for the period from continuing operations	9,714	10,986	6,863	7,052	36,724	8,162	831	2,548
Income tax expense (recovery)	1,181	2,722	1,704	(634)	(4,394)	(764)	(677)	(179)
Finance costs (income)	6,649	(3,893)	74	4,240	(17,142)	7,707	11,258	8,296
Depreciation of property and equipment	1,384	1,355	1,378	1,358	1,331	1,358	1,346	1,363
Depreciation of right-of-use assets	1,420	1,428	1,426	1,441	1,431	1,409	1,379	1,311
Amortization of other intangibles	136	136	135	133	135	136	136	133
EBITDA ⁽¹⁾	20,484	12,734	11,580	13,590	18,085	18,008	14,273	13,472

⁽¹⁾ Non-IFRS financial measure. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.

During the last eight quarters, the following items have had a significant impact on the Corporation's financial results:

- Revenue varies directly in relation to the number of cases performed as well as to the type of cases performed and the payor. For example, revenue for orthopedic cases will typically be higher than ear, nose and throat cases and cases funded by Medicare or Medicaid will be lower than those paid for by private insurance. Changes in case volumes, case mix and payor mix are normal and expected due to the nature of the Corporation's business. Surgical cases are mainly elective procedures and the volume of

cases performed in any given period are subject to medical necessity and patient and physician preferences in scheduling (e.g., work schedules and vacations). The Corporation generally records higher revenue in the fourth quarter as many patients tend to seek medical procedures at the end of the year, primarily as a result of their inability to carry over unused insurance benefits into the following calendar year.

- As part of the CARES Act and other stimulus legislation in response to the COVID-19 pandemic, the Facilities received financial assistance, from which the Facilities' outstanding PPP loans were recognized as government stimulus income in the third quarter of 2024 (refer to Section 3 of this MD&A under the heading "Government Stimulus").
- The changes in the recorded value of the exchangeable interest liability have been driven by (i) the changes in the number of common shares issuable for the exchangeable interest liability, which are in turn driven by the distributions to the non-controlling interest holders during the trailing twelve-month period ending on the reporting date, (ii) the changes in the market price of the Corporation's common shares, and (iii) the fluctuations of the value of the Canadian dollar against the U.S. dollar. During 2024 and 2025, the fluctuations in the change in value of the exchangeable interest liability were attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to BSHS's non-controlling interest holders upon the sale of BSHS in the fourth quarter of 2024.
- The fluctuations in interest expense on the exchangeable interest liability are due to the variation in distributions from the Facilities between the reporting periods.
- The fluctuations in foreign currency have been driven by the movements of exchange rate of the Canadian dollar in relation to U.S. dollar between the reporting periods.
- Fluctuations in current income taxes have been driven by the changes in operating performance of the Facilities, the deductibility of corporate expenses, intercompany interest expense deductions, and taxable (deductible) foreign exchange gains (losses). Fluctuations in deferred income taxes have been driven primarily by the changes in the exchangeable interest liability, along with the impact of U.S. tax reform pursuant to the recent U.S. federal tax law changes.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The following table presents the reconciliation of cash available for distribution to net cash provided by operating activities:

		Three Months Ended		Year Ended	
		December 31,		December 31,	
		Unaudited			
		2025	2024 ⁽¹⁾	2025	2024 ⁽¹⁾
<i>In thousands of U.S. dollars, except as indicated otherwise</i>		\$	\$	\$	\$
NET CASH PROVIDED BY OPERATING ACTIVITIES	USD	14,029	21,968	45,161	83,284
Non-controlling interest in cash flows of the Facilities ^{(2) (3)}		(10,490)	(10,697)	(29,034)	(35,940)
Interest expense on exchangeable interest liability ⁽⁴⁾		1,534	1,972	5,344	7,653
Payment of lease liabilities ⁽⁵⁾		(2,462)	(3,311)	(11,395)	(12,380)
Maintenance capital expenditures ⁽⁶⁾		(179)	(608)	(2,408)	(2,853)
Difference between accrual-based amounts and actual cash flows related to interest and taxes ⁽⁷⁾		(745)	(999)	13,528	(245)
Net changes in non-cash operating working capital ^{(8) (9)}		7,169	(111)	3,891	(10,313)
Market value adjustments on share-based compensation ⁽¹⁰⁾		205	516	216	2,499
Repayments of notes payable by the Facilities ⁽¹¹⁾		(911)	(1,065)	(3,606)	(5,054)
CASH AVAILABLE FOR DISTRIBUTION ⁽¹²⁾	USD	8,150	7,665	21,697	26,651
	CDN	11,367	10,717	30,328	36,507
DISTRIBUTIONS	CDN	1,608	2,072	6,708	8,321
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE ^{(12) (13)}	CDN	\$0.629	\$0.459	\$1.557	\$1.521
DISTRIBUTIONS PER COMMON SHARE ⁽¹³⁾	CDN	\$0.089	\$0.089	\$0.344	\$0.347
PAYOUT RATIO ⁽¹²⁾		14.1%	19.4%	22.1%	22.8%
Average exchange rate of Cdn\$ to US\$ for the period		1.3947	1.3982	1.3978	1.3698
Basic weighted average number of common shares outstanding		18,077,749	23,358,435	19,481,353	24,000,877

⁽¹⁾ The comparative results for the three months and year ended December 31, 2024 include the results of discontinued operations.

⁽²⁾ Non-controlling interest in cash flows of the Facilities is deducted in determining cash available for distribution as distributions from the Facilities to the non-controlling interest holders are required to be made concurrently with distributions from the Facilities to the Corporation. This is calculated by multiplying the distributable cash flows from each Facility with the respective ownership share of the non-controlling interest holders.

⁽³⁾ Excludes the non-cash impact of PPP income recorded under government stimulus income of \$5.4 million, which represents the non-controlling interest share, for the year ended December 31, 2024.

⁽⁴⁾ Interest expense on exchangeable interest liability represents a notional amount of interest expense deducted in the determination of net income attributable to owners of the Corporation. It is added back to determine cash available for distribution as it is a non-cash charge and is not distributable to the holders of the non-controlling interest. It is included in the Corporation's consolidated statements of income and comprehensive income.

⁽⁵⁾ Payment of lease liabilities represents rent payments on principal portions of lease liabilities and is deducted in determining cash available for distribution as this is a cash item included in cash flows from financing activities in the Corporation's consolidated statements of cash flows.

⁽⁶⁾ Maintenance capital expenditures at the Facility level reflect expenditures incurred to maintain the current operating capacities of the Facilities and are deducted in the calculation of cash available for distribution. Maintenance capital expenditures, together with major capital expenditures, comprise the purchase of property and equipment, which is included in cash flows from investing activities in the Corporation's consolidated statements of cash flows.

⁽⁷⁾ Cash flows from operating activities, as presented in the Corporation's consolidated statements of cash flows, represent actual cash inflows and outflows, while calculation of cash available for distribution is based on the accrued amounts and, therefore, the difference between the accrual-based amounts and actual cash inflows and outflows related to interest, and income and withholding taxes is included in the table above.

⁽⁸⁾ While changes in non-cash operating working capital are included in the calculation of net cash provided by operating activities in the Corporation's consolidated statements of cash flows, they are not included in the calculation of cash available for distribution as they represent only temporary sources or uses of cash due to the differences in timing of recording revenue and corresponding expenses and actual receipts and outlays of cash. Such changes in non-cash operating working capital are financed from the available cash or credit facilities of the Facilities.

⁽⁹⁾ As presented in the Corporation's consolidated statements of cash flows, excluding the non-cash impact of PPP income recorded under government stimulus income of \$12.0 million, for the year ended December 31, 2024.

⁽¹⁰⁾ Market value adjustments on share-based compensation represent non-controllable, non-cash charges related to share-based compensation plans included in general and administrative expenses which do not have a cash impact until the underlying share units vest. As a non-cash item, this expense is added back in the calculation of cash available for distribution. It is included in the Corporation's consolidated statements of income and comprehensive income.

⁽¹¹⁾ Repayments of notes payable by the Facilities, which comprises of interest and principal repayments on non-revolving debt obligations, reflects contractual obligations of the Facilities and is deducted in the calculation of cash available for distribution. It is included in cash flows from financing activities in the Corporation's consolidated statements of cash flows.

⁽¹²⁾ Comparative figures for cash available for distribution, cash available for distribution per common share, and payout ratio have been restated for market value adjustments on share-based compensation, and stock options expense.

⁽¹³⁾ Calculated based on the basic weighted average number of common shares outstanding.

Cash available for distribution in the three months ended December 31, 2025 (Cdn\$11.4 million) increased by Cdn\$0.7 million compared to the cash available for distribution the same period last year (Cdn\$10.7 million). On a per common share basis, cash available for distribution of Cdn\$0.629 increased by Cdn\$0.170, or 37.0% from the same period last year of Cdn\$0.459. The distributions per common share remained unchanged between the periods at Cdn\$0.089, resulting in a payout ratio of 14.1% as compared to a payout ratio of 19.4% in the same period in 2024.

Cash available for distribution in the year ended December 31, 2025 (Cdn\$30.3 million) decreased by Cdn\$6.2 million compared to the cash available for distribution the prior year (Cdn\$36.5 million). On a per common share basis, cash available for distribution of Cdn\$1.557 increased by Cdn\$0.036, or 2.4% from the prior year of Cdn\$1.521. The distributions per common share of Cdn\$0.344 decreased by Cdn\$0.003, or 0.9% from the prior year of Cdn\$0.347, resulting in a payout ratio of 22.1% as compared to a payout ratio of 22.8% in the prior year.

The Corporation's cash available for distribution is generated solely from the Facilities. The following table provides a reconciliation of cash generated at the Facility level to the Corporation's cash available for distribution:

	Three Months Ended December 31, <i>Unaudited</i>		Year Ended December 31,	
	2025 \$	2024 ⁽¹⁾ \$	2025 \$	2024 ⁽¹⁾ \$
<i>In thousands of U.S. dollars</i>				
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization ⁽²⁾	26,127	27,850	80,758	98,346
Debt service costs:				
Interest	(374)	(427)	(1,445)	(1,902)
Repayment of non-revolving debt	(911)	(1,065)	(3,606)	(5,054)
Maintenance capital expenditures	(179)	(608)	(2,408)	(2,853)
Payment of lease liabilities	(2,451)	(3,300)	(11,351)	(12,335)
Non-cash (gain) loss	(47)	17	(109)	23
Cash available for distribution at the Facility level	22,165	22,467	61,839	76,225
Non-controlling interest in cash available for distribution at the Facility level ⁽³⁾	(10,490)	(10,697)	(29,034)	(35,940)
Corporation's share of the cash available for distribution at the Facility level	11,675	11,770	32,805	40,285
Corporate expenses ^{(4) (5)}	(1,805)	(2,260)	(7,250)	(7,364)
Interest income, net of interest expense at the corporate level ⁽⁵⁾	208	464	1,778	74
Provision for current income taxes	(1,928)	(2,309)	(5,636)	(6,344)
Cash available for distribution	8,150	7,665	21,697	26,651

⁽¹⁾ The comparative results for the three months and year ended December 31, 2024 include the results of discontinued operations.

⁽²⁾ Excludes the non-cash impact of PPP income recorded under government stimulus income of \$12.0 million for the year ended December 31, 2024.

⁽³⁾ Excludes the non-cash impact of PPP income recorded under government stimulus income of \$5.4 million, which represents the non-controlling interest share, for the year ended December 31, 2024.

⁽⁴⁾ Comparative figures for corporate expenses have been restated for market value adjustments on share-based compensation, and stock options expense.

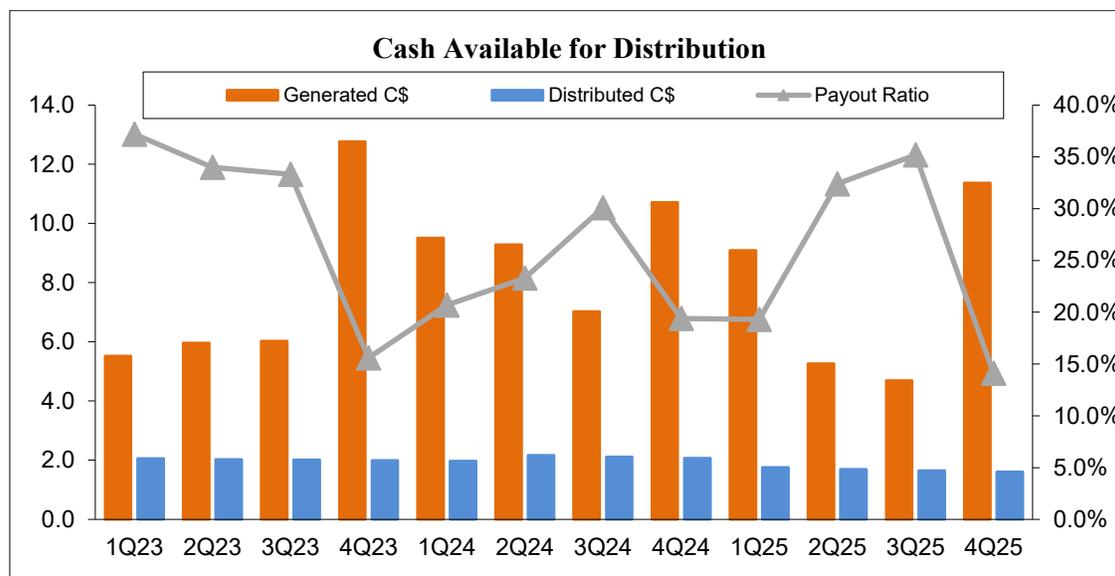
⁽⁵⁾ Comparative figures for corporate expenses and interest income, net of interest expense at the corporate level have been adjusted for the correct classification of interest income at the corporate level and corporate credit facility stand-by fees, to match the disclosure in Note 16 to the financial statements.

Compared to the three months ended December 31, 2024, the cash available for distribution in U.S. dollars for the same period this year increased by \$0.5 million or 6.3%, mainly due to lower maintenance capital expenditures and lease liability payments at the Facilities, as well as a decrease in corporate expenses, and lower current taxes, partly offset by lower income from Facilities as a result of the sale of BHSH in the fourth quarter of 2024.

Compared to the year ended December 31, 2024, the cash available for distribution in U.S. dollars for this year decreased by \$5.0 million or 18.6%, mainly due to lower income from Facilities as a result of the sale of BHSH

in the fourth quarter of 2024, partly offset by lower debt service costs and lease liability payments at the Facilities, as well as higher interest income at the corporate level, and lower current taxes.

The chart below shows the Corporation’s cash available for distribution, distributions and payout ratios for the last twelve quarters:



8. OUTLOOK

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading “Caution Concerning Forward-Looking Statements”, this section contains forward-looking statements including with respect to the overall impact of the U.S. and local economies, ongoing changes in the healthcare industry, management strategies of the Corporation, and U.S. tax reform. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control, including the risk factors set forth under the heading “Risk Factors” in this MD&A and the Corporation’s most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The Economy

Management’s expectations could be impacted by the general state of the U.S. economy. Interest rate changes, as well as consumer, business and government spending are all factors that may inadvertently impact the Corporation, including the increased likelihood of state and federal spending cuts under the new U.S. administration. There is uncertainty with respect to U.S. trade policies, which could increase supply costs and lead to supply disruptions or shortages, if tariffs or other protective measures are enacted. There is also the possibility of further U.S. federal government shutdowns, which could disrupt the broader economy. The strength of the local economies of the areas served by the Corporation’s Facilities is an important factor in the Corporation’s outlook.

Healthcare Industry

While impossible to currently quantify, the potential modification of the *Patient Protection and Affordable Care Act* (“ACA”), demographic changes and growing healthcare costs present numerous challenges and opportunities, including:

- the challenge of continuing pressure on reimbursement levels from U.S. government-funded plans (Medicare, Medicaid and similar plans) and private insurance companies, combined with the increasing share of case volume that such plans represent;
- the opportunity for additional case volumes arising from ownership of, and participation in, ACOs and the related challenge of payor mix shifting to Medicare plans;
- the opportunity arising from reimbursement incentives which reward healthcare entities that meet specified quality and operational goals and operate in the most efficient and cost-effective manner; and
- an increased demand for services provided by the Corporation’s Facilities due to the increasing average age and life expectancy of the population in our existing markets, population growth in the areas we serve, and advances in science and technology.

Changes in the U.S. federal government’s political priorities could have potential implications on the healthcare industry, including but not limited to potential modifications to the ACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the ACA has increased with the new U.S. administration, while proposals for spending cuts could potentially impact Medicaid and other government-funded plans, if enacted. There is also a risk that lawmakers could advance legislation to impose site-neutral payments to reimburse certain outpatient procedures at lower rates regardless of surgical procedure setting.

On July 4, 2025, the *One Big Beautiful Bill Act* (“OBBBA”) was signed into law. Among other provisions, the OBBBA legislates for significant changes to Medicaid, including restrictions on eligibility and the reduction of federal spending. The full impact of this legislation is indeterminable at this time.

