MEDICAL FACILITIES CORPORATION	**MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024**

March 12, 2025

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, 2024 ("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, competition in the industry, opportunity to acquire accretive businesses, integration of acquisitions, currency risk, interest rate risk, success of new service lines introductions, ability to maintain profitability and manage growth, revenue and cash flow volatility, credit risk, operating risks, performance of obligations/maintenance of client 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 Corporation's 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 (loss) for the period from continuing operations to EBITDA and Adjusted 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) stock options expense, net of gain on forfeitures, (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 before (i) finance costs, (ii) income taxes, (iii) depreciation of property and equipment, (iv) depreciation of right-of-use assets, (v) amortization of other intangibles, and (vi) non-operating (gains) losses. 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, four limited liability entities (each a "Facility" and, collectively, the "Facilities"), each of which own either a specialty surgical hospital (an "SSH") or an ambulatory surgery center (an "ASC"). The four Facilities are comprised of three SSHs located in Arkansas, Oklahoma, and South Dakota, and one ASC located in California. ASCs are specialized surgical centers that only provide outpatient procedures, whereas SSHs are licensed for both inpatient and outpatient surgeries. The SSHs and ASC 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.

During 2023, the Corporation completed the divestiture of five ASCs (the "MFC Nueterra ASCs") which it indirectly owned through a partnership between its wholly-owned U.S. subsidiary and Nueterra MF Holdings, LLC.

On November 13, 2024, Black Hills Surgical Hospital, LLP ("BHSH"), a Facility located in Rapid City, South Dakota, entered into a definitive agreement to sell BHSH to Sanford Health. The transaction was completed on November 15, 2024 for cash proceeds of $96.1 million, net of transaction costs of $0.9 million, and a net receivable for working capital adjustments and escrow reserve of $0.7 million (collected subsequent to the year end), for the Corporation's 54.2% ownership share. In connection with this transaction, the Corporation incurred further transaction costs of $2.4 million and recorded a post-tax gain of $33.6 million in the results of discontinued operations.

The sale of BHSH was concluded at a material premium, strengthening the Corporation's consolidated balance sheet and creating value for its 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").

The PPP expanded the guaranteed lending program under Section 7(a) of the Small Business Act administered by the U.S. Small Business Administration ("SBA"). To the extent the recipient was eligible to receive the loan, the loan amounts received were eligible for forgiveness to the extent they were used for certain qualifying

expenses and to maintain payroll levels and related expenses during the 8 to 24-week period following loan origination.

The Facilities recognized income for the PPP loans received during prior periods based on reasonable assurance that they had met the forgiveness requirements. However, due to the denial or additional review of certain loan forgiveness applications by the SBA in prior periods, the Corporation no longer had reasonable assurance of meeting the forgiveness requirements for PPP loans of $12.0 million, which were recorded as a liability under government stimulus funds repayable in the consolidated balance sheet as of December 31, 2023.

During the year ended December 31, 2024, the SBA 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 from continuing operations of $12.0 million in the consolidated statements of income and comprehensive income for the year ended December 31, 2024, and the related liability under government stimulus funds repayable in the consolidated balance sheet was reversed.

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 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, 2024

	Arkansas Surgical Hospital ("ASH")	Oklahoma Spine Hospital ("OSH")	Sioux Falls Specialty Hospital ("SFSH")	The Surgery Center of Newport Coast ("SCNC")
Location	North Little Rock Arkansas	Oklahoma City Oklahoma	Sioux Falls South Dakota	Newport Beach California
Year Opened	2005	1999	1985	2004
Year Acquired by the Corporation	2012	2005	2004	2008
Ownership Interest	51.0%	64.0%	51.0%	51.0%
Non-controlling Interest	49.0%	36.0%	49.0%	49.0%
Exchangeable Interest	5.0%	1.0%	14.0%	-
Size	126,000 sq ft	61,000 sq ft	97,000 sq ft	7,000 sq ft
Operating/Procedure Rooms	13/2	7/2	15/1	3/0
Overnight Rooms	41[1]	25	33	-

[1] *Licensed for 47 beds.*

4. FINANCIAL AND PERFORMANCE HIGHLIGHTS

Selected Financial Information from Continuing Operations

In thousands of U.S. dollars, except per share amounts and as indicated otherwise	Year Ended December 31, 2024	2023 [1]	2022 [1]
Facility service revenue	331,529	339,576	326,237
Government stimulus income, net of reversals	11,957	-	(10,162)
Revenue and other income	343,486	339,576	316,075
Operating expenses	281,847	290,400	296,261
Income from operations	61,639	49,176	19,814
Net income for the year from continuing operations	56,794	28,846	5,009
Attributable to:			
Owners of the Corporation [2]	32,568	11,322	(4,992)
Non-controlling interest [2]	24,226	17,524	10,001
Net income for the year from discontinued operations, net of tax	48,768	15,153	7,286
Earnings (loss) per share from continuing operations attributable to owners of the Corporation			
Basic	$1.36	$0.45	($0.17)
Fully diluted	$1.36	$0.45	($0.17)
EBITDA [3]	78,457	67,481	44,595
Adjusted EBITDA [3]	80,722	67,481	61,144
Cash available for distribution [3] [4]	C$ 33,420	C$ 30,302	C$ 27,536
Distributions [3]	C$ 8,321	C$ 8,085	C$ 9,302
Cash available for distribution per common share [3] [4]	C$ 1.392	C$ 1.200	C$ 0.938
Distributions per common share [3]	C$ 0.347	C$ 0.320	C$ 0.317
Payout ratio [3] [4]	24.9%	26.7%	33.8%

	December 31, 2024	December 31, 2023	December 31, 2022
Total assets	346,294	354,885	377,791
Total long-term financial liabilities	54,638	93,300	123,042

(1) *Comparative results have been restated for discontinued operations.*

(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, impairment of goodwill, impairment loss on loans receivable, 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 Adjusted 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.*

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 $343.5 million, an increase of 1.2% from $339.6 million for the prior year, including the $12.0 million increase in government stimulus income from the recognition of PPP income in the current year. Facility service revenue from continuing operations of $331.5 million decreased by 2.4% from $339.6 million for the prior year. Excluding the divested MFC Nueterra ASCs, facility service revenue from continuing operations increased from the prior year by $3.6 million or 1.1%, mainly due to higher surgical case volume and the combined positive impact of case and payor mix.

EBITDA for the year ended December 31, 2024 was $78.5 million or 22.8% of revenue and other income from continuing operations compared to $67.5 million or 19.9% of revenue and other income from continuing operations for the prior year. Excluding the divested MFC Nueterra ASCs and the current year PPP government stimulus income, EBITDA increased from the prior year by $0.5 million or 0.7%, mainly due to higher facility service revenue, mostly offset by a non-cash impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit recorded in the current year ("CY Impairment Charge").

Excluding the impact of the CY Impairment Charge, Adjusted EBITDA for the year ended December 31, 2024 was $80.7 million or 23.5% of revenue and other income from continuing operations.

Net income from continuing operations for the year ended December 31, 2024 was $56.8 million compared to net income from continuing operations of $28.8 million for the prior year, with the increase mostly attributable to the higher income from operations at the Facilities, inclusive of the current year recognition of PPP government stimulus income, along with lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior year (refer to Section 5 "Consolidated Operating and Financial Review" of this MD&A under the heading "Change in Value of Exchangeable Interest Liability"), and lower income tax expense. This was partly offset by the impact of the CY Impairment Charge, as well as the prior year gain recorded on the sale of the MFC Nueterra ASCs.

Net income from discontinued operations, net of tax, for the year ended December 31, 2024 of $48.8 million and $15.2 million for the prior year was reclassified out of continuing operations due to the sale of BHSH. The increase 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 current year.

