TERRAVEST INDUSTRIES INC.
Form 51 – 102F4
BUSINESS ACQUISITION REPORT

1. Identity of Company

1.1 Name and Address of Company

TerraVest Industries Inc. (“TerraVest” or the “Company”)
6205 60th Street
Vegreville, Alberta
T9C 1S3

1.2 Executive Officer

Mr. Dustin Haw
Chief Executive Officer
(450) 378-2334
ir@terravestindustries.com

2. Details of Acquisition

2.1 Nature of Business Acquired

On March 17, 2025, a subsidiary of TerraVest indirectly acquired 100% of Entrans International, LLC and its subsidiaries (“Entrans”), pursuant to a stock purchase agreement (the “Acquisition”).

Entrans is the industry-leading manufacturer of tank trailers, heavy haul trailers and LPG transportation equipment under the Heil Trailer, Polar Tank Trailer, Kalyn Siebert and Jarco brand names. The company serves mission-critical sectors, including petroleum, chemical, food-grade and cryogenic transport and has a reputation for engineering excellence.

For additional information regarding the acquisition of Entrans, please refer to Note 5 of TerraVest’s interim condensed consolidated financial statements for the second quarter ended March 31, 2025, available on SEDAR+ at www.sedarplus.ca.

2.2 Acquisition Date

The Acquisition was completed on March 17, 2025.

2.3 Consideration

Entrans was acquired for cash consideration of US$546,000,000, subject to working capital adjustments, plus contingent earn-out consideration of up to US$46,000,000 based on the future financial performance of Entrans following the date of the Acquisition. The purchase price, including fair value of contingent consideration, was CAD$838,360,000. The Acquisition was funded by TerraVest using its existing cash and amended operating credit facility with a syndicate of lenders.

2.4 Effect on Financial Position

There are no plans for material changes in TerraVest or Entrans business affairs which is expected to have a significant effect on the financial performance and financial position of the Company.

For information on the effect of the business combination on TerraVest's financial position, see the unaudited Pro Forma consolidated financial statements of TerraVest, which are referred to in item 3 below.

2.5 Prior Valuations

No valuation opinion is required by securities legislation or a Canadian exchange or market to support the consideration paid by TerraVest for the Acquisition and TerraVest did not obtain such valuation opinion within the past 12 months.

2.6 Parties to Transaction

TerraVest US Holdings, Inc. and TerraVest were parties to the acquisition agreement. TerraVest US Holdings, Inc. is a wholly-owned subsidiary of TerraVest.

2.7 Date of Report

May 14, 2025

3. Financial Statements and Other Information

The following financial statements are included in this Business Acquisition Report:

3.1 Financial Statements of Entrans

a) **Attached in Appendix A:**

- Audited carve-out consolidated financial statements of Engineered Transportation International for the year ended December 31, 2024, which represents the business retained by Entrans International, LLC and acquired by TerraVest.

3.2 Unaudited Pro Forma Consolidated Financial Statements of TerraVest

b) **Attached in Appendix B:**

- Unaudited Pro Forma consolidated statement of income of TerraVest for the year ended September 30, 2024

  The unaudited Pro Forma consolidated statement of income for the year ended September 30, 2024 is presented as if the acquisition had been completed on October 1, 2023.

- Unaudited Pro Forma interim consolidated statement of income of TerraVest for the first quarter ended December 31, 2024

  The unaudited Pro Forma interim consolidated statement of income for the first quarter ended December 31, 2024 is presented as if the acquisition had been completed on October 1, 2023.

APPENDIX A

- **Audited carve-out consolidated financial statements of Engineered Transportation International for the year ended December 31, 2024**

Engineered Transportation International

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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Independent Auditor's Report

Board of Directors
Engineered Transportation International

Opinion
We have audited the carve out consolidated financial statements of Engineered Transportation International (the Company), which comprise the consolidated balance sheet for Polar LLC and Heil Transportation International LLC as of December 31, 2024, and the related consolidated statement of operations and comprehensive operations, change in member's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the changes in its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information
The summarized comparative information presented herein as of and for the year ended December 31, 2023, derived from those unaudited financial statements, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