On November 21, 2025, the Centers for Medicare & Medicaid Services (“CMS”) released the *Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule* (the “Final Rule”) for the calendar year 2026, establishing broad policy, payment, quality and transparency changes that went into effect on January 1, 2026. Key changes under the Final Rule include:

- increase of the Medicare hospital outpatient rates by 2.6% in the calendar year 2026 compared to 2025;
- phase-out of the inpatient-only list over a three-year period, beginning with 285 surgical procedures removed for the calendar year 2026;
- expansion of the ambulatory surgical center-covered procedures list to add 547 surgical procedures;
- the application of the site-neutral rate, which is 40% of the hospital outpatient rate, to drug administration services furnished in off-campus hospital outpatient departments;
- revisions to hospital price transparency requirements, with enforcement starting April 1, 2026; and
- permanent adoption of virtual direct supervision via real-time audio/video for many outpatient therapeutic and diagnostic services.

While the Corporation is assessing the likely effects of such key changes, the full net impact of the changes enforced under the Final Rule, including the speed and extent to which ambulatory surgery centers will effectively compete for additional cases from the Facilities, is indeterminable at this time.

Planned import tariffs announced by the new U.S. administration against international trading partners could lead to significant price increases for certain implants, drugs, and medical supplies, and could further impact the

supply chain with increased lead times, disruptions, and shortages. The impact could also intensify if further or reciprocal tariffs are implemented.

Hospitals throughout the U.S. continue to face a competitive healthcare labour market, which has led the Facilities to accelerate their hiring processes and offer enhanced salary and benefit packages to attract and retain staff. The full duration and impact of this competitive environment is indeterminable at this time.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities. The Corporation continues to focus on the evaluation and implementation of strategies to maximize the return of capital to its common shareholders.

In collaboration with local management and physicians, management will continue to differentiate and grow the Corporation's Facilities by:

- maintaining service lines of the highest quality;
- physician development, including continued recruitment and retention of physicians, based on community needs;
- expanding the complement of service offerings at the Facilities;
- expansion of ancillary businesses at the SSHs, within existing markets; and
- sharing and implementing best practices and cost reduction strategies, with emphasis on supply chain and implant costs.

Management will maintain its emphasis on continuation of these strategies, combined with a strong balance sheet, an experienced management team and continuing identification of suitable accretive opportunities to enhance the Corporation's operating performance.

U.S. Tax Reform

Pursuant to the *Tax Cuts and Jobs Act of 2017* ("TCJA"), MFA's deductions attributable to the interest expense on the promissory note (the interest paid by MFA on all debt, including the MFA promissory note, less its interest income) was limited to 30% of adjusted taxable income, beginning with tax year 2022. Any disallowed interest expense may be carried forward to future years. This limitation applies to newly issued loans as well as those originated before 2018. Moreover, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that MFA would otherwise be entitled to with respect to interest on such indebtedness.

Also, as part of the TCJA, capital outlays are no longer eligible for 100% bonus depreciation. Beginning in 2023, the bonus was limited to 80%, then 60% in 2024, and 40% in 2025, after which eligibility will be further reduced to 20% in 2026, and 0% in 2027. At the end of 2025, a significant portion of the TCJA expired.

The OBBBA, signed into law on July 4, 2025, permanently reinstated 100% bonus depreciation for most qualified property. Also, beginning with tax year 2025, the OBBBA modifies the adjusted taxable income calculation by reinstating the add-back for depreciation and amortization. Overall, several key provisions that expired at the end of 2025 under the TCJA have been made permanent under the OBBBA for tax years beginning after December 31, 2025.

9. LIQUIDITY AND CAPITAL RESOURCES

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading “Caution Concerning Forward-Looking Statements”, this section contains forward-looking statements including with respect to cash flows and future contractual payments. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control, including the risk factors set forth under the heading “Risk Factors” in this MD&A and the Corporation’s most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

Cash Balances

The Corporation’s cash and cash equivalents balances are as follows:

<i>In thousands of U.S. dollars</i>	December 31, 2025	December 31, 2024
Cash and cash equivalents at the Facility level	9,791	13,756
Cash and cash equivalents at the corporate level	33,658	94,740
Cash and cash equivalents	43,449	108,496

Cash Flow Activity

Cash Flow

<i>In thousands of U.S. dollars</i>	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Cash provided by operating activities	45,161	83,284	(38,123)	(45.8%)
Cash (used in) provided by investing activities	(4,067)	85,419	(89,486)	(104.8%)
Cash used in financing activities	(105,454)	(84,261)	(21,193)	(25.2%)
(Decrease) increase in cash and cash equivalents	(64,360)	84,442	(148,802)	(176.2%)
Effect of exchange rate fluctuations on cash balances held	(165)	(59)	(106)	(179.7%)
Classification of OSH’s cash as assets held for sale	(522)	-	(522)	(100.0%)
Cash and cash equivalents, beginning of the year	108,496	24,113	84,383	349.9%
Cash and cash equivalents, end of the year	43,449	108,496	(65,047)	(60.0%)

The Corporation expects to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness, funds available from the corporate credit facility, as well as lines of credit at the Facility level, or on a permanent basis with offerings of securities of the Corporation. Negative changes in the general state of the U.S. economy could affect the Corporation’s liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Operating Activities and Working Capital

Cash from operating activities in the year ended December 31, 2025 decreased by \$38.1 million compared to the prior year, primarily due to lower income from the Facilities’ operations as a result of the sale of BSHS in the fourth quarter of 2024, and an increase in taxes paid.

As of December 31, 2025, the Corporation had consolidated net working capital of \$54.0 million compared to \$76.4 million as of December 31, 2024. The change in consolidated net working capital compared to prior year was mainly due to the completion of the substantial issuer bid in March 2025, resulting in a decrease in cash and cash equivalents, as well as the impact of classifying OSH’s assets and liabilities as “Assets held for sale” under current assets and “Liabilities directly associated with assets held for sale” under current liabilities, respectively, in the Corporation’s consolidated balance sheet as of December 31, 2025. The level of working capital, including financing required to cover any deficiencies, is dependent on the operating performance of the Facilities and fluctuates from period to period.

As of December 31, 2025, accounts receivable were \$35.1 million (December 31, 2024: \$45.5 million), accounts payable and accrued liabilities totaled \$30.7 million (December 31, 2024: \$37.7 million), total assets were \$272.6 million (December 31, 2024: \$346.3 million) and total long-term liabilities, excluding exchangeable interest liability, were \$63.9 million (December 31, 2024: \$70.6 million).

Investing Activities

The \$89.5 million decrease in cash provided by investing activities for the year ended December 31, 2025 compared to the prior year was mostly due to the proceeds from the sale of BSHS in the prior year, net of cash disposed and transaction costs (\$92.5 million), partly offset by a decrease in purchases of property and equipment (\$2.2 million), and the proceeds from the sale of SCNC in the current year, net of cash disposed (\$0.8 million).

Financing Activities

The \$21.2 million increase in cash used in financing activities for the year ended December 31, 2025 compared to the prior year was mainly due to the completion of the substantial issuer bid in the current year (\$43.7 million), along with the increase in purchase of common shares under normal course issuer bids (\$3.3 million), partly offset by lower net repayments of credit facilities and other borrowings at both the Facility and corporate levels (\$17.9 million), as well as decreases in facility distributions to non-controlling interest (\$6.0 million), dividends paid (\$1.0 million), and payment of lease liabilities (\$1.0 million).

The Facilities have available credit facilities in place in the aggregate amount of \$18.4 million, of which \$1.4 million was drawn as of December 31, 2025. The balances available under the credit facilities, combined with cash and cash equivalents as of December 31, 2025, are available to manage the Facilities' accounts receivable, supply inventory and other short-term cash requirements.

The partnership or operating agreements governing each of the respective Facilities do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries.

On August 6, 2025, the Corporation entered into an agreement with a Canadian chartered bank providing for a \$40.0 million revolving credit facility, inclusive of a \$25.0 million swingline facility, which matures on August 4, 2028 ("Credit Facility"). The Credit Facility replaces a previous credit facility with another Canadian chartered bank which was set to mature on August 31, 2025. As of December 31, 2025, there was no amount drawn or remained outstanding for the Credit Facility. Amounts drawn from the Credit Facility can be used for general corporate purposes, including working capital and capital expenditures, and/or repurchase of the Corporation's common shares.

As of December 31, 2025, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations

The mandatory repayments under the credit facilities and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of December 31, 2025, are as follows:

<i>In thousands of U.S. dollars</i>	Carrying values at December 31, 2025	Future payments (including principal and interest)				
		Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Contractual Obligations	\$	\$	\$	\$	\$	\$
Dividends payable	1,172	1,172	1,172	-	-	-
Accounts payable	15,369	15,369	15,369	-	-	-
Accrued liabilities	15,365	15,365	15,365	-	-	-
Obligation for purchase of common shares	16,029	16,029	16,029	-	-	-
Notes payable	30,296	34,321	4,984	28,695	642	-
Lease liabilities	28,547	32,595	7,278	12,980	11,408	929
Total contractual obligations	106,778	114,851	60,197	41,675	12,050	929

The Corporation anticipates renewing, extending, repaying or replacing its credit facilities that are due over the next twelve months and expects that cash flows from operations and working capital will be adequate to meet future payments on other contractual obligations over the next twelve months.

10. SHARE CAPITAL AND DIVIDENDS

As noted in the cautionary language concerning forward-looking disclosures in Section 1 of this MD&A under the heading “Caution Concerning Forward-Looking Statements”, this section contains forward-looking statements including with respect to the Corporation’s expected payment of dividends. Such statements involve known and unknown risks, uncertainties and other factors outside of management’s control, including the risk factors set forth under the heading “Risk Factors” in this MD&A and the Corporation’s most recently filed annual information form, which could cause results to differ materially from those described or anticipated in the forward-looking statements.

The following table summarizes the outstanding number of stock options as of December 31, 2025:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Former Chief Executive Officer	223,562	223,562	C\$17.24	May 1, 2016
Former Chief Financial Officer	221,344	221,344	C\$17.98	November 21, 2016
Total number of outstanding options	444,906	444,906		

Outstanding options (the “Options”) vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of December 31, 2025, all of the Options are vested and exercisable.

As of December 31, 2025, the Corporation had 17,868,649 common shares outstanding.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid (“NCIB”), allowing the Corporation to repurchase up to 1,805,324 of its common shares, in effect from December 1, 2025 to November 30, 2026. A previous NCIB for up to 2,339,066 of the Corporation’s common shares was in effect from December 1, 2024 to November 30, 2025. During the year ended December 31, 2025, the Corporation purchased 1,780,800 of its common shares for a total consideration of \$19.9 million from the open market. During the year ended December 31, 2024, the Corporation purchased 1,700,700 of its common shares for a total consideration of \$16.6 million from the open market.

The purchases under the normal course issuer bids include applicable buyback taxes. All common shares acquired under the normal course issuer bids were cancelled.

Substantial Issuer Bid

On March 11, 2025, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the “Offer”). The Corporation purchased and cancelled 3,374,313 of its common shares at a price of Cdn\$18.00 per common share under the Offer, representing an aggregate purchase price of \$43.1 million, including applicable buyback taxes, or approximately 14.7% of the Corporation’s issued and outstanding common shares before giving effect to the Offer. The Corporation incurred transaction costs related to the Offer of \$0.6 million which have been recorded against share capital for the year ended December 31, 2025.

Dividends

Dividend declarations are determined based on periodic reviews of the Corporation’s earnings, capital expenditures and related cash flows. Such declarations take into account that the cash generated in the period is to be distributed after considering (i) debt service obligations, (ii) other expense and tax obligations, (iii) reasonable reserves for working capital and capital expenditures, and (iv) financial flexibility. Cash distributions declared in the year from January 1, 2025 to December 31, 2025 totaled Cdn\$0.36 per common share.

Dividend Reinvestment and Share Purchase Plan

The Corporation has a Dividend Reinvestment and Share Purchase Plan which allows common shareholders resident in Canada to automatically re-invest, in a cost-effective manner, the cash dividends on their common shares into additional common shares of the Corporation.

11. FINANCIAL INSTRUMENTS

Financial instruments held in the normal course of business included in the Corporation’s consolidated balance sheet as of December 31, 2025 consist of cash and cash equivalents, accounts receivable, dividends payable, accounts payable, accrued liabilities, obligation for purchase of common shares, borrowings (including long-term debt) and exchangeable interest liability.

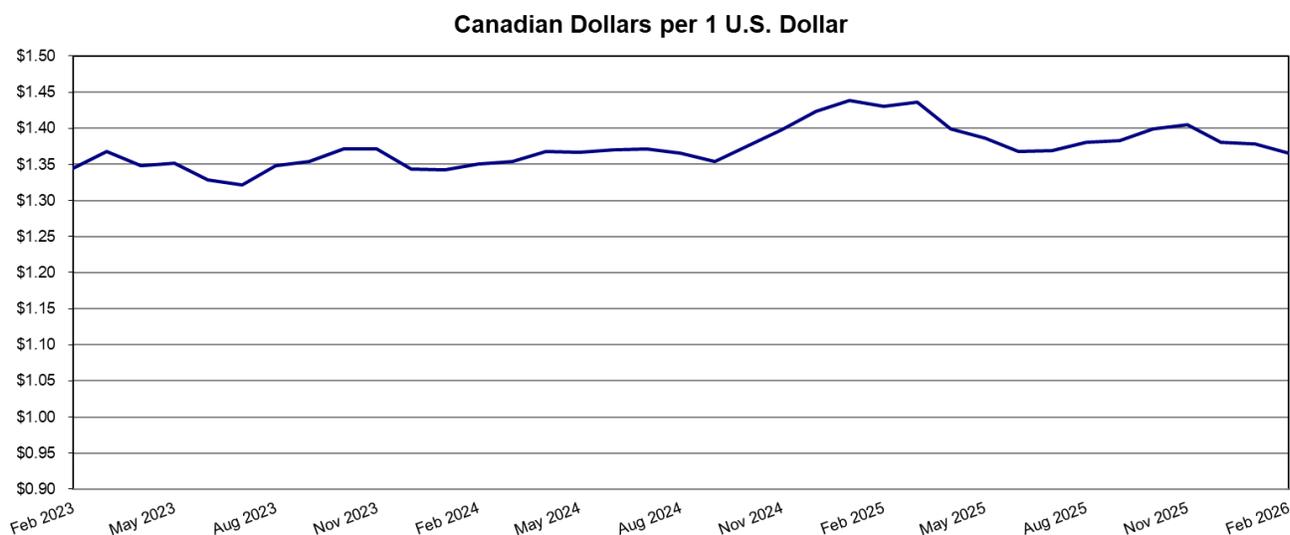
The fair value of the exchangeable interest liability is determined based on the closing trading price of the Corporation’s common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

Foreign Exchange Risk

The Facilities derive revenue, incur expenses and make distributions to their owners, including the Corporation, in U.S. dollars. The Corporation pays dividends to common shareholders and incurs a portion of its expenses in Canadian dollars. The amounts of distributions from the Facilities to their owners, including the Corporation and non-controlling interest holders, are dependent on the results of the operations and cash flows generated by the Facilities in any particular period.

Strengthening of the Canadian dollar against the U.S. dollar negatively impacts currency translation differences with respect to the funds available for the Corporation's Canadian dollar denominated dividend and interest payments and expenses. A weakening Canadian currency in relation to U.S. currency has the opposite effect.

The graph below shows the movement of the monthly average exchange rates between Canadian and U.S. dollars since February 2023:



The Corporation may, from time to time, enter into foreign exchange forward contracts dependent upon actual or anticipated company performance and current market conditions. As of December 31, 2025, the Corporation did not hold any foreign exchange forward contracts.

Credit Risk

Cash and cash equivalents are held with highly-rated and reputable financial institutions in the U.S. and Canada, with minimal credit risk.

The substantial portion of the Corporation's accounts receivable balance is with U.S. governmental payors and health insurance companies which are assessed as having a low risk of default and is consistent with the Facilities' history with these payors. Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Actual bad debts for a trailing period are compared with the allowance to support the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

From time to time, the Corporation may enter into foreign exchange forward contracts and may place excess funds for investment with certain financial institutions. Investment of excess funds is guided by the investment policy of the Corporation that, among other things, (i) prescribes the eligible types of investments, and (ii) establishes limits on the amounts that can be invested with any one financial institution.

Interest Rate Risk

The Corporation and the Facilities are exposed to interest rate fluctuations which can impact their borrowing costs. The Facilities use floating rate credit facilities for operating lines of credit that fund short-term working capital needs and use fixed rate debt to fund investments and capital expenditures.

Share Price Risk

The Corporation's exchangeable interest liability is measured on quoted market prices of its common shares in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Share price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars. The Corporation does not have any hedges against price risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation, including its Facilities, will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. The Corporation also manages liquidity risk by continuously monitoring actual and projected cash flows and by taking into account the receipts and maturity profile of financial assets and liabilities. The board of directors of the Corporation reviews and approves operating and capital budgets, as well as any material transactions outside the ordinary course of business.

12. RELATED PARTY TRANSACTIONS

Certain executive officers and a director of the Corporation were awarded transaction fees of \$2.2 million during the year ended December 31, 2024, included in the calculation of the gain on sale of BSHS (as detailed in Note 5.3 to the financial statements).

Other Transactions

Certain Facilities routinely enter into transactions with related parties for the provision of services relating to the use of facility space and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Certain of the physicians, who indirectly own the non-controlling interest in each of the Facilities, routinely provide professional services directly to patients utilizing the services of the Facilities and reimburse the Facilities for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Facilities, and three such individuals perform the duties of Medical Director at their respective Facilities and are compensated in recognition of their contribution to the Facilities. Also, Dr. R. Blake Curd, a physician with a non-controlling interest in SFSH, is its Chief Executive Officer and the Chief Medical Officer of the Corporation.