The Corporation generated cash available for distribution of Cdn$33.4 million for the year ended December 31, 2024, representing an increase of Cdn$3.1 million or 10.3% from Cdn$30.3 million for the prior year. Distributions per common share increased between the years by Cdn$0.027 to Cdn$0.347, while the payout ratio was 24.9% for the year ended December 31, 2024 compared to 26.7% 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, 2023 compared to the Year Ended December 31, 2022

For the year ended December 31, 2023, revenue and other income from continuing operations was $339.6 million, an increase of 7.4% from $316.1 million for the same period in 2022, including the $10.2 million net reversal of government stimulus income in 2022 driven mainly by the reversal of PPP income of $12.3 million. Facility service revenue from continuing operations of $339.6 million increased by 4.1% from $326.2 million for the same period in 2022, primarily due to the combined positive impact of case and payor mix, along with higher surgical case volume, partly offset by the impact of the divestiture of the MFC Nueterra ASCs in 2023.

EBITDA for the year ended December 31, 2023 was $67.5 million or 19.9% of revenue and other income from continuing operations compared to $44.6 million or 14.1% of revenue and other income from continuing operations for the same period in 2022, up mainly due to the non-cash impairment charge against goodwill, other intangibles and equipment of $16.5 million relating to the MFC Nueterra ASCs cash-generating unit recorded in 2022 ("2022 Impairment Charge"), along with the reversal of PPP government stimulus income in 2022, and higher facility service revenue which exceeded the increase in operating expenses.

Excluding the impact of the 2022 Impairment Charge, Adjusted EBITDA for the year ended December 31, 2022 was $61.1 million or 19.3% of revenue and other income from continuing operations.

Net income from continuing operations for the year ended December 31, 2023 was $28.8 million compared to net loss from continuing operations of $5.0 million for the same period in 2022, with the increase mostly attributable to the 2022 Impairment Charge, as well as higher income from operations at the Facilities inclusive of the reversal of PPP government stimulus income in 2022, along with cost saving initiatives at the corporate level, and the gain recorded on the sale of the MFC Nueterra ASCs in 2023, partly offset by higher income tax expense.

Net income from discontinued operations, net of tax, for the year ended December 31, 2023 of $15.2 million and $7.3 million for the same period in 2022 was reclassified out of continuing operations due to the sale of BHSH.

The Corporation generated cash available for distribution of Cdn$30.3 million for the year ended December 31, 2023, representing an increase of Cdn$2.8 million or 10.0% from Cdn$27.5 million for the same period in 2022. Distributions per common share increased between the years by Cdn$0.003 to Cdn$0.320, while the payout ratio was 26.7% for the year ended December 31, 2023 compared to 33.8% for the same period in 2022. 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, 2024

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the three months ended December 31, 2024 to the three months ended December 31, 2023:

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2024**	**2023**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	91,077	92,084	(1,007)	(1.1%)
	91,077	**92,084**	**(1,007)**	**(1.1%)**
Operating expenses				
Salaries and benefits	24,355	23,245	1,110	4.8%
Drugs and supplies	30,348	31,626	(1,278)	(4.0%)
General and administrative expenses [1]	15,178	14,826	352	2.4%
Impairment of goodwill	2,265	-	2,265	100.0%
Depreciation of property and equipment	1,637	1,694	(57)	(3.4%)
Depreciation of right-of-use assets	2,589	2,382	207	8.7%
Amortization of other intangibles	135	136	(1)	(0.7%)
	76,507	**73,909**	**2,598**	**3.5%**
Income from operations	**14,570**	**18,175**	**(3,605)**	**(19.8%)**
Finance costs (income)				
Change in value of exchangeable interest liability	(19,464)	(1,277)	(18,187)	(1,424.2%)
Interest expense on exchangeable interest liability	1,972	2,017	(45)	(2.2%)
Interest expense, net of interest income	454	1,373	(919)	(66.9%)
Gain on foreign currency	(9)	(8)	(1)	(12.5%)
	(17,047)	**2,105**	**(19,152)**	**(909.8%)**
Income before income taxes	**31,617**	**16,070**	**15,547**	**96.7%**
Income tax expense (recovery)	(4,413)	2,121	(6,534)	(308.1%)
Net income for the period from continuing operations	**36,030**	**13,949**	**22,081**	**158.3%**
Attributable to:				
Owners of the Corporation	29,560	7,818	21,742	278.1%
Non-controlling interest	6,470	6,131	339	5.5%
Basic earnings per share attributable to owners of the Corporation	$1.27	$0.32	0.95	296.9%
Fully diluted earnings per share attributable to owners of the Corporation	$0.59	$0.29	0.30	103.4%
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA [2]				
Net income for the period from continuing operations	36,030	13,949	22,081	158.3%
Income tax expense (recovery)	(4,413)	2,121	(6,534)	(308.1%)
Finance costs (income)	(17,047)	2,105	(19,152)	(909.8%)
Depreciation of property and equipment	1,637	1,694	(57)	(3.4%)
Depreciation of right-of-use assets	2,589	2,382	207	8.7%
Amortization of other intangibles	135	136	(1)	(0.7%)
EBITDA [2]	**18,931**	**22,387**	**(3,456)**	**(15.4%)**
Impairment of goodwill	2,265	-	2,265	100.0%
Adjusted EBITDA [2]	**21,196**	**22,387**	**(1,191)**	**(5.3%)**

[1] *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $0.5 million for the three months ended December 31, 2024 and $nil for the three months ended December 31, 2023.*

[2] *Non-IFRS financial measures. Please refer to Section 2 under the heading "Non-IFRS Financial Measures" for a discussion of such measures.*

Revenue and Other Income

Unaudited	Three Months Ended December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
ASH	24,396	24,360	36	0.1%
OSH	19,691	21,572	(1,881)	(8.7%)
SFSH	44,753	43,646	1,107	2.5%
SCNC	2,237	2,475	(238)	(9.6%)
MFC Nueterra ASCs	-	31	(31)	(100.0%)
Revenue and other income	**91,077**	**92,084**	**(1,007)**	**(1.1%)**

For the three months ended December 31, 2024, facility service revenue decreased from the same period in 2023 by $1.0 million or 1.1%, mainly due to lower surgical case volume ($1.8 million), including the current period impact at certain Facilities of the intravenous saline fluids ("IV fluids") shortage due to Hurricane Helene (refer to Section 8 "Outlook" of this MD&A under the heading "Healthcare Industry"), partly offset by the combined impact of case and payor mix ($0.8 million).

Total surgical cases decreased by 0.2%, as inpatient cases decreased by 5.3%, and observation cases decreased by 4.3%, but outpatient cases increased by 2.0%. Surgical case volume was down due to the decline at OSH, mostly offset by increases at SFSH and SCNC. Surgical case volume changes by payor over the same period last year came predominantly from Blue Cross Blue Shield, which decreased by 5.9%, and Medicare, which increased by 2.5%. Pain management case volume was up by 2.4% compared to the same period last year, with an increase at OSH, partly offset by a decrease at ASH.

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

- ASH's revenue increased marginally as increases due to the combined impact of case and payor mix, which included higher acuity cases, were almost fully offset by lower surgical case volume, and a decrease in pain management cases.

- OSH's revenue decreased mainly due to lower surgical case volume, partly offset by the combined impact of case and payor mix, and an increase in pain management cases.

- SFSH's revenue increased mainly due to higher surgical case volume, as well as the combined impact of case and payor mix, driven by higher acuity orthopedic cases.

- SCNC's revenue decreased mainly due to the combined impact of case and payor mix, which reflected fewer orthopedic procedures, partly offset by higher surgical case volume.

- MFC Nueterra ASCs' revenue decreased due to the Corporation's divestiture of the ASCs in 2023.