RSM US LLP

Mishawaka, Indiana
April 3, 2025

ENGINEERED TRANSPORTATION INTERNATIONAL

CARVE-OUT CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31,	
	2024	2023
	Audited	Unaudited
Assets:		
Cash and cash equivalents	$ 12,169	$ 19,697
Receivables, net	44,970	50,924
Inventories, net	69,937	69,043
Prepaid expenses and other current assets	3,775	2,496
Total current assets	130,851	142,160
Property, plant and equipment, net	30,093	25,134
Goodwill	31,339	31,339
Intangible assets, net	47,962	48,921
Deferred income tax	2,744	2,408
Operating lease right-of-use assets, net	35,766	38,846
Other long-term assets	2,207	273
Total assets	$ 280,962	$ 289,081
Liabilities and deficit:		
Short-term bank debt	$ 14,750	$ 11,063
Current portion of operating lease obligations	3,048	2,954
Accounts payable	34,370	42,092
Customer deposits	2,298	2,321
Other accrued expenses	25,722	23,333
Total current liabilities	80,188	81,763
Long-term bank debt, net	257,974	270,440
Operating lease obligations, net of current portion	34,194	36,833
Deferred tax liability	862	772
Other long-term liabilities	974	1,080
Total liabilities	374,192	390,888
Commitments and contingencies (Note 14)		
Deficit:		
Member's deficit	(86,330)	(95,476)
Accumulated other comprehensive loss	(6,900)	(6,331)
Total deficit	(93,230)	(101,807)
Total liabilities and deficit	$ 280,962	$ 289,081

See accompanying notes to the carve-out consolidated financial statements.

ENGINEERED TRANSPORTATION INTERNATIONAL

CARVE-OUT CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(dollars in thousands)

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Revenues	$ 512,249	$ 595,455
Costs of goods and services	382,791	445,715
Gross profit	129,458	149,740
Selling and administrative expenses	57,831	56,829
One time expenses	1,661	1,375
Operating income	69,966	91,536
Interest expense, net	(31,375)	(24,361)
Other income, net	37	90
Income before income taxes	38,628	67,265
Income tax expense	4,140	2,200
Net income	34,488	65,065
Other comprehensive income:		
Currency translation adjustment	(569)	797
Comprehensive income	$ 33,919	$ 65,862

See accompanying notes to the carve-out consolidated financial statements.

ENGINEERED TRANSPORTATION INTERNATIONAL

CARVE-OUT CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

(dollars in thousands)

	Member's Deficit	Accumulated Other Comprehensive Loss	Total Deficit
Balance - December 31, 2022 (Unaudited)	$ (3,030)	$ (7,128)	$ (10,158)
Settlement of transactions with related party (Note 15)	(13,098)	---	(13,098)
Redemption of equity incentive units	(2,500)	---	(2,500)
Distributions	(141,913)	---	(141,913)
Net income	65,065	---	65,065
Currency translation adjustments	---	797	797
Balance - December 31, 2023 (Unaudited)	(95,476)	(6,331)	(101,807)
Settlement of transactions with related party (Note 15)	3,150	---	3,150
Redemption of equity incentive units	(20)	---	(20)
Distributions	(28,472)	---	(28,472)
Net income	34,488	---	34,488
Currency translation adjustments	---	(569)	(569)
Balance - December 31, 2024 (Audited)	$ (86,330)	$ (6,900)	$ (93,230)

See accompanying notes to the carve-out consolidated financial statements.

ENGINEERED TRANSPORTATION NTERNATIONAL

CARVE-OUT CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Years Ended December 31,	
	2024	**2023**
	Audited	**Unaudited**
Cash flows from operating activities:		
Net income	$ 34,488	$ 65,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,004	3,011
Amortization	959	959
Non-cash interest	2,283	1,600
Deferred income taxes	(127)	(859)
Loss from disposition of property, plant and equipment	180	25
Changes in assets and liabilities:		
Receivables	6,040	(15,234)
Inventories	(843)	8,404
Prepaid expenses and other current assets	(1,278)	672
Accounts payable and other accrued expenses	(5,387)	(5,455)
Customer deposits	(26)	(3,128)
Other long-term assets and liabilities, net	(1,601)	510
Net cash provided by operating activities	38,692	55,570
Cash flows from investing activities:		
Capital expenditures	(8,689)	(6,880)
Net cash used for investing activities	(8,689)	(6,880)
Cash flows from financing activities:		
Issuance of bank debt	---	120,000
Payments under bank debt	(11,063)	(5,250)
Payment of deferred financing costs	---	(3,520)
Settlement of transactions with related party (Note 15)	3,150	(13,098)
Distributions	(28,472)	(131,913)
Redemption of equity incentive units	(20)	(2,500)
Net cash used for financing activities	(36,405)	(36,281)
Effect of translation on cash	(1,126)	317
Increase (decrease) in cash and cash equivalents	(7,528)	12,726
Cash and cash equivalents, beginning of year	19,697	6,971
Cash and cash equivalents, end of year	$ 12,169	$ 19,697

See accompanying notes to the carve-out consolidated financial statements.

ENGINEERED TRANSPORTATION INTERNATIONAL
CARVE-OUT CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(dollars in thousands)

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Supplemental disclosures of cash flow information		
Cash paid during the year for income taxes	$ 3,504	$ 2,021
Cash paid during the year for interest expense	$ 30,836	$ 23,254
Supplemental disclosures of non-cash financing		
Non-cash distributions	$ ---	$ 10,000

Non-cash distributions relate to the 2023 redemption of perpetual mandatorily redeemable preferred shares originally purchased from the buying entity of PSC Custom LLC at the time of the sale in 2022. The shares were redeemed to Engineered Transportation International's parent company and Engineered Transportation International recorded a non-cash distribution.