SFSH has a 50% ownership share in an ACO through a wholly-owned subsidiary that also provides management services to the ACO. The ACO was approved for participation in the Medicare Shared Savings Program, which is an incentive program established under the provisions of the ACA. As one of the initiatives of the ACO, SFSH entered into an agreement with Great Plains Surgical, LLC ("Great Plains"), an entity controlled by certain indirect non-controlling owners of SFSH, for the provision of management services in relation to the orthopedic service line at SFSH to improve the quality of services provided and realize savings on implants and other supplies used in that service line. In addition to the payment of fees for providing management of the orthopedic service line, Great Plains is entitled to receive performance payments for realized cost savings and the attainment of quality levels.

The following is a summary of transactions at each Facility with their respective related parties during the reporting periods:

<i>In thousands of U.S. dollars</i>		Year Ended December 31,	
Entity	Nature of services or goods received	2025	2024
		\$	\$
ASH	Lease of hospital building and office space.	4,354	4,362
OSH	Lease of hospital building and office space.	2,627	2,544
SFSH	Provision of management services in relation to orthopedic service line and ACO, anesthesia services, billing and coding services, physical and occupational therapy services, lithotripter services, facility and related equipment, and lease of urgent care building.	12,235	12,734
Total		19,216	19,640

13. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Corporation estimates certain amounts reflected in its financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes. Note 21.23 to the financial statements details significant accounting judgments and estimates used in the preparation of the financial statements.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Revenue

Significant management judgment is involved in applying the portfolio approach to major payor classes to estimate the explicit and implicit price concessions. Estimates of explicit price concessions are based on contractual agreements, discount policies and historical experience. Estimates of implicit price concessions are based on historical collection experience.

Allowance for Non-Collectible Receivable Balances

The Facilities maintain an allowance for non-collectible receivable balances for estimated losses resulting from the inability to collect on its accounts receivable. Estimation of allowance for non-collectible receivable balances involves uncertainty about future collections which could differ from the original estimates. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life, such as goodwill, certain trade names and certain hospital operating licenses, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have a definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The methodology used to test for impairment includes significant judgment, estimates, and assumptions. Impairment exists when the carrying amount of an asset or cash-generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its value in use (“VIU”) and fair value less costs of disposal (“FVLCD”). The two approaches are as follows: 1) VIU approach – the estimated future cash flows, discounted to their present

value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and 2) FVLCD approach – the trailing twelve months EBITDA multiplied by a market multiple relevant to the CGU. As a result, any impairment losses are a result of management’s best estimates of expected revenues, expenses, cash flows, discount rates, and market multiples at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management’s control. In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Management has identified three CGUs for which impairment testing is performed annually and if a triggering event has occurred requiring an impairment test to be completed. The Facilities represent subsidiary operations which are independent of each other and are therefore identified as separate CGUs.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing property and equipment for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and indefinite life intangible assets are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Factors considered by management in determining a triggering event include: deterioration in market and economic conditions, volatility in the financial markets causing declines in the Corporation’s share price, increases in the Corporation’s weighted-average cost of capital, changes in valuation multiples, changes to healthcare legislation in the United States both federally and in the jurisdictions in which the Facilities operate, changes to the physician complement at the Facilities, decreases in expected future reimbursement rates, declining patient referrals, physical conditions of facilities and equipment, and increased costs of inputs, such as drugs, supplies, and labour.

When considered significant, management incorporates changes to these factors in its estimated future cash flows to assess the impact on the recoverable amount of its non-financial assets.

Management calculates the recoverable amount of each CGU using EBITDA specific to each CGU by a multiple determined using market data, such as EBITDA to market capitalization ratios of comparable publicly traded companies and recent prices for capital transactions within the industry. Management has estimated cost to dispose to be 1% of the fair value of the CGUs, based on recent market data. To assess reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as of the reporting date based on (i) the market capitalization of the outstanding common shares, and (ii) the Corporation’s portion of the Facilities’ long-term debt and lease liabilities, less (iii) cash on hand.

Management performed an assessment of the impairment indicators mentioned above as of December 31, 2025, and determined that there has been no impairment of non-financial assets, including goodwill and other intangibles.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation’s income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation’s effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation’s income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the

year. The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, as well as from the depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If management's estimates or assumptions change from those used in current valuation, management may be required to recognize an adjustment in future periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

14. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the financial information published by the Corporation. In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have certified that the annual filings fairly present in all material respects the financial condition, results of operations and cash flows and have also certified regarding controls as described below.

Under the supervision of, and with the participation of the CEO and the CFO, management has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities for the period in which the annual and interim filings of the Corporation are being prepared, and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

In addition to DC&P, under the supervision of, and with the participation of the CEO and the CFO, management has designed internal controls over financial reporting ("ICFR") using the 2013 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS Accounting Standards.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of DC&P as of December 31, 2025, and has concluded that the design and effectiveness of these controls and procedures at December 31, 2025 provide reasonable assurance that material information relating to the Corporation, including its subsidiaries, was made known to the CEO and CFO on a timely basis to ensure adequate disclosure.

Management, including the CEO and the CFO, performed an evaluation of the effectiveness of its ICFR as of December 31, 2025 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls at December 31, 2025 provide reasonable assurance of the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS Accounting Standards.

There have been no changes in the Corporation's ICFR during the period beginning on October 1, 2025 and ended on December 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

15. RISK FACTORS

The following information is a summary of risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing in the Corporation's most recently filed annual information form available on SEDAR+ at www.sedarplus.ca.

Risks Related to the Business and the Industry of the Corporation

The revenue and profitability of the Corporation and its subsidiaries, including the Facilities, depend heavily on payments from third-party payors, including government healthcare programs (Medicare and Medicaid) and managed care organizations, which are subject to frequent regulatory changes and cost containment initiatives. Changes in the terms and conditions of, or reimbursement levels under, insurance or healthcare programs, which are typically short-term agreements, could adversely affect the revenue and profitability of the Corporation. The Corporation's revenue and profitability could be impacted by its ability to obtain and maintain contractual arrangements with insurers and payors active in its service areas and by changes in the terms of such contractual arrangements.

The revenue and profitability of the Facilities is dependent upon physician relationships. There can be no assurance that physician groups performing procedures at the Facilities will maintain successful medical practices, or that one or more key members of a particular physician group will continue practicing with that group or that the members of that group will continue to perform procedures at the Facilities at current levels or at all. The Facilities face increasing competition to recruit and retain physicians, an effort which continues to be a challenge due to physician aging and retirement.

In some markets, the lack of availability of clinical personnel, such as nurses, has become a significant operating issue facing all healthcare providers. This shortage may require the Facilities to enhance wages and benefits to recruit and retain qualified personnel or to contract for more expensive temporary personnel. If labour costs increase, the Facilities may not be able to raise rates to offset these increased costs.

The trend of rising drug costs is currently challenging to counteract and puts downward pressure on the Facilities' operating margins as they have limited control over price increases.

Healthcare facilities, such as the Facilities, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Receipt and renewal of such licenses, certifications and accreditations are often based on inspections, surveys, audits, investigations or other reviews, some of which may require affirmative compliance actions by the Facilities that could be burdensome and expensive.

There are a number of U.S. federal and state regulatory initiatives, which apply to healthcare providers, and in particular to SSHs, including the Facilities. Among the most significant are the federal Anti-Kickback Statute, the federal physician self-referral law (commonly referred to as the Stark Law), the ACA, the *Bipartisan Budget Act of 2015* ("BBA"), the *False Claims Act* and the federal rules relating to management and protection of patient records and patient confidentiality.

The ACA contains provisions that prohibit the formation or development of any new physician-owned hospitals in the United States after a specified date. However, the grandfathering provisions of the law permit existing physician-owned hospitals, such as the SSHs, to continue their operations and billings to government payors

like Medicare and Medicaid for hospital services, provided they meet certain investment and patient transparency requirements. The law, among other things:

- (a) prohibits the existing or grandfathered hospitals from expanding the baseline number of overnight beds, operating rooms or procedure rooms from the number of such rooms that the existing hospital had as of the date of enactment of the legislation, unless certain narrowly drawn growth criteria are met;
- (b) prohibits increases in the aggregate percentage value of physician ownership or investment in physician-owned hospitals, or in entities whose investments include the hospitals;
- (c) imposes restrictions on the manner of physician investment in physician-owned hospitals; and
- (d) requires disclosure to patients of physician ownership and requires hospitals to obtain a signed patient acknowledgement as to whether the hospital has physicians present 24 hours a day, seven days a week.

The Corporation conducted an extensive review to ensure that the Facilities operating agreements and procedures are in compliance with the provisions and limitations of the ACA. The Facilities have updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the ACA.

Under the BBA, Medicare lowered reimbursement rates for newly established off-campus hospital outpatient departments, with those that were billing Medicare before November 2015 exempt from this policy change. These are referred to as site-neutral payments, and are intended to make Medicare reimbursements for outpatient procedures at hospitals comparable to reimbursements for similar procedures at ambulatory surgery centers or physicians' offices. There have been multiple proposals since to expand the application of site-neutral payments to all hospital outpatient departments, some of which have been implemented, effective January 1, 2026, under the Final Rule issued by the CMS on November 21, 2025. If the implementation is expanded, this could result in a significant reduction in Medicare reimbursement rates for certain outpatient procedures at hospitals, which could also lead to a spillover effect on reimbursement rates from commercial payors for similar procedures.

While the Facilities carry general and professional liability insurance against claims arising in the ordinary course of business, the insurance market is dynamic and there can be no assurance that adequate coverage will be available in the future or that any coverage in place will be adequate to cover claims.

Any major capital expenditures at the Facilities will require additional capital, which may be funded through additional debt or equity financings. These funding sources could result in significant additional interest expense or ownership dilution to current holders of the Corporation's securities.

There is significant competition in the healthcare business. The Facilities compete with other healthcare facilities in providing services to physicians and patients, contracting with managed care payors and recruiting qualified staff.

The Facilities may be vulnerable to economic downturns and may be limited in their ability to withstand such financial pressures. Increased unemployment or other adverse economic conditions may impact the volume of services performed, cause shifts to payors with lower reimbursements (e.g., Medicare) and/or result in higher uncollectible accounts.

Maintenance capital expenditures, which are deducted in the calculation of cash available for distribution (please refer to Section 2 under the heading "Non-IFRS Financial Measures" and Section 7 under the heading "Reconciliation of Non-IFRS Financial Measures"), represent expenditures that are required to maintain the productive capacity of the Facilities. Historically, such expenditures have represented on average 1.0% of revenue of the Facilities.

Public Health Crises and Disease Outbreaks

The Corporation's and the Facilities' operations and financial results could be materially adversely impacted by public health crises relating to viruses, flus, pandemics, epidemics, or outbreaks of infectious diseases.

A public health crisis, such as the COVID-19 pandemic, could result in a general or acute decline in economic activity in the regions where the Facilities operate, increased unemployment, staff shortages, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the temporary closure of one or more of the Facilities in accordance with governmental restrictions and/or to protect patients, hospital staff and the communities in which they operate. In addition, treatment of patients with highly contagious diseases at the Facilities, or infection of physicians and/or hospital staff, or physical distancing or other precautionary measures, could result in patients cancelling or deferring elective procedures or otherwise avoiding medical treatment, leading to reduced patient volumes and revenues. All of these occurrences may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations, and ability to pay dividends to its common shareholders.

Cyber Security Incidents

As providers of healthcare services, information technology is a critical component of the day-to-day operation of the Facilities. The Facilities rely on information technology to create, process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and proprietary and confidential business performance data. The Facilities utilize electronic health records, payment processing platforms, and other health information technology, along with additional technology systems, in connection with their operations, including for, among other things, medical systems, billing and supply chain, and labour management. The Facilities' information systems and applications also require continual maintenance, upgrading and enhancement to meet their operational needs. If the Facilities experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand their systems properly, the Facilities could suffer from, among other things, operational disruptions, regulatory problems and increases in administrative expenses. The Facilities have privacy and security processes in place to protect sensitive health and business information. The systems used by the Facilities, in turn, interface with and rely on third-party systems. Incident response policies and processes are in place at Facilities that strive to identify and provide for prompt identification and management of security incidents to facilitate maintenance and/or restoration of business continuity. The Corporation is not aware of the Facilities having experienced a material data breach.

The preventive actions taken to reduce the risk of such incidents and protect information and technology resources may not be sufficient. In general, Facilities' information systems are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, human acts, cyber attacks, break-ins and similar events. Facilities' business is at risk from and may be impacted by information security incidents, including ransomware, malware, phishing, social engineering, distributed denial of service attacks, zero-day attacks, and other security events suffered by the Facilities or their business associates. Such incidents can range from individual attempts to gain unauthorized access to information technology systems to more sophisticated security threats. These events can also result from internal compromises, such as human error or malicious acts. These events can occur on Facilities' systems or on the systems of their partners and subcontractors. Problems with, or the failure of, Facilities' technology and systems or any system upgrades or programming changes associated with such technology and systems could have a material adverse effect on Facilities' operations, patient care, data capture, medical documentation, billing, collections, assessment of internal controls and management and reporting capabilities. The trade secrets or confidential business information of the Facilities could also be exposed as a result of a security incident.

Artificial intelligence and machine learning technologies also pose concerns with regard to the uses and disclosures of personal information, corporate information and even how operations run. The Corporation cannot predict the effect these technologies will have in the health care industry this year or in the coming years.

As cyber security threats continue to evolve, the Facilities may not be able to anticipate certain attack methods in order to implement effective protective measures, and may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities in information systems and infrastructure, or invest in new technology designed to mitigate security risks. Third parties to whom the Facilities outsource certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. By way of example, one of the Facilities previously detected a data breach due to third-party human error which compromised the data of certain patients. While this incident was not determined to be material, and the Facility's operations were not impacted by the incident, the Facility issued notices to the affected individuals among other efforts to mitigate impact on affected parties. A breach or attack affecting a third-party service provider or partner, such as the one noted above, could harm the Corporation's business even if the Corporation does not control the service that is attacked.

Although the Corporation and the Facilities have insurance against some cyber risks and attacks, it may not be sufficient to offset the impact of a material loss event. Any cyber security breach or system interruption could result in harm to patients, inability to service patients, inability to run day-to-day operations of the Facilities, or the unauthorized disclosure, misuse or loss of confidential, sensitive or proprietary information, could negatively impact the ability of the Facilities to conduct normal business operations (including the collection of revenues), and could result in investigations and potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties, class action litigation, negative publicity and damage to the Corporation's and Facilities' reputation, any of which could have a material adverse effect on the Corporation's and Facilities' business, financial position, results of operations or cash flows.

Disasters and Similar Events

The occurrences of natural and man-made disasters and similar events in the regions where the Facilities operate, including flooding, hurricanes, tornadoes, earthquakes, winter storms, wildfires, or other factors beyond the Corporation's control, may damage some or all of the Facilities, interrupt utility service to some or all of the Facilities, disrupt patient scheduling, displace patients, employees and physician partners, or otherwise impair the operation of some or all of the Facilities or the generation of revenues from the Facilities. Furthermore, the impact, or impending threat, of a natural disaster may require evacuation of one or more Facilities, which may be costly and may involve risks for the patients.

Risks induced by climate change may have future adverse effects on the Corporation's business. In addition to the physical risks mentioned above, these also include transition risks e.g. regulatory changes and reputational risks. The Facilities continuously look for ways to make their operations more sustainable, updating their infrastructure through various initiatives, which include:

- (a) decreasing energy consumption by replacing lighting systems, older fixtures and equipment with more energy-efficient alternatives;
- (b) increasing water conservation by changing vacuum pumps from water cooled to air cooled and installing water aerators on faucets; and
- (c) implementing recycling programs for paper, plastic, and aluminum.

Although the Corporation has not identified significant risks induced by climate change that could negatively and materially affect its financial statements, management continues to assess the impact of climate-related matters.

Risks Related to the Structure of the Corporation

The Corporation is entirely dependent on the operations and assets of the Facilities through the indirect ownership of between 51.0% and 64.0% of these Facilities. Future dividend payments by the Corporation are not guaranteed and are totally dependent upon the operating results and related cash flows from the Facilities and the limitations of applicable laws.

The payout by the Facilities and the Corporation of a substantial majority of their operating cash flows will make additional capital and operating expenditures dependent on increased cash flows or additional financing in the future.

The Corporation's dividend payments to its common shareholders are denominated in Canadian dollars, whereas all of its revenue is denominated in U.S. dollars. To the extent that future dividend payments are not covered by foreign exchange forward contracts, the Corporation is exposed to currency exchange risk.

Non-compete agreements executed by physician owners of the non-controlling interests in the Facilities may not be enforceable. This lack of enforceability could impact the revenue and profitability of the Facilities.

The Corporation does not have the ability to direct day-to-day governance or management inputs in respect of the Facilities, except in certain limited circumstances.

The degree to which the Corporation is leveraged on a consolidated basis could have important consequences to the holders of the common shares, including:

- (a) The Corporation's and Facilities' ability in the future to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be limited;
- (b) The Corporation or Facilities may be unable to refinance indebtedness on terms acceptable to them or at all; and
- (c) A portion of the Corporation's cash flow (on a consolidated basis) from operations is likely to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures, acquisitions and/or dividends on its common shares.