Operating Expenses

For the three months ended December 31, 2024, 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 $2.6 million or 3.5% from the same period last year to $76.5 million. As a percentage of revenue and other income, operating expenses increased to 84.0% from 80.3% in the same period last year.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	19,220	78.8%	18,977	77.9%	243	1.3%
OSH	18,092	91.9%	19,262	89.3%	(1,170)	(6.1%)
SFSH	32,245	72.1%	31,453	72.1%	792	2.5%
SCNC	2,154	96.3%	2,305	93.1%	(151)	(6.6%)
MFC Nueterra ASCs	35	n/a	148	477.4%	(113)	(76.4%)
Corporate	4,761	n/a	1,764	n/a	2,997	169.9%
Operating expenses	**76,507**	**84.0%**	**73,909**	**80.3%**	**2,598**	**3.5%**

Consolidated salaries and benefits increased by $1.1 million or 4.8%, primarily due to the cash-settlement of stock options relating to the Chief Financial Officer ("CFO") in the current period ($0.4 million), as well as higher benefit costs from increased health plan utilization ($0.4 million), and increases in clinical and non-clinical salaries and wages ($0.3 million) as a result of annual merit increases, and market wage pressures. As a percentage of revenue and other income, consolidated salaries and benefits increased to 26.7% from 25.2% a year earlier.

Consolidated drugs and supplies decreased by $1.3 million or 4.0%, primarily due to the impact of case mix ($0.9 million), which reflected less orthopedic and spine cases and improved cost savings at certain Facilities, along with lower surgical volume ($0.2 million), and higher vendor rebates ($0.2 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 33.3% from 34.3% a year earlier.

Consolidated G&A increased by $0.4 million or 2.4%. The increase in G&A was primarily due to higher corporate level costs related to share-based compensation plans driven by the increase in the Corporation's share price in the current period as compared to the same period last year ($0.5 million), and an increase in contracted services ($0.1 million). This was partly offset by decreases in equipment rentals ($0.1 million), and repairs and maintenance ($0.1 million). As a percentage of revenue and other income, consolidated G&A increased to 16.7% from 16.1% a year earlier.

In the current period, the Corporation recorded an impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit (refer to Section 13 "Critical Accounting Judgements and Estimates" of this MD&A under the heading "Impairment of Non-Financial Assets").

Consolidated depreciation of property and equipment decreased by $0.1 million or 3.4%, mainly due to certain fixed assets being fully depreciated, partly offset by the purchase of fixed assets. As a percentage of revenue and other income, consolidated depreciation of property and equipment remained unchanged from a year earlier at 1.8%.

Consolidated depreciation of right-of-use assets increased by $0.2 million or 8.7%, mainly due to new lease additions, partly offset by the expiration and termination of certain leases. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets increased to 2.8% from 2.6% a year earlier.

Consolidated amortization of other intangibles remained consistent with the same period in 2023. As a percentage of revenue and other income, consolidated amortization of other intangibles remained unchanged from a year earlier at 0.1%.

Income from Operations

Consolidated income from operations for the three months ended December 31, 2024 of $14.6 million was $3.6 million or 19.8% lower than the consolidated income from operations of $18.2 million recorded in the same period last year, representing 16.0% of revenue and other income, compared to 19.7% in the same period in 2023. The decrease is mainly due to the CY Impairment Charge, and higher non-controllable, non-cash corporate level charges related to share-based compensation plans, along with lower income from operations at the Facilities as a result of the decrease in facility service revenue.

Unaudited	Three Months Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	5,176	21.2%	5,383	22.1%	(207)	(3.8%)
OSH	1,599	8.1%	2,310	10.7%	(711)	(30.8%)
SFSH	12,508	27.9%	12,193	27.9%	315	2.6%
SCNC	83	3.7%	170	6.9%	(87)	(51.2%)
MFC Nueterra ASCs	(35)	n/a	(117)	(377.4%)	82	70.1%
Corporate	(4,761)	n/a	(1,764)	n/a	(2,997)	(169.9%)
Income from operations	**14,570**	**16.0%**	**18,175**	**19.7%**	**(3,605)**	**(19.8%)**

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 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, 2024 of $19.5 million decreased by $18.2 million from the same period in 2023, attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to BHSH's non-controlling interest holders (as of September 30, 2024: 1,579,818 common shares) upon the sale of BHSH in the current period.

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

In thousands of U.S. dollars, except as indicated otherwise	**December 31, 2024**	**September 30, 2024** *Unaudited*	**Change**	**December 31, 2023**	**September 30, 2023** *Unaudited*	**Change**
Number of common shares to be issued for exchangeable interest liability	3,621,847	5,892,420	(2,270,573)	5,913,560	5,937,372	(23,812)
Closing price of the Corporation's common shares	C$15.61	C$13.49	C$2.12	C$8.98	C$9.46	(C$0.48)
Closing exchange rate of U.S. dollar to Canadian dollar	$1.4385	$1.3526	$0.0859	$1.3247	$1.3579	($0.0332)
Exchangeable interest liability	**39,303**	**58,767**	**(19,464)**	**40,087**	**41,364**	**(1,277)**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability decreased marginally, reflecting 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 $0.9 million, mainly due to lower corporate credit facility interest expense driven by the lower average outstanding balance, as well as 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 BHSH in the current period.

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:

Unaudited	**Three Months Ended December 31,**			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
Current income tax expense	1,916	940	976	103.8%
Deferred income tax expense (recovery)	(6,329)	1,181	(7,510)	(635.9%)
Income tax expense (recovery)	**(4,413)**	**2,121**	**(6,534)**	**(308.1%)**

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

Net Income from Continuing Operations

The $22.1 million increase in net income from continuing operations for the three months ended December 31, 2024 was mainly attributable to lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior 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 lower income taxes, partly offset by lower income from operations at the Facilities, and the CY Impairment Charge.

EBITDA

EBITDA of $18.9 million for the three months ended December 31, 2024 decreased by $3.5 million from $22.4 million recorded in the same period last year, representing 20.8% of revenue and other income compared to 24.3% a year earlier. The decrease is mainly due to the CY Impairment Charge, along with lower income from operations at the Facilities, as a result of the decrease 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 and Adjusted EBITDA".

Adjusted EBITDA

Adjusted EBITDA of $21.2 million for the three months ended December 31, 2024 decreased by $1.2 million from $22.4 million in the same period a year earlier, representing 23.3% of revenue and other income, versus 24.3% a year earlier. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA”.

Continuing Operations for the Year Ended December 31, 2024

The following table and discussion compare operating and financial results from continuing operations of the Corporation for the year ended December 31, 2024 to the year ended December 31, 2023:

	Year Ended December 31,			
In thousands of U.S. dollars, except per share amounts	**2024**	**2023**	**$ Change**	**% Change**
Revenue and other income				
Facility service revenue	331,529	339,576	(8,047)	(2.4%)
Government stimulus income	11,957	-	11,957	100.0%
	343,486	**339,576**	**3,910**	**1.2%**
Operating expenses				
Salaries and benefits	90,466	88,948	1,518	1.7%
Drugs and supplies	111,646	120,365	(8,719)	(7.2%)
General and administrative expenses [(1)]	60,652	62,782	(2,130)	(3.4%)
Impairment of goodwill	2,265	-	2,265	100.0%
Depreciation of property and equipment	6,664	7,028	(364)	(5.2%)
Depreciation of right-of-use assets	9,614	9,969	(355)	(3.6%)
Amortization of other intangibles	540	1,308	(768)	(58.7%)
	281,847	**290,400**	**(8,553)**	**(2.9%)**
Income from operations	**61,639**	**49,176**	**12,463**	**25.3%**
Finance costs				
Change in value of exchangeable interest liability	(784)	2,733	(3,517)	(128.7%)
Interest expense on exchangeable interest liability	7,653	7,243	410	5.7%
Interest expense, net of interest income	3,602	5,637	(2,035)	(36.1%)
Impairment loss on loans receivable	-	786	(786)	(100.0%)
Loss on foreign currency	59	34	25	73.5%
	10,530	**16,433**	**(5,903)**	**(35.9%)**
Non-operating (gains) losses				
Gain on sale of subsidiaries and equity investments	-	(2,487)	2,487	100.0%
Share of equity loss in associates	-	320	(320)	(100.0%)
	-	**(2,167)**	**2,167**	**100.0%**
Income before income taxes	**51,109**	**34,910**	**16,199**	**46.4%**
Income tax expense (recovery)	(5,685)	6,064	(11,749)	(193.8%)
Net income for the year from continuing operations	**56,794**	**28,846**	**27,948**	**96.9%**
Attributable to:				
Owners of the Corporation	32,568	11,322	21,246	187.7%
Non-controlling interest	24,226	17,524	6,702	38.2%
Basic earnings per share attributable to owners of the Corporation	$1.36	$0.45	0.91	202.2%
Fully diluted earnings per share attributable to owners of the Corporation	$1.36	$0.45	0.91	202.2%
Reconciliation of net income for the year from continuing operations to EBITDA and Adjusted EBITDA [(2)]				
Net income for the year from continuing operations	56,794	28,846	27,948	96.9%
Income tax expense (recovery)	(5,685)	6,064	(11,749)	(193.8%)
Non-operating (gains) losses	-	(2,167)	2,167	100.0%
Finance costs	10,530	16,433	(5,903)	(35.9%)
Depreciation of property and equipment	6,664	7,028	(364)	(5.2%)
Depreciation of right-of-use assets	9,614	9,969	(355)	(3.6%)
Amortization of other intangibles	540	1,308	(768)	(58.7%)
EBITDA [(2)]	**78,457**	**67,481**	**10,976**	**16.3%**
Impairment of goodwill	2,265	-	2,265	100.0%
Adjusted EBITDA [(2)]	**80,722**	**67,481**	**13,241**	**19.6%**

(1) *General and administrative expenses include non-controllable, non-cash corporate level charges related to share-based compensation plans of $2.5 million for the year ended December 31, 2024 and $0.4 million for the year ended December 31, 2023.*

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

Revenue and Other Income

	Year Ended December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
ASH	95,547	90,983	4,564	5.0%
OSH	79,645	80,033	(388)	(0.5%)
SFSH	157,826	147,183	10,643	7.2%
SCNC	9,909	9,698	211	2.2%
MFC Nueterra ASCs	559	11,679	(11,120)	(95.2%)
Revenue and other income	**343,486**	**339,576**	**3,910**	**1.2%**

For the year ended December 31, 2024, revenue and other income increased from the prior year by $3.9 million or 1.2%, with the increase primarily attributable to the $12.0 million increase in government stimulus income from the recognition of PPP income in the current year. Facility service revenue decreased from the prior year by $8.0 million or 2.4%. Excluding the divested MFC Nueterra ASCs, facility service revenue increased from the prior year by $3.6 million or 1.1%, mainly due to the combined impact of case and payor mix ($2.2 million), and higher surgical case volume ($1.4 million).

Excluding the divested MFC Nueterra ASCs, total surgical cases increased by 0.8%, as outpatient cases increased by 3.6%, and observation cases increased by 3.1%, but inpatient cases decreased by 15.2%. Surgical case volume was up at SFSH, partly offset by decreases at OSH and ASH. Surgical case volume changes by payor over the prior year came predominantly from Medicare, which increased by 4.4%, and Blue Cross Blue Shield, which decreased by 4.2%. Pain management case volume was down by 2.0% compared to the prior year, with decreases at ASH and SFSH, partly offset by an increase at OSH.

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

- ASH's revenue and other income increased mainly due to the current year recognition of PPP government stimulus income of $3.2 million, as well as the combined impact of case and payor mix, which included higher acuity cases. This was partly offset by lower surgical case volume, and a decrease in pain management cases.

- OSH's revenue and other income decreased mainly due to lower surgical case volume, and the combined impact of case and payor mix, resulting in lower reimbursements per surgical case. This was partly offset by the current year recognition of PPP government stimulus income of $3.3 million, as well as an increase in pain management cases.

- SFSH's revenue and other income increased mainly due to higher surgical case volume, and the impact of case mix, as well as the current year recognition of PPP government stimulus income of $4.1 million. This was partly offset by the impact of payor mix, which included more government payors, and a decrease in pain management cases.

- SCNC's revenue and other income increased mainly due to the current year recognition of PPP government stimulus income of $0.8 million. This was partly offset by the combined impact of case and payor mix, which reflected less orthopedic procedures.

- MFC Nueterra ASCs' revenue and other income decreased due to the Corporation's divestiture of the ASCs in 2023. The current year amount relates to the recognition of PPP government stimulus income of $0.6 million.

Operating Expenses

For the year ended December 31, 2024, operating expenses decreased by $8.6 million or 2.9% from the prior year to $281.8 million. As a percentage of revenue and other income, operating expenses decreased to 82.1% from 85.5% in the prior year. Excluding the divested MFC Nueterra ASCs, operating expenses increased from the prior year by $2.8 million or 1.0%.

	Year Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	74,066	77.5%	72,265	79.4%	1,801	2.5%
OSH	69,624	87.4%	75,321	94.1%	(5,697)	(7.6%)
SFSH	117,390	74.4%	113,059	76.8%	4,331	3.8%
SCNC	8,701	87.8%	8,779	90.5%	(78)	(0.9%)
MFC Nueterra ASCs	254	45.4%	11,574	99.1%	(11,320)	(97.8%)
Corporate	11,812	n/a	9,402	n/a	2,410	25.6%
Operating expenses	**281,847**	**82.1%**	**290,400**	**85.5%**	**(8,553)**	**(2.9%)**

Consolidated salaries and benefits increased by $1.5 million or 1.7%, primarily due to increases in clinical and non-clinical salaries and wages ($2.7 million) as a result of annual merit increases, full-time equivalent increases, and market wage pressures, as well as higher physician salaries ($0.9 million), the forfeiture of stock options relating to the former Chief Development Officer ("Former CDO") in the prior year ($0.5 million), the cash-settlement of stock options relating to the CFO in the current year ($0.4 million), higher benefit costs from increased health plan utilization ($0.3 million), and an increase in share-based compensation vesting expense ($0.3 million). This was partly offset by the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($2.9 million), along with the separation costs for the Former CDO in the prior year ($0.8 million). As a percentage of revenue and other income, consolidated salaries and benefits increased to 26.3% from 26.2% a year earlier.

Consolidated drugs and supplies decreased by $8.7 million or 7.2%, primarily due to the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($4.6 million), as well as the impact of case mix ($4.1 million), which reflected less orthopedic and spine cases and improved cost savings at certain Facilities, and higher vendor rebates ($0.2 million). This was partly offset by higher surgical case volume ($0.2 million). As a percentage of revenue and other income, the consolidated cost of drugs and supplies decreased to 32.5% from 35.4% a year earlier.

Consolidated G&A decreased by $2.1 million or 3.4%. The decrease in G&A was primarily due to the impact of the divestiture of the MFC Nueterra ASCs in 2023 ($3.0 million), along with cost saving initiatives at the corporate level ($1.0 million), lower physician guarantees ($0.5 million), a decrease in equipment purchases and rentals ($0.5 million), and lower professional fees ($0.3 million). This was partly offset by higher corporate level costs related to share-based compensation plans driven by the increase in the Corporation's share price in the current year as compared to the prior year ($2.1 million), as well as increases in costs for contracted services ($0.9 million), and repairs and maintenance ($0.3 million). As a percentage of revenue and other income, consolidated G&A decreased to 17.7% from 18.5% a year earlier.

In the current year, the Corporation recorded an impairment charge against goodwill of $2.3 million relating to the SCNC cash-generating unit (refer to Section 13 "Critical Accounting Judgements and Estimates" of this MD&A under the heading "Impairment of Non-Financial Assets").