The Corporation has a credit facility that contains restrictive covenants which limit the discretion of the Corporation or its management with respect to certain matters. Furthermore, the Facilities have credit facilities that contain restrictive covenants which may limit the Facilities' abilities to make distributions.

Additional common shares may be issued by the Corporation pursuant to exchange agreements with the holders of the non-controlling interests in the Facilities, or in connection with future financing or acquisitions by the Corporation. The issuance of common shares may dilute an investor's investment in the Corporation and reduce distributable cash per common share.

MFA and MFH are organized under the laws of the State of Delaware. The Facility located in South Dakota is formed under the laws of the State of South Dakota, the Facility located in Oklahoma is formed under the laws of the State of Oklahoma, and the Facility located in Arkansas is formed under the laws of the State of Arkansas. All of the assets of the Facilities are located outside of Canada and certain of the directors and officers of the Corporation and its subsidiaries are residents of the United States. As a result, it may be difficult or impossible

for investors to effect service within Canada upon the Corporation's subsidiaries, the Facilities, or their directors and officers who are not residents of Canada, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws.

The market price of the common shares may be subject to general volatility.

Payment of Dividends is not Guaranteed

Dividends to common shareholders are paid at the discretion of the Corporation's board of directors and are not guaranteed. The Corporation may alter its dividend level and dividends from the Corporation, if any, will depend on, among other things, the results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law, and other factors that the board of directors may deem relevant. The directors may decrease the level of dividends provided for in their existing dividend policies, or discontinue dividends at any time, and without prior notice.

Eligibility for Investment

There can be no assurance that the common shares will continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, tax-free savings accounts and registered disability savings plans.

The Corporation is Subject to Canadian Tax

As a Canadian corporation, the Corporation is generally subject to Canadian federal, provincial and other taxes, including a 2% tax on the net value of equity repurchases. There can be no assurance that Canadian federal income tax laws and Canada Revenue Agency administrative policies respecting the Canadian federal income tax consequences generally applicable to the Corporation or to a holder of common shares will not be changed in a manner which adversely affects holders of the common shares.

The Corporation's Structure may be Subject to Additional U.S. Federal Income Tax Liability

MFA is subject to U.S. federal income tax on its consolidated taxable income at the U.S. federal corporate tax rate (currently 21%) and is also subject to certain U.S. state and local taxes (which will not be addressed herein). MFA will claim certain deductions, including an interest deduction related to the interest paid on its debt and interest arising on other debt in the consolidated group, to the extent allowed by law, in computing its taxable income for U.S. federal income tax purposes.

Certain provisions in the *U.S. Internal Revenue Code* of 1986, as amended, (the "Code"), if applicable, may affect the U.S. federal tax liability of MFA and the interpretation of, and potential changes to, U.S. tax rules. For example, there are restrictions on the deductibility of interest, including generally limiting such deduction to 30% of "adjusted taxable income", although disallowed interest expense can be carried forward to future years. There may be other restrictions on use of interest deductions as well. There are limitations on the use of net operating losses (generally, those can only be utilized to the extent of 80% of taxable income in any given year, although unused net operating losses can be carried forward indefinitely). In addition, Code section 59A, known as "BEAT", which is the acronym for "base erosion anti-abuse tax", is designed to potentially limit the tax effectiveness of deductions for payments between U.S. and non-U.S. related parties by imposing a minimum tax on the U.S. corporation. The BEAT regime generally does not apply unless the payor U.S. corporation has average annual gross receipts for the 3-tax-year period ending with the preceding tax year that are at least \$500 million.

If the BEAT regime applies, the result is likely to be an increase in the U.S. federal tax liability of MFA. If the U.S. federal tax liability of MFA is increased, this may reduce the amount of after-tax cash generated by MFA

that could otherwise be available to make distributions to the Corporation and thereafter to pay dividends to holders of common shares.

United States Investment Company Act of 1940

While the Corporation believes that through its subsidiaries and affiliates it is actively engaged in operating businesses and does not meet the definition of an investment company for purposes of the *United States Investment Company Act* of 1940, as amended (the “1940 Act”), depending on the composition and valuation of the Corporation’s assets and the sources of the Corporation’s income from time to time, the Corporation could fall within the technical definition of the term “investment company” in the 1940 Act. Moreover, the determination of whether a company, like the Corporation, is an “investment company” involves complex analysis of regulations and facts, and the Corporation has not sought and does not anticipate seeking confirmation from the Securities and Exchange Commission (the “SEC”) that it agrees with the Corporation’s analysis. If the SEC were to disagree with the Corporation’s analysis or the Corporation otherwise were to determine that it is an “investment company” as defined in the 1940 Act, the Corporation may, among other steps, prudently acquire or sell assets or equity interests in order to avoid remaining an “investment company” as defined under the 1940 Act. Such acquisitions or sales could be on terms other than those on which the Corporation would otherwise acquire or sell such assets or equity interests or the timing of such transactions could be disadvantageous to the Corporation. If the Corporation were unable to avoid being an investment company and were therefore required to register as such under the 1940 Act, the Corporation would become subject to substantial regulation with respect to its capital structure (including its ability to use leverage), management, operations, transactions with affiliated persons, portfolio composition (including restrictions with respect to diversification), and other matters.

16. NEW AND REVISED IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

The Corporation has not adopted certain new and revised IFRS Accounting Standards (as detailed in Note 21.24 to the financial statements) that have been issued but are not yet effective. The Corporation continues to assess the impact of the adoption of these new and revised IFRS Accounting Standards on the financial statements in future periods. There are no other new and revised IFRS Accounting Standards that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.

Consolidated Financial Statements of

**MEDICAL FACILITIES
CORPORATION**

December 31, 2025 and 2024
(In U.S. dollars)

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Medical Facilities Corporation (the "Corporation") are the responsibility of management and have been approved by the Board of Directors of the Corporation. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded from loss or unauthorized use and financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of the Corporation ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. The Board of Directors appoints the Audit Committee, all members of which are independent members of the Board of Directors. The Audit Committee meets periodically with management and the Corporation's auditors to discuss the results of the audit, the adequacy of internal controls and financial reporting matters. On the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors for its approval.

"Jason P. Redman"

"David N.T. Watson"

Jason P. Redman
President and Chief Executive Officer

David N.T. Watson
Chief Financial Officer

Toronto, Canada
March 11, 2026



Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
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600 De La Gauchetière Street West
Montréal, Quebec
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T 514-878-2691

To the Shareholders of
Medical Facilities Corporation

Opinion

We have audited the consolidated financial statements of Medical Facilities Corporation (hereafter "the Company"), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the years then ended, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mario Venditti.

Raymond Chabot Grant Thornton LLP¹

Montreal
March 11, 2026

¹ CPA auditor, public accountancy permit no. A121855

MEDICAL FACILITIES CORPORATION

Consolidated Balance Sheets
(In thousands of U.S. dollars)

		December 31, 2025	December 31, 2024
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		43,449	108,496
Accounts receivable	12.4.2	35,081	45,468
Supply inventory		5,834	5,805
Prepaid expenses and other receivables		3,903	5,479
Income tax receivable		240	87
Assets held for sale	5.1	34,051	-
Total current assets		122,558	165,335
Non-current assets			
Deferred income tax asset	15	172	129
Property and equipment	6	48,255	50,522
Right-of-use assets	18.1	21,800	32,482
Goodwill	7.1	75,853	90,600
Other intangibles	7.2	3,997	7,226
Total non-current assets		150,077	180,959
TOTAL ASSETS		272,635	346,294
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,172	1,441
Accounts payable		15,369	16,940
Accrued liabilities		15,365	20,809
Income tax payable		304	13,766
Obligation for purchase of common shares	9.5	16,029	16,694
Current portion of long-term debt	8	3,346	10,390
Current portion of lease liabilities	8	5,858	8,909
Liabilities directly associated with assets held for sale	5.1	11,155	-
Total current liabilities		68,598	88,949
Non-current liabilities			
Long-term debt	8	26,950	23,833
Lease liabilities	8	22,689	30,805
Deferred income tax liability	15	14,299	15,952
Exchangeable interest liability	12.1	39,542	39,303
Total non-current liabilities		103,480	109,893
Total liabilities		172,078	198,842
Equity			
Share capital	9.1	253,930	316,927
Contributed surplus		470	470
Accumulated deficit		(178,944)	(195,378)
Equity attributable to owners of the Corporation		75,456	122,019
Non-controlling interest		25,101	25,433
Total equity		100,557	147,452
TOTAL LIABILITIES AND EQUITY		272,635	346,294

Commitments and contingencies

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The accompanying notes are an integral part of these consolidated financial statements.

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

	Note	Attributable to Owners of the Corporation			Total	Non-controlling Interest	Total Equity
		Share Capital	Contributed Surplus	Accumulated Deficit			
		\$	\$	\$	\$	\$	
2025							
Balance at January 1, 2025		316,927	470	(195,378)	122,019	25,433	147,452
Net income and comprehensive income for the year		-	-	21,256	21,256	23,162	44,418
Dividends to owners of the Corporation		-	-	(4,822)	(4,822)	-	(4,822)
Distributions to non-controlling interest	10	-	-	-	-	(22,729)	(22,729)
Sale of The Surgery Center of Newport Coast, LLC	5.2	-	-	-	-	(765)	(765)
Purchase of common shares under normal course issuer bids	9.3	(19,913)	-	-	(19,913)	-	(19,913)
Purchase of common shares under a substantial issuer bid	9.4	(43,749)	-	-	(43,749)	-	(43,749)
Change in obligation for purchase of common shares	9.5	665	-	-	665	-	665
Balance at December 31, 2025		253,930	470	(178,944)	75,456	25,101	100,557
2024							
Balance at January 1, 2024		348,099	716	(262,827)	85,988	32,315	118,303
Net income and comprehensive income for the year		-	-	73,490	73,490	32,072	105,562
Stock options expense, net of settlement	20.1	-	(246)	-	(246)	-	(246)
Dividends to owners of the Corporation		-	-	(6,041)	(6,041)	-	(6,041)
Distributions to non-controlling interest	10	-	-	-	-	(28,726)	(28,726)
Sale of Black Hills Surgical Hospital, LLP	5.3	-	-	-	-	(10,228)	(10,228)
Purchase of common shares under normal course issuer bids	9.3	(16,614)	-	-	(16,614)	-	(16,614)
Change in obligation for purchase of common shares	9.5	(14,558)	-	-	(14,558)	-	(14,558)
Balance at December 31, 2024		316,927	470	(195,378)	122,019	25,433	147,452

The accompanying notes are an integral part of these consolidated financial statements.

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Income and Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

	Note	Year Ended December 31,	
		2025 \$	2024 ⁽¹⁾ \$
Revenue and other income			
Facility service revenue		254,166	246,088
Government stimulus income	4	-	7,285
		254,166	253,373
Operating expenses			
Salaries and benefits		69,380	65,747
Drugs and supplies		76,548	72,945
General and administrative expenses		49,850	50,843
Depreciation of property and equipment	6	5,475	5,398
Depreciation of right-of-use assets	18.1	5,715	5,530
Amortization of other intangibles	7.2	540	540
		207,508	201,003
Income from operations		46,658	52,370
Finance costs			
Change in value of exchangeable interest liability	12.1	239	(784)
Interest expense on exchangeable interest liability		5,344	7,653
Interest expense, net of interest income	16	1,322	3,191
Loss on foreign currency		165	59
		7,070	10,119
Income before income taxes		39,588	42,251
Income tax expense (recovery)	15	4,973	(6,014)
Net income for the year from continuing operations		34,615	48,265
Discontinued operations			
Net income for the year from discontinued operations, net of tax	5.4	9,803	57,297
Net income and comprehensive income for the year		44,418	105,562
Attributable to:			
Owners of the Corporation		21,256	73,490
Non-controlling interest	10	23,162	32,072
		44,418	105,562
Earnings per share attributable to owners of the Corporation			
From continuing and discontinued operations			
Basic	9.2	\$ 1.09	\$ 3.06
Fully diluted	9.2	\$ 1.09	\$ 3.06
From continuing operations			
Basic	9.2	\$ 0.79	\$ 1.17
Fully diluted	9.2	\$ 0.79	\$ 1.17

The accompanying notes are an integral part of these consolidated financial statements.

⁽¹⁾ The comparative results for the year ended December 31, 2024 include the results of continuing operations and discontinued operations. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the results of discontinued operations for the prior year are presented separately in the current year's consolidated statements of income and comprehensive income to provide a clear comparison.

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Note	Year Ended December 31,	
		2025 \$	2024 \$
Cash flows from operating activities			
Net income for the year		44,418	105,562
Adjustments for:			
Impairment of goodwill	7.1, 7.3	-	2,265
Depreciation of property and equipment	6	5,923	8,580
Depreciation of right-of-use assets	18.1	9,201	10,249
Amortization of other intangibles	7.2	540	540
Change in value of exchangeable interest liability	12.1	239	(784)
Interest expense on exchangeable interest liability		5,344	7,653
Interest expense, net of interest income		1,644	4,146
Loss on foreign currency		165	59
Income tax expense (recovery)		6,542	(3,672)
Gain on sale of The Surgery Center of Newport Coast, LLC, net of tax	5.2	(536)	-
Gain on sale of Black Hills Surgical Hospital, LLP, net of tax	5.3	-	(33,643)
Stock options expense, net of settlement	20.1	-	(246)
Other non-cash (gain) loss		(109)	23
		73,371	100,732
Net changes in non-cash operating working capital	11	(3,891)	(1,644)
		69,480	99,088
Interest paid, net of received		(5,011)	(9,481)
Income and withholding taxes paid		(19,308)	(6,323)
Net cash provided by operating activities		45,161	83,284
Cash flows from investing activities			
Purchase of property and equipment	6	(4,879)	(7,068)
Proceeds from sale of The Surgery Center of Newport Coast, LLC, net of cash disposed and transaction costs	5.2	812	-
Proceeds from sale of Black Hills Surgical Hospital, LLP, net of cash disposed and transaction costs	5.3	-	92,487
Net cash (used in) provided by investing activities		(4,067)	85,419
Cash flows from financing activities			
Net issuance of notes payable and repayments of revolving credit facilities	8	1,029	(15,384)
Repayments of notes payable by the Facilities	8	(3,606)	(5,054)
Payment of lease liabilities	8, 18.3	(11,395)	(12,380)
Distributions to non-controlling interest	10	(22,729)	(28,726)
Dividends paid		(5,091)	(6,103)
Purchase of common shares under normal course issuer bids	9.3	(19,913)	(16,614)
Purchase of common shares under a substantial issuer bid	9.4	(43,749)	-
Net cash used in financing activities		(105,454)	(84,261)
(Decrease) increase in cash and cash equivalents		(64,360)	84,442
Effect of exchange rate fluctuations on cash balances held		(165)	(59)
Classification of Oklahoma Spine Hospital, LLC's cash as assets held for sale	5.1	(522)	-
Cash and cash equivalents, beginning of the year		108,496	24,113
Cash and cash equivalents, end of the year		43,449	108,496

The accompanying notes are an integral part of these consolidated financial statements.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

1. REPORTING ENTITY

Medical Facilities Corporation (the “Corporation”) is a British Columbia corporation. The address of the Corporation’s head office is 4576 Yonge Street, Suite 701, Toronto, Ontario, Canada. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol “DR”.

The Corporation’s operations are based in the United States. Through its wholly-owned subsidiaries, the Corporation owns controlling interests in three specialty surgical hospitals (the “Facilities”).

On December 31, 2025, the Corporation sold its 51.0% ownership share in The Surgery Center of Newport Coast, LLC, an ambulatory surgery center located in Newport Beach, California, to Newport Center GK, LLC for cash proceeds of \$1,500. In connection with this transaction, the Corporation recorded a post-tax gain of \$536 in the results of discontinued operations.

On January 30, 2026, subsequent to the year end, the Corporation completed the sale of its 64.0% ownership interest in Oklahoma Spine Hospital, LLC (“OSH”), a Facility located in Oklahoma City, Oklahoma, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH’s physician partners, for cash proceeds of \$46,048, subject to customary adjustments. Negotiations to sell OSH began before December 31, 2025 and its assets are classified as assets held for sale in the consolidated balance sheet as of December 31, 2025 (Note 5.1).

The Corporation’s ownership interest in and the location of its operating subsidiaries are as follows:

Subsidiary	Location	Ownership Interest December 31,	
		2025	2024
Arkansas Surgical Hospital, LLC (“ASH”)	North Little Rock, Arkansas	51.0%	51.0%
Sioux Falls Specialty Hospital, LLP (“SFSH”)	Sioux Falls, South Dakota	51.0%	51.0%
Oklahoma Spine Hospital, LLC (“OSH”) ⁽¹⁾	Oklahoma City, Oklahoma	64.0%	64.0%
The Surgery Center of Newport Coast (“SCNC”) ⁽²⁾	Newport Beach, California	-	51.0%

⁽¹⁾ The Corporation sold its ownership interest in OSH subsequent to the year end.

⁽²⁾ The Corporation completed the sale of SCNC during the year ended December 31, 2025.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee. The Corporation’s material accounting policies are presented in Note 21 to these consolidated financial statements.

These consolidated financial statements were approved for issue by the Corporation’s Board of Directors on March 11, 2026.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

3. BASIS OF PREPARATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries and have been prepared on the historical cost basis except for certain financial instruments and share-based compensation, which are measured at fair value (Note 21.15).