Consolidated depreciation of property and equipment decreased by $0.4 million or 5.2%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023, and certain fixed assets being fully depreciated, partly offset by the purchase of fixed assets. As a percentage of revenue and other income, consolidated depreciation of property and equipment decreased to 1.9% from 2.1% a year earlier.

Consolidated depreciation of right-of-use assets decreased by $0.4 million or 3.6%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023, and the expiration and termination of certain other leases, partly offset by new lease additions. As a percentage of revenue and other income, consolidated depreciation of right-of-use assets decreased to 2.8% from 2.9% a year earlier.

Consolidated amortization of other intangibles decreased by $0.8 million or 58.7%, mainly due to the impact of the divestiture of the MFC Nueterra ASCs in 2023. As a percentage of revenue and other income, consolidated amortization of other intangibles decreased to 0.2% from 0.4% a year earlier.

Income from Operations

Consolidated income from operations for the year ended December 31, 2024 of $61.6 million was $12.5 million or 25.3% higher than the consolidated income from operations of $49.2 million recorded in the prior year, representing 17.9% of revenue and other income, compared to 14.5% in the prior year. Excluding the divested MFC Nueterra ASCs, consolidated income from operations increased from the prior year by $12.3 million, mainly due to the current year recognition of PPP government stimulus income, along with higher income from operations at the Facilities driven by higher facility service revenue, as well as cost saving initiatives at the corporate level, partly offset by the CY Impairment Charge, and higher non-controllable, non-cash corporate level charges related to share-based compensation plans.

	Year Ended December 31,					
In thousands of U.S. dollars	**2024**	**Percentage of Revenue**	**2023**	**Percentage of Revenue**	**$ Change**	**% Change**
ASH	21,481	22.5%	18,718	20.6%	2,763	14.8%
OSH	10,021	12.6%	4,712	5.9%	5,309	112.7%
SFSH	40,436	25.6%	34,124	23.2%	6,312	18.5%
SCNC	1,208	12.2%	919	9.5%	289	31.4%
MFC Nueterra ASCs	305	54.6%	105	0.9%	200	190.5%
Corporate	(11,812)	n/a	(9,402)	n/a	(2,410)	(25.6%)
Income from operations	**61,639**	**17.9%**	**49,176**	**14.5%**	**12,463**	**25.3%**

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 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, 2024 of $0.8 million decreased by $3.5 million from the same period in 2023, attributable to variations in all three factors, including the forfeiture of common shares to be issued for the exchangeable interest liability relating to BHSH's non-controlling interest holders (as of December 31, 2023: 1,446,419 common shares) upon the sale of BHSH in the current year.

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

In thousands of U.S. dollars, except as indicated otherwise	**December 31, 2024**	**December 31, 2023**	**Change**	**December 31, 2023**	**December 31, 2022**	**Change**
Number of common shares to be issued for exchangeable interest liability	3,621,847	5,913,560	(2,291,713)	5,913,560	6,297,268	(383,708)
Closing price of the Corporation's common shares	C$15.61	C$8.98	C$6.63	C$8.98	C$8.04	C$0.94
Closing exchange rate of U.S. dollar to Canadian dollar	$1.4385	$1.3247	$0.1138	$1.3247	$1.3554	($0.0307)
Exchangeable interest liability	**39,303**	**40,087**	**(784)**	**40,087**	**37,354**	**2,733**

Interest Expense on Exchangeable Interest Liability

Interest expense on the exchangeable interest liability increased by $0.4 million, mainly due to 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 $2.0 million, mainly due to lower corporate credit facility interest expense driven by the lower average outstanding balance, as well as 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 BHSH in the current year.

Impairment Loss on Loans Receivable

Impairment loss of $0.8 million was recorded in the prior year to fully impair a loan receivable from an associate as a result of re-evaluating the impairment loss allowance reserved.

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.

Non-Operating (Gains) Losses

Gain on Sale of Subsidiaries and Equity Investments

A gain of $2.5 million was recorded on the sale of the MFC Nueterra ASCs in the prior year.

Share of Equity Loss in Associates

Share of equity loss in associates of $0.3 million recorded in the prior year pertains to a certain Facility's share of losses from an associate, subsequent to which the investment balance was nil.

Income Tax

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

In thousands of U.S. dollars	Year Ended December 31, 2024	2023	$ Change	% Change
Current income tax expense	4,365	2,024	2,341	115.7%
Deferred income tax expense (recovery)	(10,050)	4,040	(14,090)	(348.8%)
Income tax expense (recovery)	**(5,685)**	**6,064**	**(11,749)**	**(193.8%)**

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.

Net Income from Continuing Operations

The $28.0 million increase in net income from continuing operations for the year ended December 31, 2024 was mainly attributable to the higher income from operations at the Facilities, inclusive of the current year recognition of PPP government stimulus income, along with lower finance costs driven by the variance in the change in value of exchangeable interest liability versus the prior year (refer to Section 5 “Consolidated Operating and Financial Review” of this MD&A under the heading “Change in Value of Exchangeable Interest Liability”), and lower income tax expense. This was partly offset by the impact of the CY Impairment Charge, as well as the prior year gain recorded on the sale of the MFC Nueterra ASCs.

EBITDA

EBITDA of $78.5 million for the year ended December 31, 2024 increased by $11.0 million from $67.5 million recorded a year earlier, representing 22.8% of revenue and other income compared to 19.9% a year earlier. Excluding the divested MFC Nueterra ASCs and the current year PPP government stimulus income, EBITDA increased from the same period last year by $0.5 million or 0.7%, mainly due to higher facility service revenue, mostly offset by the CY Impairment Charge. 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 and Adjusted EBITDA”.

Adjusted EBITDA

Adjusted EBITDA of $80.7 million for the year ended December 31, 2024 increased by $13.2 million from $67.5 million in the prior year, representing 23.5% of revenue and other income, versus 19.9% a year earlier. For a reconciliation of Adjusted EBITDA to an applicable IFRS measure, see Section 5 under “Reconciliation of net income for the year from continuing operations to EBITDA and Adjusted EBITDA”.

6. QUARTERLY OPERATING AND FINANCIAL RESULTS

Summary of Quarterly Operating and Financial Results from Continuing Operations

Unaudited	2024				2023			
In thousands of U.S. dollars, except per share amounts	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue and other income								
Facility service revenue	91,077	76,821	81,656	81,975	92,084	79,178	83,984	84,330
Government stimulus income	-	11,957	-	-	-	-	-	-
	91,077	**88,778**	**81,656**	**81,975**	**92,084**	**79,178**	**83,984**	**84,330**
Operating expenses								
Salaries and benefits	24,355	22,182	22,180	21,749	23,245	21,639	21,922	22,142
Drugs and supplies	30,348	25,679	27,673	27,946	31,626	28,086	30,409	30,244
General and administrative expenses	15,178	15,315	15,026	15,133	14,826	15,254	16,147	16,555
Impairment of goodwill	2,265	-	-	-	-	-	-	-
Depreciation of property and equipment	1,637	1,670	1,670	1,687	1,694	1,719	1,810	1,805
Depreciation of right-of-use assets	2,589	2,363	2,360	2,302	2,382	2,503	2,567	2,517
Amortization of other intangibles	135	136	136	133	136	137	518	517
	76,507	**67,345**	**69,045**	**68,950**	**73,909**	**69,338**	**73,373**	**73,780**
Income from operations	**14,570**	**21,433**	**12,611**	**13,025**	**18,175**	**9,840**	**10,611**	**10,550**
Finance costs (income)								
Change in value of exchangeable interest liability	(19,464)	4,935	8,559	5,186	(1,277)	3,298	2,015	(1,303)
Interest expense on exchangeable interest liability	1,972	1,926	1,707	2,048	2,017	1,645	1,731	1,850
Interest expense, net of interest income	454	919	1,079	1,150	1,373	1,317	1,441	1,506
Impairment loss on loans receivable	-	-	-	-	-	786	-	-
Loss (gain) on foreign currency	(9)	14	11	43	(8)	28	10	4
	(17,047)	**7,794**	**11,356**	**8,427**	**2,105**	**7,074**	**5,197**	**2,057**
Non-operating (gains) losses								
Gain on sale of subsidiaries and equity investments	-	-	-	-	-	(2,487)	-	-
Share of equity loss in associates	-	-	-	-	-	320	-	-
	-	**-**	**-**	**-**	**-**	**(2,167)**	**-**	**-**
Income before income taxes	**31,617**	**13,639**	**1,255**	**4,598**	**16,070**	**4,933**	**5,414**	**8,493**
Income tax expense (recovery)	(4,413)	(347)	(774)	(151)	2,121	2,315	393	1,235
Net income for the period from continuing operations	**36,030**	**13,986**	**2,029**	**4,749**	**13,949**	**2,618**	**5,021**	**7,258**
Attributable to:								
Owners of the Corporation	29,560	5,608	(2,599)	(1)	7,818	(1,113)	1,321	3,296
Non-controlling interest	6,470	8,378	4,628	4,750	6,131	3,731	3,700	3,962
Earnings (loss) per share attributable to owners of the Corporation:								
Basic	$1.27	$0.24	($0.11)	($0.01)	$0.32	($0.04)	$0.05	$0.13
Fully diluted	$0.59	$0.24	($0.11)	($0.01)	$0.29	($0.04)	$0.05	$0.13
Reconciliation of net income for the period from continuing operations to EBITDA and Adjusted EBITDA [(1)]								
Net income for the period from continuing operations	36,030	13,986	2,029	4,749	13,949	2,618	5,021	7,258
Income tax expense (recovery)	(4,413)	(347)	(774)	(151)	2,121	2,315	393	1,235
Non-operating (gains) losses	-	-	-	-	-	(2,167)	-	-
Finance costs (income)	(17,047)	7,794	11,356	8,427	2,105	7,074	5,197	2,057
Depreciation of property and equipment	1,637	1,670	1,670	1,687	1,694	1,719	1,810	1,805
Depreciation of right-of-use assets	2,589	2,363	2,360	2,302	2,382	2,503	2,567	2,517
Amortization of other intangibles	135	136	136	133	136	137	518	517
EBITDA [(1)]	**18,931**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**	**15,506**	**15,389**
Impairment of goodwill	2,265	-	-	-	-	-	-	-
Adjusted EBITDA [(1)]	**21,196**	**25,602**	**16,777**	**17,147**	**22,387**	**14,199**	**15,506**	**15,389**

[(1)] *Non-IFRS financial measures. 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:

- Facility service 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 operating expenses are generally consistent with fluctuations in case volumes and case mix. Operating expenses have also been impacted by costs related to SFSH's accountable care organization ("ACO"), as well as a management agreement for SFSH's orthopedic service line (refer to Section 12 of this MD&A under the heading "Related Party Transactions").
- Since the fourth quarter of 2022, the Corporation has executed its plan to reduce overhead costs primarily through a reorganization of executive staff, as well as reductions across all other departments, resulting in significant savings in salaries and benefits, and G&A at the corporate level.
- Due to SCNC's underperformance, management assessed and recorded an impairment of goodwill in 2024.
- In addition, revenue and operating expenses have been impacted by the divestiture of the MFC Nueterra ASCs in 2023, and the sale of BHSH in the fourth quarter of 2024.
- 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 2023 and 2024, 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 BHSH's non-controlling interest holders upon the sale of BHSH 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 changes in impairment loss on loans receivable are mainly a result of re-evaluating the impairment loss allowance reserved on the loans receivable from associates at the end of each reporting period. As of December 31, 2023, the loans were fully impaired.
- 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 and Canadian cumulative tax operating loss carryforwards, 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 December 31, *Unaudited*		Year Ended December 31,	
In thousands of U.S. dollars, except as indicated otherwise		2024 $	2023 $	2024 $	2023 $
NET CASH PROVIDED BY OPERATING ACTIVITIES	**USD**	**21,968**	**19,830**	**83,284**	**72,714**
Non-controlling interest in cash flows of the Facilities [1] [2]		(10,697)	(11,653)	(35,940)	(32,931)
Interest expense on exchangeable interest liability [3]		1,972	2,017	7,653	7,243
Payment of lease liabilities [4]		(3,311)	(3,273)	(12,380)	(12,751)
Maintenance capital expenditures [5]		(608)	(1,830)	(2,853)	(5,650)
Difference between accrual-based amounts and actual cash flows related to interest and taxes [6]		(999)	(1,699)	(245)	(78)
Net changes in non-cash operating working capital [7] [8]		(111)	7,791	(10,313)	488
Stock options expense, net of settlement and gain on forfeitures [9]		272	(14)	246	476
Repayments of notes payable by the Facilities [10]		(1,065)	(1,795)	(5,054)	(7,060)
CASH AVAILABLE FOR DISTRIBUTION	**USD**	**7,421**	**9,374**	**24,398**	**22,451**
	CDN	**10,376**	**12,769**	**33,420**	**30,302**
DISTRIBUTIONS	**CDN**	**2,072**	**1,991**	**8,321**	**8,085**
CASH AVAILABLE FOR DISTRIBUTION PER COMMON SHARE [11]	**CDN**	**$0.444**	**$0.512**	**$1.392**	**$1.200**
DISTRIBUTIONS PER COMMON SHARE [11]	**CDN**	**$0.089**	**$0.080**	**$0.347**	**$0.320**
PAYOUT RATIO		**20.0%**	**15.6%**	**24.9%**	**26.7%**
Average exchange rate of Cdn$ to US$ for the period		1.3982	1.3622	1.3698	1.3497
Basic weighted average number of common shares outstanding		23,358,435	24,916,232	24,000,877	25,254,834

[1] *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.*

[2] *Year ended December 31, 2024 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 comparability with the prior year.*

[3] *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.*

[4] *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.*

[5] *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.*

[6] *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.*

[7] *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.*

[8] *Year ended December 31, 2024, 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 comparability with the prior year.*

[9] *Stock options expense, net of settlement and gain on forfeitures, represents a charge included in salaries and benefits in the period which does not have a cash impact until the underlying stock options 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 changes in equity.*

[10] *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.*

[11] *Calculated based on the basic weighted average number of common shares outstanding.*

Cash available for distribution in the three months ended December 31, 2024 (Cdn$10.4 million) decreased by Cdn$2.4 million compared to the cash available for distribution the same period last year (Cdn$12.8 million). On a per common share basis, cash available for distribution of Cdn$0.444 decreased by Cdn$0.068, or 13.3% from the same period last year of Cdn$0.512. The distributions per common share of Cdn$0.089 increased by Cdn$0.009, or 11.3% from the same period last year of Cdn$0.080, resulting in a payout ratio of 20.0% as compared to a payout ratio of 15.6% in the same period in 2023.