The Corporation's consolidated financial statements are reported in U.S. dollars which is its functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand, unless otherwise indicated.

4. GOVERNMENT STIMULUS

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the "CARES Act") was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Paycheck Protection Program ("PPP").

During the year ended December 31, 2024, the U.S. Small Business Administration concluded the Post Payment Loan Reviews on all of the Facilities' outstanding PPP loans of \$11,957, closing the reviews with no findings and confirming full forgiveness. As a result, the respective Facilities recorded government stimulus income of \$11,957 in the consolidated statement of income and comprehensive income for the year ended December 31, 2024. Of this, \$7,285 related to continuing operations, while the remaining \$4,672 related to discontinued operations.

5. DISCONTINUED OPERATIONS

5.1 Assets and liabilities held for sale

Prior to December 31, 2025, management was committed to a plan to sell the Corporation's 64.0% ownership interest in OSH, which was subsequently completed on January 30, 2026 (Note 22). In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the effected assets and liabilities are presented as "Assets held for sale" and "Liabilities directly associated with assets held for sale" in the consolidated balance sheet as of December 31, 2025, and OSH's financial results are presented as discontinued operations in the consolidated statements of income and comprehensive income for the years ended December 31, 2025 and December 31, 2024.

The sale of OSH has strengthened the Corporation's subsequent consolidated balance sheet, enabling the return of capital to the Corporation's common shareholders.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

As of December 31, 2025, the assets held for sale and the liabilities directly associated with assets held for sale comprised the following assets and liabilities:

	\$
Cash and cash equivalents	522
Accounts receivable	13,244
Supply inventory	107
Prepaid expenses and other receivables	989
Property and equipment	573
Right-of-use assets	1,180
Goodwill	14,747
Other intangibles	2,689
Assets held for sale	34,051
Accounts payable	2,366
Accrued liabilities	3,593
Long-term debt	1,350
Lease liabilities	1,217
Deferred income tax liability	2,629
Liabilities directly associated with assets held for sale	11,155

5.2 Sale of SCNC

On December 31, 2025, the Corporation sold its 51.0% ownership share in SCNC to Newport Center GK, LLC for cash proceeds of \$1,500, and incurred transaction costs of \$83 in connection with this transaction.

The sale of SCNC aligned with the Corporation's previously stated strategy of divestiture of non-core assets.

The net assets sold were as follows:

	\$
Cash and cash equivalents	605
Accounts receivable	1,090
Supply inventory	512
Prepaid expenses and other receivables	20
Deferred income tax asset	27
Property and equipment	650
Right-of-use assets	1,193
Total assets	4,097
Accounts payable	1,033
Accrued liabilities	160
Lease liabilities	1,315
Total liabilities	2,508
Net assets sold	1,589

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Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

The gain on sale was calculated as follows:

	\$
Net cash proceeds received	1,500
Non-controlling interest of SCNC	765
Less: Transaction costs	(83)
Less: Net assets sold	(1,589)
Gain on sale of SCNC, before tax	593
Tax on gain	57
Gain on sale of SCNC, net of tax	536

5.3 Sale of BSHH

On November 15, 2024, Black Hills Surgical Hospital, LLP ("BSHH"), a Facility located in Rapid City, South Dakota, was sold to Sanford Health for cash proceeds of \$96,136 for the Corporation's 54.2% ownership share, subject to customary adjustments.

The net assets sold were as follows:

	\$
Cash and cash equivalents	1,228
Accounts receivable	11,070
Supply inventory	3,679
Prepaid expenses and other receivables	1,434
Deferred income tax asset	5,675
Property and equipment	27,583
Right-of-use assets	3,304
Goodwill	27,758
Other intangibles	3,486
Total assets	85,217
Accounts payable	5,717
Accrued liabilities	5,039
Long-term debt	14,438
Lease liabilities	3,426
Total liabilities	28,620
Net assets sold	56,597

The gain on sale was calculated as follows:

	\$
Net cash proceeds received	96,136
Working capital adjustments	406
Escrow reserve	272
Non-controlling interest of BSHH	10,228
Less: Transaction costs	(2,421)
Less: Net assets sold	(56,597)
Gain on sale of BSHH, before tax	48,024
Tax on gain	14,381
Gain on sale of BSHH, net of tax	33,643

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Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

5. DISCONTINUED OPERATIONS (Continued)

5.4 Results of discontinued operations

	Note	Year Ended December 31,	
		2025	2024 ⁽¹⁾
		\$	\$
Revenue and other income			
Facility service revenue		88,010	179,820
Government stimulus income	4	-	4,672
		88,010	184,492
Operating expenses			
Salaries and benefits		24,658	65,266
Drugs and supplies		38,815	62,598
General and administrative expenses		9,445	19,511
Impairment of goodwill	7.1, 7.3	-	2,265
Depreciation of property and equipment	6	448	3,182
Depreciation of right-of-use assets	18.1	3,486	4,719
		76,852	157,541
		11,158	26,951
Income from operations			
Finance costs			
Interest expense, net of interest income		322	955
		322	955
		10,836	25,996
Income before income taxes			
Income tax expense		1,569	2,342
Gain on sale of SCNC, net of tax	5.2	(536)	-
Gain on sale of BSHS, net of tax	5.3	-	(33,643)
		9,803	57,297
Net income for the year from discontinued operations, net of tax			

⁽¹⁾ The comparative results for the year ended December 31, 2024 have been restated to include the results of the Facilities classified as discontinued operations in the current year. This also includes the results of MFC Nueterra Holding Company, LLC, which owned five ambulatory surgery centers (the "MFC Nueterra ASCs") under the Corporation's partnership with Nueterra MF Holdings, LLC, until their divestiture in 2023. On June 2, 2025, MFC Nueterra Holding Company, LLC was also wound-up.

5.5 Cash flows from discontinued operations

	Year Ended December 31,	
	2025	2024 ⁽¹⁾
	\$	\$
Net cash provided by operating activities	7,314	22,686
Net cash provided by investing activities	67	89,117
Net cash used in financing activities	(8,291)	(19,960)
Net cash flow for the year	(910)	91,843

⁽¹⁾ The comparative cash flows for the year ended December 31, 2024 have been restated to include the cash flows of the Facilities classified as discontinued operations in the current year.

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Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

6. PROPERTY AND EQUIPMENT

	Note	Land and Improvements \$	Construction in Progress \$	Building and Improvements \$	Equipment and Furniture \$	Total \$
Cost						
Balance at January 1, 2024		13,266	590	93,150	72,420	179,426
Additions		761	807	1,551	3,949	7,068
Transfers		-	(493)	47	446	-
Disposals		-	-	(493)	(521)	(1,014)
Sale of BSHH	5.3	(4,653)	(708)	(45,928)	(30,413)	(81,702)
Balance at December 31, 2024		9,374	196	48,327	45,881	103,778
Additions		-	608	218	4,053	4,879
Transfers		-	(535)	-	535	-
Disposals		-	-	-	(358)	(358)
Classification of OSH as assets held for sale	5.1	-	-	(4,623)	(17,039)	(21,662)
Sale of SCNC	5.2	-	-	(1,937)	(2,686)	(4,623)
Balance at December 31, 2025		9,374	269	41,985	30,386	82,014
Accumulated depreciation						
Balance at January 1, 2024		(247)	-	(53,729)	(45,833)	(99,809)
Charged for the year		(18)	-	(3,332)	(5,230)	(8,580)
Disposals		-	-	136	878	1,014
Sale of BSHH	5.3	-	-	27,686	26,433	54,119
Balance at December 31, 2024		(265)	-	(29,239)	(23,752)	(53,256)
Charged for the year		(13)	-	(2,016)	(3,894)	(5,923)
Disposals		-	-	-	358	358
Classification of OSH as assets held for sale	5.1	-	-	4,623	16,466	21,089
Sale of SCNC	5.2	-	-	1,539	2,434	3,973
Balance at December 31, 2025		(278)	-	(25,093)	(8,388)	(33,759)
Carrying amounts						
At December 31, 2024		9,109	196	19,088	22,129	50,522
At December 31, 2025		9,096	269	16,892	21,998	48,255

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Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

7. GOODWILL AND OTHER INTANGIBLES

7.1 Goodwill

	Note	\$
Gross amount		
Balance at January 1, 2024		120,623
Sale of BSHH	5.3	(27,758)
Balance at December 31, 2024		92,865
Classification of OSH as assets held for sale	5.1	(14,747)
Sale of SCNC	5.2	(2,265)
Balance at December 31, 2025		75,853
Accumulated impairment		
Balance at January 1, 2024		-
Charged for the year	7.3	(2,265)
Balance at December 31, 2024		(2,265)
Sale of SCNC	5.2	2,265
Balance at December 31, 2025		-
Carrying amounts		
At December 31, 2024		90,600
At December 31, 2025		75,853

7.2 Other intangibles

	Note	Hospital Operating Licenses \$	Medical Charts and Records \$	Care Networks \$	Trade Names \$	Non- Compete \$	Total \$
Cost							
Balance at January 1, 2024		1,476	7,399	195,922	9,129	1,128	215,054
Sale of BSHH	5.3	(238)	(2,496)	(50,969)	(3,486)	-	(57,189)
Balance at December 31, 2024		1,238	4,903	144,953	5,643	1,128	157,865
Classification of OSH as assets held for sale	5.1	-	(2,135)	(33,807)	(2,689)	-	(38,631)
Sale of SCNC	5.2	-	-	(19,051)	-	-	(19,051)
Balance at December 31, 2025		1,238	2,768	92,095	2,954	1,128	100,183
Accumulated amortization							
Balance at January 1, 2024		(1,476)	(7,399)	(193,799)	-	(1,128)	(203,802)
Charged for the year		-	-	(540)	-	-	(540)
Sale of BSHH	5.3	238	2,496	50,969	-	-	53,703
Balance at December 31, 2024		(1,238)	(4,903)	(143,370)	-	(1,128)	(150,639)
Charged for the year		-	-	(540)	-	-	(540)
Classification of OSH as assets held for sale	5.1	-	2,135	33,807	-	-	35,942
Sale of SCNC	5.2	-	-	19,051	-	-	19,051
Balance at December 31, 2025		(1,238)	(2,768)	(91,052)	-	(1,128)	(96,186)
Carrying amounts							
At December 31, 2024		-	-	1,583	5,643	-	7,226
At December 31, 2025		-	-	1,043	2,954	-	3,997

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

For the Years Ended December 31, 2025 and 2024

7. GOODWILL AND OTHER INTANGIBLES (Continued)

7.3 Impairment

The Corporation performed its annual impairment tests for goodwill and other intangibles with indefinite lives as of December 31, 2025 and 2024. Based on the assessment, the Corporation did not record any impairment for the year ended December 31, 2025. The Corporation recorded an impairment charge against goodwill of \$2,265 in the SCNC CGU for the year ended December 31, 2024, all of which pertained to the Corporation's controlling interest.

The Corporation identified three CGUs for the year ended December 31, 2025, and four CGUs for the year ended December 31, 2024, for which impairment testing was performed. The Facilities represent subsidiary operations which are independent of each other and are therefore identified as separate CGUs.

For the years ended December 31, 2025 and 2024, management calculated the recoverable amount of the CGUs by determining the fair value less costs of disposal ("FVLCD"). The FVLCD is determined by multiplying the earnings before interest, taxes, depreciation and amortization for the trailing twelve months ("TTM EBITDA") by a market multiple relevant to the CGU. The inputs used in the calculation of FVLCD are Level 3 inputs under IFRS 13, *Fair Value Measurement*. Management has estimated costs of disposal to be 1% (2024: 1%) of the fair value of the CGUs, based on recent market data.

Management has assessed the impact of reasonably possible variations in the key assumptions used in the calculation of the recoverable amount of the CGUs, and has determined that these will not have a significant impact on the recoverable amount calculated.

To ensure reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as of December 31 based on (i) the market capitalization of the outstanding common shares, and (ii) the Corporation's portion of the Facilities' long-term debt and lease liabilities, less (iii) cash on hand.

The following carrying amounts for goodwill and other intangibles with indefinite useful lives were allocated to each of the CGUs as of December 31, 2025 and 2024:

	Goodwill		Other Intangibles ⁽¹⁾	
	2025	2024	2025	2024
	\$	\$	\$	\$
ASH	17,911	17,911	-	-
OSH ⁽²⁾	-	14,747	-	2,689
SFSH	57,942	57,942	2,954	2,954
Carrying amounts	75,853	90,600	2,954	5,643

⁽¹⁾ With indefinite useful lives.

⁽²⁾ OSH's goodwill and other intangibles are classified as assets held for sale in the consolidated balance sheet as of December 31, 2025.

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For the Years Ended December 31, 2025 and 2024

8. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES

	Maturity	December 31, 2025			December 31, 2024	
		Authorized	Balance	Effective Interest Rate ⁽¹⁾	Balance	Effective Interest Rate ⁽¹⁾
		\$	\$	%	\$	%
Revolving credit facilities						
ASH	Oct 20, 2026	4,000	-	6.5	-	7.3
OSH ⁽²⁾	May 30, 2026	6,350	-	-	1,350	SOFR+2.2
SFSH	Jun 30, 2026	8,000	-	SOFR+1.1	6,954	SOFR+1.1
		18,350	-		8,304	
Corporate credit facility						
Corporate	Aug 4, 2028	40,000	-	SOFR+1.3	-	SOFR+1.4
Notes payable						
ASH	Aug 27, 2026		234	4.7	573	4.7
ASH	Jan 7, 2027		664	3.3	1,368	3.3
OSH	Nov 25, 2025		-	-	357	3.6
SFSH	Jun 1, 2025		-	-	94	2.2
SFSH	Feb 1, 2026		17	2.1	121	2.1
SFSH	Jun 1, 2026		106	2.4	209	2.4
SFSH	Sep 30, 2028		965	6.7	1,266	6.7
SFSH	Dec 31, 2028		18,910	4.7	19,929	4.7
SFSH	Dec 31, 2028		6,840	6.1	-	-
SFSH	Jun 30, 2029		1,153	6.9	1,435	6.9
SFSH	Jul 1, 2029		454	4.8	567	4.8
SFSH	Jun 1, 2030		953	5.5	-	-
			30,296		25,919	
Total long-term debt and corporate credit facility			30,296		34,223	
Less current portion			(3,346)		(10,390)	
			26,950		23,833	

⁽¹⁾ Interest rates are based on the lending agreements with various banks, and they include Prime and Secured Overnight Financing Rate ("SOFR").

⁽²⁾ OSH's long-term debt is classified as liabilities directly associated with assets held for sale in the consolidated balance sheet as of December 31, 2025.

Each credit facility and note payable is secured by an interest in all property and a mortgage on real property owned by the respective Facility. These credit facilities and notes payable contain certain restrictive financial and non-financial covenants. During the years ended and as of December 31, 2025 and 2024, the Facilities were in compliance with their covenants.

	Maturity	December 31, 2025		December 31, 2024	
		Balance	Effective Interest Rate	Balance	Effective Interest Rate
		\$	%	\$	%
Lease liabilities					
ASH	2026 - 2030	24,187	2.1 - 6.3	28,332	2.1 - 6.3
OSH ⁽¹⁾	2026 - 2029	-	-	4,112	3.5 - 6.0
SFSH	2026 - 2032	4,297	4.1 - 6.1	5,383	2.0 - 6.1
SCNC	2026 - 2027	-	-	1,883	5.7 - 6.0
Corporate	2028	63	5.5	4	3.4
Total lease liabilities		28,547		39,714	
Less current portion		(5,858)		(8,909)	
		22,689		30,805	

⁽¹⁾ OSH's lease liability is classified as liabilities directly associated with assets held for sale in the consolidated balance sheet as of December 31, 2025.