Cash available for distribution in the year ended December 31, 2024 (Cdn$33.4 million) increased by Cdn$3.1 million compared to the cash available for distribution the prior year (Cdn$30.3 million). On a per common share basis, cash available for distribution of Cdn$1.392 increased by Cdn$0.192, or 16.0% from the prior year of Cdn$1.200. The distributions per common share of Cdn$0.347 increased by Cdn$0.027, or 8.4% from the prior year of Cdn$0.320, resulting in a payout ratio of 24.9% as compared to a payout ratio of 26.7% 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, *Unaudited*		**Year Ended December 31,**	
In thousands of U.S. dollars	**2024 $**	**2023 $**	**2024 $**	**2023 $**
Cash flows from the Facilities:				
Income before interest expense, depreciation and amortization [1]	27,850	32,197	98,346	96,532
Debt service costs:				
Interest	(427)	(539)	(1,902)	(1,874)
Repayment of non-revolving debt	(1,065)	(1,795)	(5,054)	(7,060)
Maintenance capital expenditures	(608)	(1,830)	(2,853)	(5,650)
Payment of lease liabilities	(3,300)	(3,261)	(12,335)	(12,573)
Non-cash loss	17	40	23	18
Cash available for distribution at the Facility level	**22,467**	**24,812**	**76,225**	**69,393**
Non-controlling interest in cash available for distribution at the Facility level [2]	(10,697)	(11,653)	(35,940)	(32,931)
Corporation's share of the cash available for distribution at the Facility level	**11,770**	**13,159**	**40,285**	**36,462**
Corporate expenses	(1,992)	(1,693)	(9,042)	(8,124)
Interest on corporate credit facility	(48)	(376)	(501)	(1,862)
Provision for current income taxes	(2,309)	(1,716)	(6,344)	(4,025)
Cash available for distribution	**7,421**	**9,374**	**24,398**	**22,451**

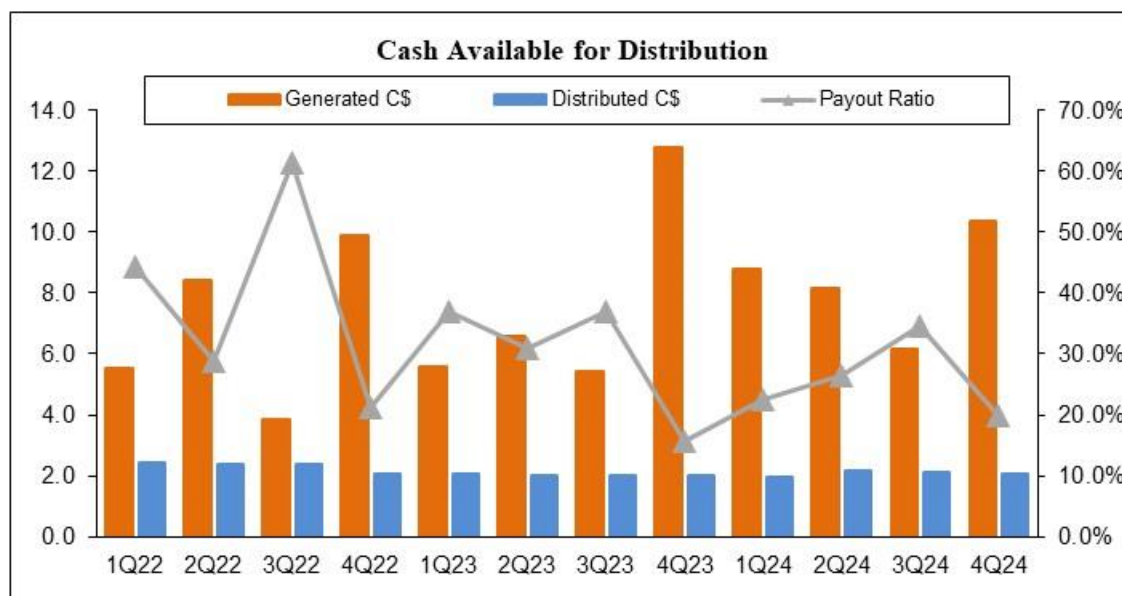
[1] *Year ended December 31, 2024 excludes the non-cash impact of PPP income recorded under government stimulus income of $12.0 million, for comparability with the prior year.*

[2] *Year ended December 31, 2024 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 comparability with the prior year.*

Compared to the three months ended December 31, 2023, the cash available for distribution in U.S. dollars for the same period this year decreased by $2.0 million or 20.8% mainly due to lower income from Facilities, primarily as a result of the sale of BHSH during the current period, an increase in corporate expenses related to share-based compensation plans, and higher current taxes, partly offset by lower debt service costs and maintenance capital expenditures at the Facilities, and lower interest on the corporate credit facility.

Compared to the year ended December 31, 2023, the cash available for distribution in U.S. dollars for this year increased by $1.9 million or 8.7% mainly due to lower debt service costs and maintenance capital expenditures at the Facilities, and lower interest on the corporate credit facility, partly offset by an increase in corporate expenses related to share-based compensation plans, and higher 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 also 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. 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* ("PPACA"), 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 PPACA, which could result in changes to healthcare coverage including case volume and reimbursement rates. The likelihood of a repeal of the PPACA 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.

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 shortage of nurses and other healthcare workers, impacting the ability of hospitals to operate at full capacity. The shortage has led hospitals, including 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 shortage is indeterminable at this time.

On September 29, 2024, Baxter International Inc. ("Baxter"), the leading supplier of IV fluids to healthcare providers in the U.S., announced that its manufacturing facility in North Carolina was affected by flooding due to the impact of Hurricane Helene, resulting in the facility being temporarily closed for production. As a result, Baxter restricted its supply of certain IV fluids to 60% of normal allocation levels for most U.S. healthcare providers.

Baxter worked with the U.S. government to mitigate supply disruption to healthcare providers, including bringing in supplies from overseas. Other manufacturers of IV fluids also ramped up production to help cover the shortage. Baxter returned to a range between 90% and 100% of normal allocation levels for certain IV fluids by the end of 2024. On January 28, 2025, Baxter announced that IV fluids production has been restarted on all manufacturing lines at its North Carolina facility impacted by Hurricane Helene.

The Facilities acted quickly to implement conservation measures and also procure IV fluids from alternative suppliers, albeit at a premium. Despite these efforts, certain Facilities faced a shortfall of IV fluids, resulting in the deferment or cancelation of certain surgical procedures in the fourth quarter of 2024. Although the overall shortage of IV fluids has carried into 2025, it is not expected to continue beyond March 2025, as production capacity has been fully restored, and allocation levels continue to increase, returning to normal levels for most IV fluids.

Management Strategies

Management is committed to increasing shareholder value, primarily through continued organic growth at its current Facilities. On September 13, 2022, the Corporation announced that it had made a determination to shift its focus away from deploying a growth strategy through acquisitions. This change in corporate strategy included the following:

- suspension of acquisitions;
- divestiture of non-core assets;
- pursuit of overhead cost reductions; and
- evaluation and implementation of strategies to return capital to its 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, bonus is limited to 80%, after which eligibility will be further reduced to 60% in 2024, 40% in 2025, 20% in 2026, and 0% in 2027. At the end of 2025, a significant portion of the TCJA is set to expire. Proposals have been introduced by the new U.S. administration suggesting a return to 100% bonus depreciation along with a reduction in the corporate income tax rate from 21% to 20%.

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:

In thousands of U.S. dollars	**December 31, 2024**	**December 31, 2023**
Cash and cash equivalents at the Facility level	13,756	19,339
Cash and cash equivalents at the corporate level	94,740	4,774
Cash and cash equivalents	**108,496**	**24,113**

Cash Flow Activity

Cash Flow

	Year Ended December 31,			
In thousands of U.S. dollars	**2024**	**2023**	**$ Change**	**% Change**
Cash provided by operating activities	83,284	72,714	10,570	14.5%
Cash provided by (used in) investing activities	85,419	(13,667)	99,086	725.0%
Cash used in financing activities	(84,261)	(69,826)	(14,435)	(20.7%)
Increase (decrease) in cash and cash equivalents	**84,442**	**(10,779)**	**95,221**	**883.4%**
Effect of exchange rate fluctuations on cash balances held	(59)	(34)	(25)	(73.5%)
Cash and cash equivalents, beginning of the year	24,113	34,926	(10,813)	(31.0%)
Cash and cash equivalents, end of the year	**108,496**	**24,113**	**84,383**	**349.9%**

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, 2024 increased by $10.6 million compared to the prior year, primarily due to higher income from the Facilities' operations.