MEDICAL FACILITIES CORPORATION

Notes to the Consolidated Financial Statements

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8. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES (Continued)

The following are the future maturities of long-term debt, corporate credit facility and lease liabilities as of December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Long-term debt and corporate credit facility	Lease liabilities	Long-term debt and corporate credit facility	Lease liabilities
For the years ending December 31	\$	\$	\$	\$
2025	n/a	n/a	10,390	8,909
2026	3,346	5,858	4,188	7,295
2027	2,430	5,624	1,913	6,650
2028	18,017	5,463	17,470	5,719
2029	6,368	5,497	262	5,476
2030	135	5,225	n/a	n/a
Thereafter	-	880	-	5,665
Future maturities	30,296	28,547	34,223	39,714

The movements of long-term debt, corporate credit facility and lease liabilities are reconciled to cash flows arising from financing activities as follows:

	Note	Long-term debt and corporate credit facility	Lease liabilities
		\$	\$
Balance at January 1, 2024		69,099	47,710
Changes from financing activities:			
Net repayments of revolving credit facilities and issuance of notes payable		(15,384)	-
Repayments of notes payable by the Facilities		(5,054)	-
Payment of lease liabilities		-	(12,380)
Other changes:			
New lease agreements		-	5,933
Termination of lease agreements		-	(441)
Interest expense		-	2,318
Sale of BSHS	5.3	(14,438)	(3,426)
Balance at December 31, 2024		34,223	39,714
Changes from financing activities:			
Net proceeds from revolving credit facilities and issuance of notes payable		1,029	-
Repayments of notes payable by the Facilities		(3,606)	-
Payment of lease liabilities		-	(11,395)
Other changes:			
New lease agreements		-	1,176
Termination of lease agreements		-	(393)
Interest expense		-	1,977
OSH's liabilities classified as directly associated with assets held for sale	5.1	(1,350)	(1,217)
Sale of SCNC	5.2	-	(1,315)
Balance at December 31, 2025		30,296	28,547

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Notes to the Consolidated Financial Statements

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9. SHARE CAPITAL

9.1 Share capital

The following table represents changes in the number and value of common shares issued and outstanding for the years ended December 31, 2025 and 2024:

	Note	Number of Common Shares	\$
Balance at January 1, 2024		24,724,462	348,099
Common shares purchased and cancelled under normal course issuer bids	9.3	(1,700,700)	(16,614)
Change in obligation for purchase of common shares	9.5	-	(14,558)
Balance at December 31, 2024		23,023,762	316,927
Common shares purchased and cancelled under normal course issuer bids	9.3	(1,780,800)	(19,913)
Common shares purchased and cancelled under a substantial issuer bid	9.4	(3,374,313)	(43,749)
Change in obligation for purchase of common shares	9.5	-	665
Balance at December 31, 2025		17,868,649	253,930

9.2 Earnings per share

Basic earnings per share attributable to owners of the Corporation are calculated as follows:

	Year Ended December 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	\$ 15,425	5,831	21,256	28,181	45,309	73,490
Divided by weighted average number of common shares outstanding for the year	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Basic earnings per share	\$ 0.79	0.30	1.09	1.17	1.89	3.06

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9. SHARE CAPITAL (Continued)

Fully diluted earnings per share attributable to owners of the Corporation are calculated as follows:

	Year Ended December 31,					
	2025			2024		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income for the year attributable to owners of the Corporation	\$ 15,425	5,831	21,256	28,181	45,309	73,490
Change in value of exchangeable interest liability (tax effected)	-	-	-	-	-	-
Interest expense on exchangeable interest liability	-	-	-	-	-	-
Modified net income for the year attributable to owners of the Corporation	\$ 15,425	5,831	21,256	28,181	45,309	73,490
Weighted average number of common shares:						
Outstanding for the year	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Deemed to be issued on the exchange of the outstanding exchangeable interest liability	-	-	-	-	-	-
Dilutive weighted average number of common shares ⁽¹⁾	19,481,353	19,481,353	19,481,353	24,000,877	24,000,877	24,000,877
Fully diluted earnings per share	\$ 0.79	0.30	1.09	1.17	1.89	3.06

⁽¹⁾ For the years ended December 31, 2025 and 2024, the impact of exchangeable interest liability was excluded from the dilutive weighted average number of common shares calculation because it was anti-dilutive based on the share price prevailing at December 31, 2025 and December 31, 2024, respectively.

9.3 Normal course issuer bids

The Corporation has a normal course issuer bid for up to 1,805,324 of its common shares in effect from December 1, 2025 to November 30, 2026. A previous normal course issuer bid for up to 2,339,066 of the Corporation's common shares was in effect from December 1, 2024 to November 30, 2025. During the year ended December 31, 2025, the Corporation purchased 1,780,800 of its common shares (December 31, 2024: 1,700,700) for a total consideration of \$19,913 (December 31, 2024: \$16,614) from the open market.

The purchases under the normal course issuer bids are recorded in share capital and include applicable buyback taxes. All common shares acquired under the normal course issuer bids were cancelled.

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(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

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9. SHARE CAPITAL (Continued)

9.4 Substantial issuer bid

On March 11, 2025, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the "Offer"). The Corporation purchased and cancelled 3,374,313 of its common shares at a price of C\$18.00 per common share under the Offer, representing an aggregate purchase price of \$43,145, including applicable buyback taxes, or approximately 14.7% of the Corporation's issued and outstanding common shares before giving effect to the Offer. The Corporation incurred transaction costs related to the Offer of \$604 which have been recorded against share capital for the year ended December 31, 2025.

Purchases under the normal course issuer bid ceased during the substantial issuer bid.

9.5 Obligation for purchase of common shares

The Corporation entered into an automatic share purchase plan with a broker that allows the purchase of common shares for cancellation under the normal course issuer bid, including block purchases, in accordance with certain prearranged trading parameters, at any time during predetermined trading blackout periods. An obligation for purchase of common shares of \$16,029 was recognized under the automatic share purchase plan as of December 31, 2025 (December 31, 2024: \$16,694), including applicable buyback taxes.

Subsequent to the year end, the Corporation purchased 244,600 of its common shares for a total consideration of \$2,881 under the automatic share purchase plan, through March 6, 2026. The Corporation purchased 99,600 of its common shares for a total consideration of \$1,102 from January 1, 2025 through the end of the blackout period on March 13, 2025, under a previous automatic share purchase plan.

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10. NON-CONTROLLING INTEREST

The following tables summarize financial information in respect of the non-controlling interest of each Facility. The summarized financial information below represents amounts before intercompany eliminations.

December 31, 2025	ASH \$	OSH ⁽¹⁾ \$	SFSH \$
Non-controlling interest percentage ⁽²⁾	44%	35%	35%
Current assets	15,875	14,862	37,224
Non-current assets	28,737	1,753	59,238
Current liabilities	12,075	5,959	11,248
Non-current liabilities	25,085	2,567	33,796
Equity attributable to owners of the Corporation	4,173	5,258	33,422
Non-controlling interest	3,279	2,831	17,996
Revenue and other income	98,026	78,260	156,140
Operating expenses, before depreciation	72,001	64,489	116,754
Net income attributable to owners of the Corporation	10,127	6,726	21,497
Net income attributable to non-controlling interest	7,957	3,621	11,575
Net income	18,084	10,347	33,072
Distributions to non-controlling interest	7,657	3,486	10,920
Cash flows from operating activities	22,073	10,252	34,013
Cash flows from investing activities	(1,265)	(581)	(3,078)
Cash flows from financing activities ⁽³⁾	(19,341)	(10,717)	(32,969)
Net cash inflow (outflow)	1,467	(1,046)	(2,034)

⁽¹⁾ The Corporation sold its ownership interest in OSH subsequent to the year end (Note 22).

⁽²⁾ Non-controlling interest percentages assume exchangeable interest is fully exercised where applicable.

⁽³⁾ Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.

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10. NON-CONTROLLING INTEREST (Continued)

December 31, 2024	ASH	OSH	SFSH	SCNC	MFC Nueterra ASCs
	\$	\$	\$	\$	\$
Non-controlling interest percentage ⁽¹⁾	44%	35%	35%	49%	10%
Current assets	13,517	15,498	35,904	3,150	676
Non-current assets	33,185	4,385	60,872	2,561	-
Current liabilities	9,787	6,694	10,991	1,529	76
Non-current liabilities	30,145	5,530	36,239	1,933	-
Equity attributable to owners of the Corporation	3,791	4,978	32,205	1,147	361
Non-controlling interest	2,979	2,681	17,341	1,102	239
Revenue and other income	95,547	79,645	157,826	9,909	559
Operating expenses, before depreciation	67,975	65,130	112,476	7,915	184
Net income attributable to owners of the Corporation	11,056	6,332	25,291	555	177
Net income attributable to non-controlling interest	8,687	3,409	13,618	533	117
Net income	19,743	9,741	38,909	1,088	294
Distributions to non-controlling interest	7,258	2,694	11,830	302	94
Cash flows from operating activities	19,118	10,585	38,150	1,597	13
Cash flows from investing activities	(1,381)	(104)	(2,131)	(211)	196
Cash flows from financing activities ⁽²⁾	(17,964)	(10,334)	(34,737)	(1,251)	(123)
Net cash inflow (outflow)	(227)	147	1,282	135	86

⁽¹⁾ Non-controlling interest percentages assume exchangeable interest is fully exercised where applicable.

⁽²⁾ Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.

10.1 Significant restrictions

The partnership or operating agreements governing each of the respective Facilities (each, a “Partnership Agreement”) in certain circumstances do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries. The Corporation’s rights in respect of each Facility are limited to representation on the management committee and approval rights over certain fundamental decisions. The Partnership Agreements require that each Facility distribute its available cash to the maximum extent possible, subject to applicable law and compliance with their existing credit facilities, by way of monthly distributions on its partnership interests or other distributions on its securities, after (i) satisfying its debt service obligations under its credit facilities or any other agreements with third parties, (ii) satisfying its other expense obligations, including withholding and other applicable taxes, and (iii) retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and such other amounts as may be considered appropriate by its management committee.

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11. NET CHANGES IN NON-CASH WORKING CAPITAL

The net changes in non-cash working capital included in the consolidated statements of cash flows consist of the following:

	Year Ended December 31,	
	2025	2024
	\$	\$
Accounts receivable	(3,947)	5,228
Supply inventory	(648)	(476)
Prepaid expenses and other receivables	567	902
Accounts payable	1,828	(495)
Accrued liabilities	(1,691)	5,154
Government stimulus funds repayable	-	(11,957)
Net changes in non-cash working capital	(3,891)	(1,644)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Exchangeable interest liability

Concurrent with the acquisition of its interests in ASH, BSHS, SFSH and OSH, the Corporation entered into exchange agreements with the owners who originally retained a 49% non-controlling interest in these Facilities. Pursuant to the terms of these exchange agreements, the non-controlling interest holders in each of these Facilities received the right to exchange a portion of their interest ("Exchangeable Interest") in their respective Facilities for common shares of the Corporation. Such exchanges may only take place quarterly and are based on the exchange formulae stipulated in the exchange agreements and are subject to certain limitations, including a limitation of exchanging not more than three percent per quarter. The Exchangeable Interest of BSHS's non-controlling interest holders was forfeited upon the sale of BSHS on November 15, 2024 (Note 5.3), while that of OSH's non-controlling interest holders was forfeited upon the sale of OSH, subsequent to the year end, on January 30, 2026 (Note 22).

The number of common shares issuable under the Exchangeable Interest is determined by application of a formula which takes into account the number of partnership units being tendered for exchange and an exchange ratio based upon the distributions to non-controlling interest holders by the Facilities over the prior twelve months. The exchange agreements between the Corporation and the non-controlling interest holders in each of the Facilities contain the details of the exchange rights.

The Corporation accounts for the Exchangeable Interest as a financial liability. Under this method, the Exchangeable Interest is reflected in the consolidated financial statements as follows:

- (i) The exchange right is considered to have been fully exchanged at the original dates of acquisition of each of the three Facilities in which Exchangeable Interest is held, resulting in the purchase of a further 14% interest in each such Facility, except for ASH where 5% can be purchased, for an amount (the "imputed purchase price") proportionate to the price paid for the original 51% interest in such Facilities. The imputed purchase price was allocated to the fair value of the assets acquired, including goodwill and other intangibles, consistent with the acquisition of the initial 51% interest.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

- (ii) The corresponding amount of the imputed purchase price relating to the 14% interest (5% in the case of ASH) is reflected as exchangeable interest liability. The exchangeable interest liability is carried at fair value, as determined at each reporting date by applying the closing common share price on the last trading day of the period, converted into U.S. dollars at the closing exchange rate, to the total number of common shares issuable under the outstanding Exchangeable Interest. Changes in the fair value of the exchangeable interest liability, including their effect on the deferred tax position, are included in net income.
- (iii) Amortization of other intangibles and fair market value of property and equipment in excess of underlying carrying values are consistent with the amortization of the assets that arose on acquisition of the initial 51% interest in each Facility.
- (iv) The distributions made by each Facility, that relate to the ownership interest therein that is the subject of the outstanding Exchangeable Interest, are treated as interest expense in the Corporation's consolidated statements of income and comprehensive income.
- (v) The calculation of fully diluted earnings per share involves certain modifications, if applicable, to net income as reported and the number of issued and outstanding common shares as set out in Note 9.1.

The number of common shares to be potentially issued for the exchangeable interest liability and the fair value of the exchangeable interest liability as of December 31, 2025 and 2024 are as follows:

	2025	2024
Number of common shares to be potentially issued for exchangeable interest liability	3,419,978	3,621,847
Fair value of the exchangeable interest liability in thousands of U.S. dollars	US\$ 39,542	US\$ 39,303
Fair value of the exchangeable interest liability in thousands of Canadian dollars	C\$ 54,275	C\$ 56,537

12.2 Fair values and classification of financial instruments

The fair value of exchangeable interest liability is determined based on the closing trading price of common shares at each reporting date. The fair values of long-term debt approximate their carrying values as the interest rates are similar to prevailing market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following table presents the carrying values and classification of the Corporation's financial instruments as of December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	43,449	108,496
Accounts receivable	35,081	45,468
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	39,542	39,303
Amortized cost		
Dividends payable	1,172	1,441
Accounts payable	15,369	16,940
Accrued liabilities	15,365	20,809
Obligation for purchase of common shares	16,029	16,694
Long-term debt	30,296	34,223

The following tables represent the fair value hierarchy of the Corporation's financial instruments that were recognized at amortized cost or fair value through profit or loss as of December 31, 2025 and 2024. They do not include fair value information for financial instruments which are short-term in nature.

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Exchangeable interest liability	-	39,542	-	39,542
Long-term debt	-	30,296	-	30,296
Total	-	69,838	-	69,838

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Exchangeable interest liability	-	39,303	-	39,303
Long-term debt	-	34,223	-	34,223
Total	-	73,526	-	73,526

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.3 Measurement of fair values

The following are the valuation techniques used in measuring Level 2 fair values:

Financial Instrument	Valuation Technique
Exchangeable interest liability	<i>Market comparison technique:</i> The number of the Corporation's common shares to issue is based on the contractual agreements with the holders of non-controlling interest that have exchange agreements with the Corporation and take into account the distributions to the non-controlling interest over the prior twelve months. The liability is valued based on the market price of the Corporation's common shares converted to the reporting currency as of the reporting date.
Long-term debt	<i>Market comparison technique:</i> Interest rates are based on the lending agreements with various banks and creditors of long-term debt, and they are Prime or SOFR rates adjusted for the Facilities' risk rating, secured assets and other terms of agreements. The liability is valued based on debt principals and interest payments discounted to present value.

12.4 Financial risk management

In the normal course of its operations, the Corporation faces a number of risks that might have an impact on results of its operations and values of the financial instruments presented in the consolidated financial statements. Financial risks are outlined below as well as policies and procedures established by the Corporation for monitoring and controlling these risks.

12.4.1 Foreign exchange risk

Dividends to common shareholders of the Corporation, exchangeable interest liability, and a portion of the Corporation's expenses are settled in Canadian dollars while all of its revenues are in U.S. dollars. To mitigate this risk, from time to time, the Corporation may enter into foreign exchange forward contracts to economically hedge its exposure to the fluctuation of the exchange rate between U.S. and Canadian dollars. The Corporation has a foreign exchange hedging policy in place and the execution of this policy is monitored by the Audit Committee of the Board of Directors. As of December 31, 2025 and 2024, no foreign exchange forward contracts existed.

The values of Canadian dollar cash and cash equivalents, interest paid and received, and exchangeable interest liability, as reported in the Corporation's consolidated financial statements, are dependent on the movement of the exchange rate between U.S. and Canadian dollars. A 1% change in the value of the Canadian dollar against the U.S. dollar would have had the following impact on net income and equity for the years reported:

Exchange rate change	2025 \$	2024 \$
1% strengthening of the Canadian dollar	(446)	(475)
1% weakening of the Canadian dollar	446	475

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.4.2 Credit risk

Cash and cash equivalents, which include unrestricted cash and liquid investments (with a maturity of three months or less from the purchase date), are held with highly-rated and reputable financial institutions in the U.S. and Canada, with minimal credit risk.

The Facilities receive payment for services rendered from U.S. federal and state agencies, private insurance carriers, employers, managed care programs and individual patients. As such, the Corporation's accounts receivable principally fall into five categories:

- (i) governmental payors,
- (ii) health and workers' compensation insurance companies,
- (iii) recoveries from other responsible third parties such as automobile and general liability insurance,
- (iv) recoveries for revision surgery from manufacturers of surgical devices subsequently found ineffective or defective, and
- (v) co-pay and deductibles due from patients.

Revenue and accounts receivable from health insurance companies are further segregated between those that are independent members of the Blue Cross and Blue Shield System, workers' compensation lines and all others.

The majority of the Corporation's accounts receivable balance is from governmental payors and health insurance companies. Health insurance companies are regulated by State Insurance Departments in the U.S. and are assessed as having a low risk of default, consistent with the Facilities' history with these payors.

The table below summarizes the percentages of facility service revenue generated from, and accounts receivable balances with, each primary third-party payor group in 2025 and 2024:

	2025		2024	
	Facility Service Revenue by Payor %	Accounts Receivable at December 31 by Payor %	Facility Service Revenue by Payor %	Accounts Receivable at December 31 by Payor %
Medicare and Medicaid – category (i)	41.5	24.4	40.1	24.7
Blue Cross and Blue Shield – category (ii)	28.7	32.9	29.1	28.1
Workers' compensation – category (ii)	6.0	6.5	5.7	10.3
Other private insurance – category (iii)	20.6	26.1	19.9	25.6
Other insurance and self-pay – categories (iv) and (v)	3.2	10.1	5.2	11.3
	100.0	100.0	100.0	100.0

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Recoverability of amounts due in respect of categories (iii) and (iv) above often involves insurance litigation and is difficult to determine, in which case the full amounts due may be reserved. A very small portion of the facility service revenue is received directly from patients (including those with no insurance and those paying deductibles or co-payments). Recoverability of amounts receivable directly from patients is assessed based on historical experience and amounts considered impaired are provided for in the allowance for non-collectible receivable.

Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Monthly, actual bad debts for a trailing period are compared with the Corporation's allowance to support the accuracy of the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

The table below summarizes the aging of the Corporation's accounts receivable and related allowance for non-collectible receivable balances as of December 31, 2025 and 2024:

	2025	2024
	\$	\$
Accounts receivable		
Neither past due nor impaired	30,081	37,169
Past due 61-90 days	2,310	3,244
Past due 91-120 days	712	1,848
Past due 121-150 days	1,343	1,178
Past due more than 151 days	1,684	7,453
Allowance for non-collectible receivable balances	(1,049)	(5,424)
Net accounts receivable	35,081	45,468

The movement in allowance for non-collectible receivable balances for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
	\$	\$
Allowance for non-collectible receivable balances		
Balance at January 1	5,424	5,573
Provision for receivables during the year	2,765	3,707
Receivables written-off during the year	(2,524)	(3,253)
Classification of OSH as assets held for sale	(4,616)	-
Sale of BSHS	-	(603)
Balance at December 31	1,049	5,424

A significant portion of the accounts receivable older than 151 days relates to auto insurance cases that have historically favourable reimbursement rates but may be subject to variations in the timing of collections and may involve insurance litigation.

Management believes that the unimpaired amounts that are past due by more than 60 days are still collectible, in full, based on the historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, if they are available.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.4.3 Interest rate risk

The Corporation and the individual Facilities enter into certain long-term credit facility agreements that expose them to the risk of interest rate fluctuations. The Corporation uses floating rate debt facilities for operating lines of credit that fund short-term working capital needs and uses fixed rate debt facilities to fund investments and capital expenditures.

The interest rate profile of the Corporation's interest-bearing liabilities as of December 31, 2025 and 2024 was:

	2025 \$	2024 \$
Liabilities with fixed interest rates	58,843	65,633
Liabilities with variable interest rates	-	8,304
Total	58,843	73,937

A change of 100 basis points in the interest rates in the reporting period would have led to an increase or a decrease in interest expense of \$42 (2024: \$182) on credit facilities with variable interest rates.

12.4.4 Share price risk

The Corporation's exchangeable interest liability is measured based on quoted market prices of its common shares in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Share price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars.

A 1% change in the market price of the Corporation's common shares at each reporting date would have led to an increase or a decrease in the exchangeable interest liability of \$395 (2024: \$393).

12.4.5 Liquidity risk

The mandatory repayments under the credit facilities, notes payable, and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of as of December 31, 2025 and 2024, are as follows:

	Carrying values at December 31, 2025 \$	Future payments (including principal and interest)				
		Total \$	Less than 1 year \$	2-3 years \$	4-5 years \$	After 5 years \$
Contractual obligations						
Dividends payable	1,172	1,172	1,172	-	-	-
Accounts payable	15,369	15,369	15,369	-	-	-
Accrued liabilities	15,365	15,365	15,365	-	-	-
Obligation for purchase of common shares	16,029	16,029	16,029	-	-	-
Notes payable	30,296	34,321	4,984	28,695	642	-
Lease liabilities	28,547	32,595	7,278	12,980	11,408	929
Total contractual obligations	106,778	114,851	60,197	41,675	12,050	929

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Contractual obligations	Carrying values at December 31, 2024 \$	Future payments (including principal and interest)				
		Total \$	Less than 1 year \$	2-3 years \$	4-5 years \$	After 5 years \$
Dividends payable	1,441	1,441	1,441	-	-	-
Accounts payable	16,940	16,940	16,940	-	-	-
Accrued liabilities	20,809	20,809	20,809	-	-	-
Obligation for purchase of common shares	16,694	16,694	16,694	-	-	-
Revolving credit facilities	8,304	8,624	7,237	1,387	-	-
Notes payable	25,919	29,446	4,613	6,666	18,167	-
Lease liabilities	39,714	45,840	10,816	16,631	12,486	5,907
Total contractual obligations	129,821	139,794	78,550	24,684	30,653	5,907

The \$40,000 corporate credit facility, which matures on August 4, 2028, had all \$40,000 undrawn as of December 31, 2025.

13. CAPITAL

The Corporation's objective when managing capital is to (i) safeguard the Corporation's ability to continue as a going concern, (ii) ensure sufficient liquidity to fund current operations and achieve organic growth, and (iii) maximize the return of capital to common shareholders.

The capital of the Corporation is defined to include common shares issued and outstanding (Note 9.1).

The Corporation manages its liquidity and capital structure by monitoring its cash and cash equivalents, current indebtedness, and future financing and funding needs.

In addition, the Corporation regularly monitors current and forecasted debt levels and key ratios to ensure compliance with debt covenants. During the years ended and as of December 31, 2025 and 2024, the Corporation and Facilities were in compliance with their covenants. The Corporation's long-term debt and revolving lines of credit require the maintenance of various financial ratios. Under the terms of the line of credit, the Corporation must meet two pro forma financial ratios at the time of incurring new debt.

In order to maintain or adjust the capital structure, the Corporation may enter into or repay credit facilities, adjust the amount of dividends paid to common shareholders, repurchase its publicly traded securities or issue new shares or convertible debt. During the year ended December 31, 2025, the Corporation returned capital to shareholders through the repurchase and cancellation of 1,780,800 of its common shares (December 31, 2024: 1,700,700) for \$19,913 (December 31, 2024: \$16,614) under the terms of normal course issuer bids (Note 9.3), and also completed a substantial issuer bid (Note 9.4) to purchase and cancel 3,374,313 of its common shares (December 31, 2024: nil) for an aggregate purchase price of \$43,145 (December 31, 2024: \$nil). The dollar amounts quoted include applicable buyback taxes.

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14. EMPLOYEE FUTURE BENEFITS

The Corporation's benefit programs include qualified 401(k) retirement plans which cover all employees who meet eligibility requirements. Each participating entity makes matching contributions subject to certain limits. In 2025, contributions made by the Corporation and the Facilities to such plans were \$2,497 (2024: \$2,764).

15. INCOME TAXES

The U.S. tax return for the Corporation is prepared on a consolidated basis for U.S. entities and includes balances and amounts attributable to these entities.

Under the terms of the CARES Act, \$6,594 of PPP government stimulus income recognized, which represented MFC's share, was excluded from taxable income for the year ended December 31, 2024.

Under the *Tax Cuts and Jobs Act of 2017* ("TCJA"), capital outlays are no longer eligible for 100% bonus depreciation. Beginning in 2023, the bonus was limited to 80%, then 60% in 2024, and 40% in 2025, after which eligibility will be further reduced to 20% in 2026, and 0% in 2027. At the end of 2025, a significant portion of the TCJA expired.

The *One Big Beautiful Bill Act* ("OBBBA"), signed into law on July 4, 2025, permanently reinstated 100% bonus depreciation for most qualified property. Also, beginning with tax year 2025, the OBBBA modifies the adjusted taxable income calculation by reinstating the add-back for depreciation and amortization. Overall, several key provisions that expired at the end of 2025 under the TCJA have been made permanent under the OBBBA for tax years beginning after December 31, 2025.

The Canadian income tax return for the Corporation is prepared on a stand-alone basis and includes non-consolidated balances attributable to the Canadian entity only.

Income taxes from continuing operations reported in these consolidated financial statements are as follows:

	Year Ended December 31,	
	2025	2024
Provision for income taxes	\$	\$
Current	4,055	3,278
Deferred	918	(9,292)
Income tax expense (recovery) from continuing operations	4,973	(6,014)

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15. INCOME TAXES (Continued)

The following table reconciles income taxes, calculated at the U.S. combined federal and state tax rate and the Canadian combined federal and provincial income tax rate, to the income tax expense reported in the consolidated statements of income and comprehensive income:

	Year Ended December 31,			
	2025		2024	
	\$	%	\$	%
Net income for the year from continuing operations attributable to the owners of the Corporation	15,425		28,181	
Income tax expense (recovery) from continuing operations	4,973		(6,014)	
Income before income taxes	20,398	100.0	22,167	100.0
Income taxes at the statutory rate in Canada	5,405	26.5	5,874	26.5
Effect of:				
Differences between statutory tax rates in Canada and U.S.	(872)	(4.3)	(1,024)	(4.6)
Change in recognition of unrecorded capital loss carryforwards	(853)	(4.2)	(4,992)	(22.5)
Deferred tax impact of the sales of SCNC and BSHH	(27)	(0.1)	(5,675)	(25.6)
Change in effective tax rate	-	-	(1,686)	(7.6)
Other including non-taxable and non-deductible amounts	1,074	5.3	1,167	5.3
Change in value of exchangeable interest liability	246	1.2	322	1.4
Income tax expense (recovery) from continuing operations	4,973	24.4	(6,014)	(27.1)

The components of deferred income tax balances as of December 31, 2025 and 2024 are as follows:

	2025	2024
	\$	\$
Deferred income tax assets		
Allowance for non-collectible receivable balances	310	950
Accrued liabilities	1,405	1,515
Goodwill and other intangibles	837	2,042
Total deferred income tax assets	2,552	4,507
Deferred income tax liabilities		
Property and equipment	(1,716)	(1,305)
Prepaid expenses and other receivables	(203)	(173)
Goodwill and other intangibles	(12,939)	(16,978)
Cumulative change in the value of exchangeable interest liability	(1,821)	(1,874)
Total deferred income tax liabilities	(16,679)	(20,330)
Net deferred income tax liabilities	(14,127)	(15,823)

During the year ended December 31, 2024, the Corporation utilized unrecorded capital loss carryforwards of \$22,689 against the gain from the sale of BSHH. The remaining unrecorded capital loss carryforwards at December 31, 2025 of \$18,869 are set to expire from 2026 to 2030, and can only be utilized to the extent that capital gains exceed the original tax cost of the initial investment amount.

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16. INTEREST EXPENSE, NET OF INTEREST INCOME

Interest expense, net of interest income, from continuing operations included in the consolidated statements of income and comprehensive income consists of the following:

	Year Ended December 31,	
	2025	2024
	\$	\$
Interest expense at the Facility level	1,604	1,578
Interest expense at the corporate level	4	501
Interest expense on lease liabilities	1,745	1,945
Corporate credit facility stand-by fees	175	244
Interest income at the Facility level	(249)	(258)
Interest income at the corporate level	(1,957)	(819)
Interest expense, net of interest income, from continuing operations	1,322	3,191

17. RELATED PARTY TRANSACTIONS

17.1 Key management and director compensation

Key management personnel are comprised of executive officers of the Corporation. Compensation for key management and the directors of the Corporation for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
	\$	\$
Salaries and other employee benefits for executive officers	3,075	3,686
Director compensation	754	835
Total key management and director compensation	3,829	4,521

Salaries and other employee benefits for executive officers include compensation to executive officers for their base salaries, the Corporation's portion of payroll taxes, medical insurance and short-term and long-term disability benefit premiums, 401(k) matching contributions, amounts under the Corporation's short-term incentive plan, and share-based compensation relating to stock options, deferred share units and restricted share units. Director compensation consists of board and committee retainers.

Certain executive officers and a director of the Corporation were awarded transaction fees of \$2,210 during the year ended December 31, 2024, included in the calculation of the gain on sale of BSHS (Note 5.3).

17.2 Other transactions

Certain Facilities routinely enter into transactions with related parties for provision of services relating to the use of facility space and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

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17. RELATED PARTY TRANSACTIONS (Continued)

Certain of the physicians, who indirectly own the non-controlling interest in each of the Facilities, routinely provide professional services directly to patients utilizing the services of the Facilities and reimburse the Facilities for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Facilities, and three such individuals perform the duties of Medical Director at their respective Facilities and are compensated in recognition of their contribution to the Facilities. Also, Dr. R. Blake Curd, a physician with a non-controlling interest in SFSH, is its Chief Executive Officer and the Chief Medical Officer of the Corporation.

SFSH has a 50% ownership share in an accountable care organization (“ACO”) through a wholly-owned subsidiary that also provides management services to the ACO. The ACO was approved for participation in the Medicare Shared Savings Program, which is an incentive program established under the provisions of the *Patient Protection and Affordable Care Act*. As one of the initiatives of the ACO, SFSH entered into an agreement with Great Plains Surgical, LLC (“Great Plains”), an entity controlled by certain indirect non-controlling owners of SFSH, for the provision of management services in relation to the orthopedic service line at SFSH to improve the quality of services provided and realize savings on implants and other supplies used in that service line. In addition to the payment of fees for providing management of the orthopedic service line, Great Plains is entitled to receive performance payments for realized cost savings and the attainment of quality levels.

The following is a summary of transactions at each Facility with their respective related parties during the years ended December 31, 2025 and 2024:

Subsidiary	Nature of services or goods received	Year Ended December 31,	
		2025 \$	2024 \$
ASH	Lease of hospital building and office space.	4,354	4,362
OSH	Lease of hospital building and office space.	2,627	2,544
SFSH	Provision of management services in relation to orthopedic service line and ACO, anesthesia services, billing and coding services, physical and occupational therapy services, lithotripter services, facility and related equipment, and lease of urgent care building.	12,235	12,734
Total		19,216	19,640

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18. LEASES

The Corporation leases some hospital and office premises, as well as medical and office equipment. These leases are negotiated and entered into locally at each of the Facilities, as well as at the corporate level.

18.1 Right-of-use assets

Right-of-use assets ⁽¹⁾	Note	Premises \$	Medical Equipment \$	Office Equipment \$	Total \$
Balance at January 1, 2024		31,128	8,210	1,228	40,566
New lease agreements		3,757	2,176	-	5,933
Termination of lease agreements		(358)	-	(106)	(464)
Depreciation of right-of-use assets		(7,024)	(2,821)	(404)	(10,249)
Sale of BSHH	5.3	(581)	(2,723)	-	(3,304)
Balance at December 31, 2024		26,922	4,842	718	32,482
New lease agreements		485	445	246	1,176
Termination of lease agreements		-	(284)	-	(284)
Depreciation of right-of-use assets		(6,701)	(2,092)	(408)	(9,201)
Classification of OSH as assets held for sale	5.1	(624)	-	(556)	(1,180)
Sale of SCNC	5.2	(1,188)	(5)	-	(1,193)
Balance at December 31, 2025		18,894	2,906	-	21,800

⁽¹⁾ See Note 8 for information on lease liabilities.

18.2 Amounts from continuing operations recognized in the consolidated statements of income and comprehensive income

	Year Ended December 31,	
	2025	2024
	\$	\$
Interest expense on lease liabilities	1,745	1,945
Expenses relating to short-term leases	111	213
Expenses relating to leases of low-value assets, excluding short-term leases	12	7

18.3 Amounts recognized in the consolidated statements of cash flows

	Year Ended December 31,	
	2025	2024
	\$	\$
Payment of lease liabilities	(11,395)	(12,380)

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19. COMMITMENTS AND CONTINGENCIES

19.1 Commitments

In the normal course of operations, the Facilities lease certain equipment under non-cancellable long-term leases and enter into various commitments with third parties. In addition, certain Facilities lease their facility space from related and non-related parties.

19.2 Contingencies

In the normal course of business, the Facilities are, from time to time, subject to allegations that may result in litigation. Certain allegations may not be covered by the Facilities' commercial and liability insurance. The Facilities evaluate such allegations by conducting investigations to determine the validity of each potential claim. Based on the advice of legal counsel, management records an estimate of the amount of the ultimate expected loss for each of these matters. Events could occur that would cause the estimate of the ultimate loss to differ materially from the amounts recorded.

20. SHARE-BASED COMPENSATION

20.1 Stock options

The following table summarizes the number of outstanding stock options as of December 31, 2025:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Former Chief Executive Officer	223,562	223,562	C\$17.24	May 1, 2016
Former Chief Financial Officer	221,344	221,344	C\$17.98	November 21, 2016
Total number of outstanding options	444,906	444,906		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of December 31, 2025, all of the Options are vested and exercisable.

The movement in the number of outstanding stock options for the years ended December 31, 2025 and 2024 was as follows:

Number of outstanding options	2025	2024
Balance at January 1	444,906	744,906
Options exercised during the year	-	(300,000)
Options forfeited during the year	-	-
Balance at December 31	444,906	444,906

On November 21, 2024, 300,000 Options relating to the Chief Financial Officer, with an exercise price of C\$12.79, which fully vested on June 24, 2024, were exercised and cash-settled at a five-day weighted average price of C\$15.98, amounting to \$685. In connection with this, the Corporation recorded an expense of \$413 under salaries and benefits, and reversed \$272 of equity previously recorded under contributed surplus. The Corporation also recognized an additional expense of \$26 relating to the Options in salaries and benefits expense during the year ended December 31, 2024.

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20. SHARE-BASED COMPENSATION (Continued)

During the year ended December 31, 2025, the Corporation did not recognize any expense relating to the Options in salaries and benefits expense.

The grant date fair values of the Options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility.

20.2 Deferred share units

Compensation for directors includes a deferred share unit (“DSU”) component, for which grants based on the value of the Corporation’s common shares were made quarterly until the end of the second quarter of 2024, when they were replaced by a restricted share unit (“RSU”) component, after which no additional DSUs are to be issued. The outstanding DSUs vested immediately upon issue, continue to accrue dividends, and can only be redeemed when a participant ceases to serve as a director of the Corporation. The participants’ entitlement in respect of the DSUs then held will be settled in cash based on a formula tied to the value of the Corporation’s common shares at the time of redemption.

During the year ended December 31, 2025, 321,787 DSUs were settled in cash for \$3,570, paid out to three directors, Mr. Yanick Blanchard, Ms. Erin Enright and Dr. Reza Shahim (collectively the “Outgoing Directors”), who resigned from the Corporation’s Board of Directors in March 2025. For the year ended December 31, 2025, director compensation included no DSU grants (December 31, 2024: \$201), while the change in market value of outstanding DSUs for the same period was an expense of \$147 (December 31, 2024: \$1,635). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for DSUs of \$772 (December 31, 2024: \$4,199).

The following table summarizes changes in the number of DSUs for the years ended December 31:

	2025	2024
Opening balance of DSUs at January 1	386,960	351,882
DSUs granted on director fees	-	23,974
DSUs granted on dividend reinvestment	3,427	11,104
DSUs paid out	(321,787)	-
Total number of DSUs at December 31	68,600	386,960

20.3 Performance share unit plan

Until 2024, annual grants of share units (“SUs”) in the form of deferred share units (“Executive DSUs”) were awarded under the Corporation’s Amended Performance Share Unit Plan (“Amended PSU Plan”) but were then replaced by RSUs, after which no additional SU grants are to be made. Awards under the Amended PSU Plan vest three years following their grant date and are subject to achievement of performance objectives set at the time of the grant. The Executive DSUs participate in the Corporation’s quarterly dividend and are settled in cash upon the Amended PSU Plan participants’ departure from the Corporation.

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20. SHARE-BASED COMPENSATION (Continued)

20.3.1 Share units

SU grants were made annually, each March 31st, from 2020 to 2024, with a final grant on March 28, 2024 for 81,106 Executive DSUs. The value of the expense and liability associated with the outstanding SUs is determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2025, operating expenses included an SU expense of \$565 (December 31, 2024: \$1,307). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for SUs of \$2,878 (December 31, 2024: \$2,313).

The following table summarizes changes in the number of SUs for the years ended December 31:

	2025	2024
Opening balance of SUs at January 1	290,472	201,533
SUs granted	-	81,106
SUs granted on dividend reinvestment	6,916	7,833
Total number of SUs at December 31	297,388	290,472

20.4 Restricted share units

The RSUs, granted at the discretion of the Corporation's Board of Directors, are settled in cash. RSU grants were made to directors on December 1, 2024 for 28,199 RSUs, which accrued dividends thereon of 233 RSUs. From this, \$177 was paid out in lieu of 16,108 RSUs to the Outgoing Directors in March 2025. The remaining 12,324 RSUs vested and were settled for \$136 on May 7, 2025.

On June 26, 2025, 30,473 RSUs which vest over one year were granted to directors, and 75,995 RSUs which vest over three years were granted to executives and other employees of the Corporation. These RSUs were awarded under the Corporation's Amended and Restated RSU Plan.

The value of the expense and liability associated with the RSUs is determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2025, operating expenses included an RSU expense of \$492 (December 31, 2024: \$180). As of December 31, 2025, accrued liabilities in the consolidated balance sheet included a liability for RSUs of \$414 (December 31, 2024: \$180).

The following table summarizes changes in the number of RSUs for the years ended December 31:

	2025	2024
Opening balance of RSUs at January 1	28,199	-
RSUs granted on dividend reinvestment	233	-
RSUs vested and settled	(12,324)	-
RSUs paid out	(16,108)	-
RSUs granted	106,468	28,199
Total number of RSUs at December 31	106,468	28,199

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21. MATERIAL ACCOUNTING POLICIES

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

21.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

21.2 Functional presentation currency

The Corporation translates monetary assets and liabilities denominated in Canadian dollars, principally its exchangeable interest liability and certain of its cash balances, which are all denominated in Canadian dollars, at exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations were incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses, including translation adjustments, are included in the determination of net income and comprehensive income.

21.3 Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation (a) has the power over the entity, (b) is exposed, or has rights, to variable returns from its involvement with the entity, and (c) has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences, until the date that control ceases. Non-controlling interest represents the portion of a subsidiary's net earnings and net assets that are attributable to shares of such subsidiary not held by the Corporation.

The non-controlling interest in the equity of the Corporation's subsidiaries is included as a separate component of equity.

All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

21.4 Segment information

The operations and productive capacity of the Facilities revolve around the provision of surgical procedures. Each Facility is organized as an individual entity and separate financial statements are prepared for each entity. The chief operating decision makers of the Corporation, being the Chief Executive Officer and the Chief Financial Officer, regularly review performance of each individual Facility to make decisions about resources to be allocated to each Facility and assess their performance. Therefore, each Facility represents a separate operating segment.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

Management of the Corporation has concluded that the operating segments of the Corporation meet the criteria for aggregation pursuant to IFRS 8, *Operating Segments* and, therefore, discloses a single reportable segment. In forming its conclusion about the aggregation of the Facilities, management of the Corporation evaluated the long-term economic characteristics of each Facility, the comparative nature of the Facilities' operations, and the level of regulation of each Facility.

21.5 Discontinued operations

A discontinued operation is a component of the Corporation's business which can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative year. Discontinued operations are excluded from the results of continuing operations and are presented as a single net of tax amount as net income from discontinued operations in the consolidated statements of net income and comprehensive income.

21.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all liquid investments purchased with a maturity of three months or less from the purchase date and which can be redeemed by the Corporation.

21.7 Accounts receivable

Accounts receivable are recorded at the time services are rendered at the amounts estimated to be recoverable from third-party payors and patients, by applying the following policies:

- (i) As described in Note 21.19, amounts billed are reduced by adjustments for explicit and implicit price concessions.
- (ii) An allowance for non-collectible receivable balances is recognized at a level management believes is adequate to absorb probable losses. Management determines the adequacy of the allowance based on historical data, current economic conditions, and other pertinent factors for the respective Facility. Patient receivables are written off as non-collectible when all reasonable collection efforts have been exhausted.

Payments from third-party payors are generally received within 60 days of the billing date. However, accounts involving non-contracted payment sources, such as auto and general liability insurance, are subject to recovery efforts, including rebilling and insurance litigation, until they are collected or considered not collectible. Residual amounts due from patients, such as co-payments and deductibles, are considered past due 30 days after receiving payment from third-party payors.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.8 Supply inventory

Supply inventory consists of medical supplies, including implants and pharmaceuticals. It is stated at the lower of cost or net realizable value, using the first-in, first-out valuation method.

21.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Land is not depreciated. The estimated useful lives of property and equipment are as follows:

Building and improvements	3-40 years
Equipment and furniture	3-20 years

Depreciation methods, useful lives and residual values are reviewed on an annual basis.

21.10 Right-of-use assets

Depreciation of right-of-use assets is computed using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Facilities will obtain ownership by the end of the lease term.

21.11 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost over the fair value of identifiable net assets acquired. For business acquisitions occurring after the date of transition to IFRS Accounting Standards (January 1, 2010), goodwill is also recognized on non-controlling interest based on elections made independently for each acquisition. Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is reviewed at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

21.12 Other intangibles

Other intangibles are recognized only when it is probable that the expected future economic benefits attributable to the assets will be realized by the Corporation and the cost can be reliably measured. Other intangibles represent the value of the hospital operating licenses, non-compete agreements, medical charts and records, care networks and trade names. Other intangibles are stated at cost less accumulated amortization and accumulated impairment losses, when applicable.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

Upon recognition of an intangible asset, the Corporation determines if the asset has a definite or indefinite life. In making the determination, the Corporation considers the expected use, expiry of agreements, nature of assets, and whether the value of the assets decreases over time.

Amortization is recognized on a straight-line basis over the estimated useful lives of other intangibles from the date they are available for use. The estimated useful lives of other intangibles are as follows:

Hospital operating licenses	5 years - indefinite life
Non-compete agreements	3-5 years
Medical charts and records	5-7 years
Care networks	9-15 years
Trade names	20 years - indefinite life

Trade names represent the value assigned to the reputation of the hospitals and their standing in the business and local community which allow them to earn higher than average returns.

21.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill, certain trade names and certain hospital operating licenses, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have a definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the CGU level, which is the lowest level for which there are separately identifiable cash flows. Management considers each Facility as a CGU.

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its VIU and FVLCD. The two approaches are described below:

- 1) VIU approach – The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and
- 2) FVLCD approach – The TTM EBITDA is multiplied by a market multiple relevant to the CGU.

An impairment loss is recognized in net income and comprehensive income. It is allocated first to reduce the carrying amount of any goodwill allocated to the respective CGU, and then to reduce the carrying amount of the other assets of the respective CGU on a pro-rata basis.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.14 Financial assets and liabilities

The Corporation initially recognizes financial assets on the date that they originate or on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation assesses financial assets for impairment at each reporting date.

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (“FVTPL”). A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are measured at amortized cost using the effective interest rate method.

21.14.1 Financial assets measured at amortized cost

The Corporation considers evidence of impairment for financial assets measured at amortized cost on both an individual and collective basis. In assessing impairment, the Corporation uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are likely to be greater or lesser than suggested by historical trends.

The Corporation applies expected credit loss (“ECL”) models to the assessment of impairment on accounts receivables, and other financial assets of the Corporation. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The impairment model is applied, at each reporting date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The Corporation adopts the practical expedient to determine ECL on accounts receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL model requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are presented under finance costs in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such a decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.15 Measurements of fair value

A number of the Corporation's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

Management of the Corporation regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from these sources to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Corporation uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 – unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following accounting policies apply to the subsequent measurement of relevant financial assets and liabilities:

- (i) Financial assets and liabilities at FVTPL – These assets and liabilities are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in net income and comprehensive income.
- (ii) Financial assets and liabilities at amortized cost – These assets and liabilities are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognized in net income and comprehensive income.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.16 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated expenditures required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

21.17 Exchangeable interest liability

Exchangeable interest liability represents an estimated liability for the remaining portion of the interest in the Facilities held by the non-controlling interest which can be exchanged, subject to certain restrictions, for common shares of the Corporation. The exchangeable interest liability is measured at fair value. The fair value is measured at the end of each reporting period taking into account (i) the calculated amount of common shares potentially issuable for the remaining portion of the exchangeable interest in the Facilities held by the non-controlling interest, (ii) the market value of common shares, and (iii) the exchange rate between Canadian and U.S. dollars at the end of the reporting period. The change in value of the exchangeable interest liability is included in net income and comprehensive income for the respective periods.

21.18 Leases

At the inception of a contract, the Corporation assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for considerations.

The Facilities' lease assets include premises, medical equipment and office equipment. The Corporation recognizes right-of-use assets and lease liabilities for most leases, except for those leases that are of low value or short term (such as certain office equipment). The Corporation recognizes the payments associated with these leases as an expense on a straight-line basis over the lease term.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

21.19 Facility service revenue

Healthcare services promised in the contract with a patient represent a bundle of goods and services that are distinct and accounted for as a single performance obligation. The Facilities use a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for inpatient revenue and outpatient revenue.

The performance obligation is measured from admission of the patient into the Facilities to the point when the services are no longer required to be provided to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time, which generally relates to patients receiving services, is recognized when goods or services are provided and the Facilities do not believe it is required to provide additional goods or services.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

The Facilities determine the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments provided to third-party payors) and implicit price concessions (discounts provided to uninsured and underinsured patients in accordance with the Facility's policy). Services to the beneficiaries of government payor programs (Medicare, Medicaid, other governmental insurance programs and independent members of the Blue Cross and Blue Shield System) are reimbursed primarily based on the established amounts, service codes and fees schedules subject to certain limitations. Services to beneficiaries of private insurance companies are reimbursed based on the discounts from the rate established at the Facilities in accordance with the contracts with such companies. The Facilities determine estimates of explicit price concessions based on contractual agreements, discount policies and historical experience. The Facilities determine their estimate of implicit price concession based on historical collection experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusions from the related programs. There can be no assurance that regulatory authorities will not challenge the Facilities' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims and penalties would have on the Facilities.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment arrangement with the payor, correspondence from the payor, and the Facilities' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations.

21.20 Government stimulus

The Facilities may receive financial grants from the government in return for past or future compliance with certain conditions relating to their operating activities. These financial grants are recorded as government stimulus income by the Corporation when there is reasonable assurance that the Facilities will comply with the relevant conditions and the financial grant is received. If subsequently, there is no longer reasonable assurance that the conditions of the government grant would be met, the repayable will be accounted for prospectively, as a change in estimate, and recognized as a liability under government stimulus funds repayable.

Grants are recognized in the same period as the expenses that they are intended to compensate. The Corporation recognizes government stimulus income received by the Facilities as other income in the consolidated statements of income and comprehensive income.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.21 Income taxes

Income tax expense (recovery) consists of current and deferred taxes. Income tax expense (recovery) is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for reporting period, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

The Corporation calculates deferred income taxes using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the end of the reporting period. The effect on tax assets and liabilities of a change in tax rates is recognized in net income and comprehensive income in the period that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are always recognized in full. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of temporary differences is controlled by the Corporation and it is probable that the temporary differences will not reverse in the foreseeable future.

21.22 Share-based payments

The Corporation has an equity settled stock option plan under which it receives services from key executives as consideration for the Options of the Corporation. The fair value of the services received in exchange for the grants of the Options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the Options granted.

Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. When the Options are exercised, the Corporation issues new common shares. The proceeds received, together with the amount recorded in contributed surplus, are credited to share capital when the Options are exercised. If the Options are cash-settled, when exercised, the amount recorded in contributed surplus is reversed, and the settlement amount paid in excess of this is debited to salaries and benefits expense.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

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

21.23 Significant accounting judgments and estimates

The Corporation estimates certain amounts reflected in its consolidated financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

21.23.1 Facility service revenue

Significant management judgment is involved in application of portfolio approach to major payor classes to estimate the explicit and implicit price concessions. Estimates of explicit price concessions are based on contractual agreements, discount policies and historical experience. Estimates of implicit price concessions are based on historical collection experience.

21.23.2 Allowance for non-collectible receivable balances

The Facilities maintain an allowance for non-collectible receivable balances for estimated losses resulting from the inability to collect on its accounts receivable. Estimation of allowance for non-collectible receivable balances involves uncertainty about future collections which could differ from the original estimates. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

21.23.3 Impairment of non-financial assets

In determining the recoverable amount of a CGU, various estimates are employed. The Corporation determines FVLCD by using estimates such as market multiple relevant to the CGU. The Corporation determines VIU by using estimates such as future cash flows and post-tax discount rates.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and indefinite life intangible assets are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.23.4 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation's income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the year.

The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carry forwards, as well as from the depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If management's estimates or assumptions change from those used in current valuation, management may be required to recognize an adjustment in future periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

21.24 New and revised IFRS Accounting Standards not yet adopted

As of the reporting date of these consolidated financial statements, the Corporation has not adopted the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

21.24.1 Amendments to IFRS 7, *Financial Instruments: Disclosures* (“IFRS 7”) and IFRS 9, *Financial Instruments* (“IFRS 9”)

The amendments relate to the classification and measurement of financial instruments, introducing updates to: (i) permit the derecognition of a financial liability settled through electronic transfer, (ii) provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, (iii) enhance the description of a financial asset that has non-recourse features, (iv) clarify the characteristics of contractually linked instruments that distinguish them from other transactions, (v) require an entity to separately disclose the fair value gain or loss that relates to investments derecognised in the period and the investments held at the end of the period, and (vi) require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event.

Further amendments have been introduced relating to contracts referencing nature-dependent electricity, including updates to the own-use requirements, the hedge accounting requirements, and the disclosure requirements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted.

21.24.2 Annual Improvements to IFRS Accounting Standards

The IASB issued amendments to five IFRS Accounting Standards as part of its annual improvements process. These include amendments to: (i) IFRS 1, *First-time Adoption of IFRS*, relating to hedge accounting, (ii) IFRS 7, for various disclosures, (iii) IFRS 9, pertaining to derecognition of lease liabilities and transaction price, (iv) IFRS 10, *Consolidated Financial Statements*, regarding determination of ‘de facto agents’, and (v) IAS 7, *Statement of Cash Flows*, to replace the term ‘cost method’ with ‘at cost’.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted.

21.24.3 IFRS 18, *Presentation and Disclosures in Financial Statements* (“IFRS 18”)

IFRS 18 replaces IAS 1, *Presentation of Financial Statements*, introducing new requirements to: (i) present specified categories and defined subtotals in the statement of profit or loss, (ii) provide disclosures on management-defined performance measures in the notes to the financial statements, and (iii) improve aggregation and disaggregation.

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21. MATERIAL ACCOUNTING POLICIES (Continued)

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027. Early application is permitted.

21.24.4 IFRS 19, *Subsidiaries without Public Accountability: Disclosures* (“IFRS 19”)

IFRS 19 permits an eligible subsidiary to provide reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible, and can be applied for reporting periods beginning on or after January 1, 2027. Early application is permitted.

The Corporation continues to assess the impact of the adoption of these new and revised IFRS Accounting Standards on the consolidated financial statements in future periods. There are no other new and revised IFRS Accounting Standards that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.

22. SUBSEQUENT EVENT

On February 2, 2026, the Corporation announced that it had completed the sale of its 64.0% ownership interest in OSH, effective January 30, 2026, to SSM Health Care of Oklahoma, Inc. and an entity owned by OSH's physician partners, for cash proceeds of \$46,048, subject to customary adjustments.