As of December 31, 2024, the Corporation had consolidated net working capital of $76.4 million compared to $19.8 million as of December 31, 2023. The change in consolidated net working capital compared to prior year was mainly due to the impact of the sale of BHSH in the current year, resulting in a reduction in current assets and current liabilities due to the removal of BHSH's balances, and an increase in cash and cash equivalents from the sale proceeds received. The other significant variances were an increase in the obligation for purchase of common shares, partly offset by a decrease in government stimulus funds repayable. 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, 2024, accounts receivable were $45.5 million (December 31, 2023: $61.8 million), accounts payable and accrued liabilities totaled $37.7 million (December 31, 2023: $43.8 million), total assets were $346.3 million (December 31, 2023: $354.9 million) and total long-term liabilities, excluding exchangeable interest liability, were $70.6 million (December 31, 2023: $113.5 million).

Investing Activities

The $99.1 million increase in cash provided by investing activities for the year ended December 31, 2024 compared to the prior year was mostly due to the proceeds from the sale of BHSH in the current year, net of cash disposed and transaction costs ($92.5 million), and a decrease in purchases of property and equipment ($9.0

million), partly offset by the proceeds from the sale of the MFC Nueterra ASCs in the prior year, net of cash disposed ($2.4 million).

Financing Activities

The $14.4 million increase in cash used in financing activities for the year ended December 31, 2024 compared to the prior year was mainly due to the increases in the purchase of common shares under normal course issuer bids ($9.2 million), higher net repayments of credit facilities and other borrowings at both the Facility and corporate levels ($4.4 million), and higher Facility distributions to non-controlling interest ($1.2 million), partly offset by a decrease in payment of lease liabilities ($0.4 million).

The Facilities have available credit facilities in place in the aggregate amount of $26.9 million, of which $8.3 million was drawn as of December 31, 2024. The balances available under the credit facilities, combined with cash and cash equivalents as of December 31, 2024, 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.

The Corporation has in place a $50.0 million line of credit with a Canadian chartered bank which matures on August 31, 2025 ("Credit Facility"). 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, 2024, there was no amount drawn or remained outstanding for the Credit Facility. The Corporation repaid $16.0 million of its outstanding balance during the year ended December 31, 2024. During the years ended and as of December 31, 2024 and 2023, 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, 2024, are as follows:

		Future payments (including principal and interest)				
In thousands of U.S. dollars **Contractual Obligations**	**Carrying values at December 31, 2024 $**	**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	-	-	-
Facilities' 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 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, 2024:

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, 2024, all of the Options are vested. During the year ended December 31, 2024, 300,000 Options relating to the CFO were exercised and cash-settled.

As of December 31, 2024, the Corporation had 23,023,762 common shares outstanding.

Normal Course Issuer Bids

The Corporation has a normal course issuer bid ("NCIB"), allowing the Corporation to repurchase up to 2,339,066 of its common shares, in effect from December 1, 2024 to November 30, 2025. A previous NCIB for up to 2,481,256 of the Corporation's common shares was in effect from December 1, 2023 to November 30, 2024. 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. During the year ended December 31, 2023, the Corporation purchased 1,191,500 of its common shares for a total consideration of $7.4 million from the open market.

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, 2024 to December 31, 2024 totaled Cdn$0.3505 per common share, reflecting the 11.8% increase to the quarterly dividend, commencing from the second quarter, as approved by the Corporation's board of directors.

Dividend Reinvestment and Share Purchase Plan

The Corporation has a Dividend Reinvestment and Share Purchase Plan which allows 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 consolidated balance sheet as of December 31, 2024 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.

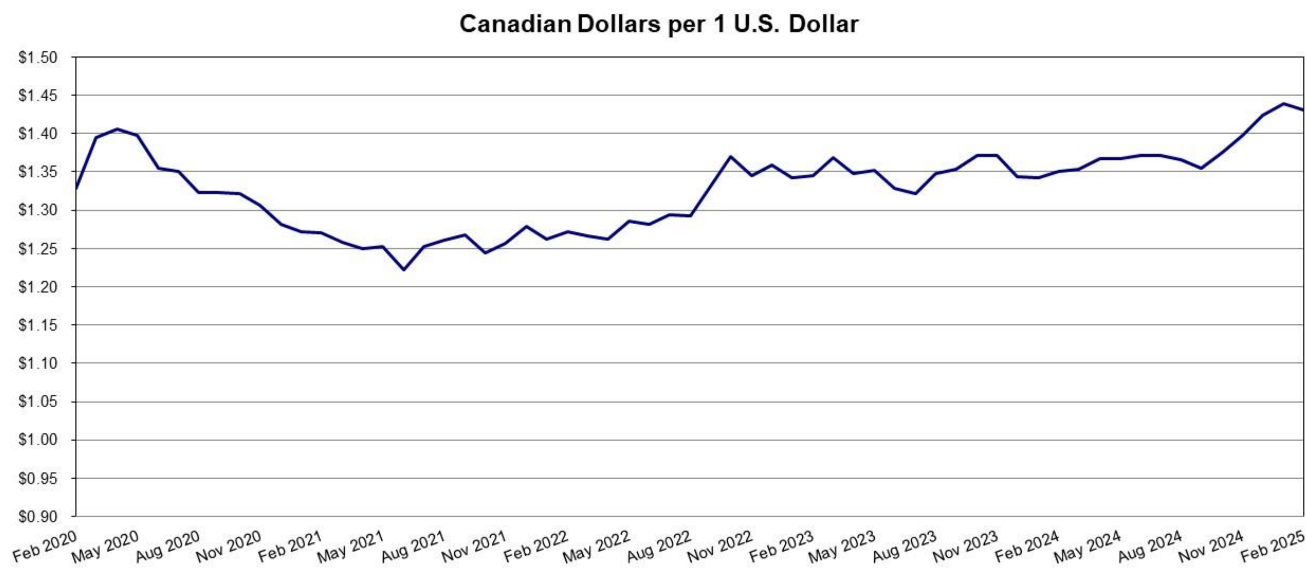
The fair value of the exchangeable interest liability is determined based on the closing trading price of the Corporation's common share price at each reporting period. The fair values of long-term debt (notes payable and term loans) are not significantly different than their carrying values, as these 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 2020:



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, 2024, 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

A member of the Corporation's board of directors is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the year ended December 31, 2024 of $4.5 million (December 31, 2023: $4.5 million).

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 BHSH (as detailed in Note 5.1 to the Corporation's financial statements).

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.

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 PPACA. 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:

In thousands of U.S. dollars		**Year Ended December 31,**	
Entity	**Nature of services or goods received**	**2024 $**	**2023 $**
ASH	Lease of hospital building and office space, and physician clinic services.	2,762	4,451
OSH	Lease of hospital building and office space.	2,544	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.	12,734	12,576
MFC Nueterra ASCs	Provision of management services, and lease of ASC building.	-	810
Total		**18,040**	**20,381**

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 Corporation's 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 four 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, 2024, and recorded an impairment of goodwill of $2.3 million in the SCNC CGU.

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, 2024, and has concluded that the design and effectiveness of these controls and procedures at December 31, 2024 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, 2024 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls at December 31, 2024 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, 2024 and ended on December 31, 2024, 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 PPACA, 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 PPACA 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 PPACA. The Facilities have updated their operating agreements and procedures as necessary to ensure compliance with the requirements of the PPACA.

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 ASCs or physicians' offices. There have been multiple proposals since to expand the application of site-neutral payments to all hospital outpatient departments. If enacted, 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, however, in July 2024, OSH experienced a data security incident that the Corporation does not consider financially material, in which it was confirmed that certain protected health information may have

been accessed. OSH notified affected individuals and provided information and assistance in connection therewith.

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. A breach or attack affecting a third-party service provider or partner 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, the Facility located in Arkansas is formed under the laws of the State of Arkansas, and the Facility located in California is formed under the laws of the State of Delaware. 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, share repurchase programs that may be engaged in by the Corporation may cause MFA to be subject to a 1% "stock buyback" excise tax under Code section 4501. In addition, 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 stock buyback excise tax applies, interest deductibility is limited, the use of net operating losses is restricted, or 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 Corporation's 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.