See accompanying notes to the carve-out consolidated financial statements.

NOTES TO CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of dollars, unless otherwise indicated)

1. Basis of Presentation

Engineered Transportation International ("ETI") is a division carve-out within EnTrans International, LLC ("EnTrans"), a wholly-owned subsidiary of EnTrans Holdings, LP, an entity controlled by American Industrial Partners ("AIP") through an investment by several of its private equity funds.

The accompanying carve-out consolidated balance sheets, consolidated statements of operations and comprehensive income, changes in deficit and cash flows include the consolidated accounts and transactions of ETI and the EnTrans' subsidiaries that represent ETI (collectively, the "Company"). The following table presents EnTrans' subsidiary companies that represent ETI and ownership percentages as of December 31, 2024:

Subsidiary	
Heil Trailer International, LLC ("Heil")	100%
Polar LLC ("Polar")	100%
EnTrans RE Holdco, LLC	99.5%

Trailer Holdings Corporation, which is owned by EnTrans Holding, LP, owns remaining 0.5% of EnTrans RE HoldCo, LLC and is considered part of the controlling interest.

The following table represents Heil's subsidiary companies and ownership percentages as of December 31, 2024:

Subsidiary	
Corporacion Heil Trailer de Mexico S de RL de CV, a Mexican corporation	100%
Ingenieria En Transporte ETI de Mexico S de RL de CV, a Mexican corporation	100%
Heil Trailer Saudi Arabia, LLC, a Saudi Arabian limited liability company	100%
Heil Trailer Asia, Limited, a Thailand limited company	99.9%

A share of the Heil Trailer Asia, Limited subsidiary is held by principals of AIP and is considered part of the controlling interest. Heil Trailer International Holdco (BV) was liquidated during the year ended December 31, 2024.

The following table represents Polar's subsidiary companies and ownership percentages as of December 31, 2024:

Subsidiary	
Polar Tank Trailer, LLC	100%

For the limited liability companies mentioned above, members have limited personal liability for the obligations of these companies and the companies have indefinite life.

These carve-out statements exclude Serva Financing LLC ("Serva"), which were included in the previously issued EnTrans financial statements. See Note 15.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the carve-out consolidated financial statements in the period that they are determined. Significant estimates include lives for long-lived assets, allowance for credit losses, inventory reserves, warranty reserves, worker's compensation reserves, medical insurance reserves, pension liability, stock-based compensation, income taxes and related valuation allowances. All intercompany accounts and transactions have been eliminated in consolidation.

(Amounts in thousands of dollars, unless otherwise indicated)

2. Nature of Operations

ETI is a leading manufacturer of a diverse set of trailerized transportation and energy products sold under well-recognized brand names including Heil Trailer, Polar, Kalyn Siebert, and Jarco, among others. Products include aluminum and stainless steel tank trailers, and specialty trailers.

Heil and Polar design and manufacture engineered aluminum tank, stainless steel, carbon steel and specialty trailers, which are used to transport liquids, dry bulk goods, and heavy equipment for a diverse range of growing end markets including customers in the oil and gas production, petroleum distribution, food and defense industries. Heil and Polar's customers are geographically dispersed across North America, Central America, the Middle East and the Pacific Rim and sales are made either by Heil or Polar directly or through a global third party dealer network.

As of December 31, 2024, Heil and Polar have major operations in the United States, Mexico, and Thailand and operate out of six manufacturing facilities.

The following table presents ETI's revenues by foreign location for the years ended December 31:

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Thailand	$ 15,585	$ 18,958
Mexico	691	-
	$ 16,276	$ 18,958

The following table presents ETI's net assets (deficits) by foreign location as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Thailand	$ 28,567	$ 28,091
Mexico	10,709	6,379
Saudi Arabia	(5,240)	(4,776)
	$ 34,036	$ 29,694

3. Summary of Significant Accounting Policies

Fair Value Measurements

Financial Instruments: Accounting Standards Codification ("ASC") 825, *Disclosures about Fair Value of Financial Instruments*, requires the Company to disclose estimated fair values for its financial instruments. Management has reviewed its cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and has determined that their carrying values approximate their fair value due to the short maturity of these instruments. The Company's carrying value for its lease obligations, revolving loan facility, and long-term debt approximates fair value based on current rates applicable to similar instruments and giving consideration to the effect of the Company's credit risk.

Fair Value Measurements: ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The fair value framework under ASC 820 provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identified assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets that are not active; and inputs other than quoted prices that are observable, such as models.

Level 3: Inputs are unobservable inputs for the asset or liability. Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk include cash in bank deposit accounts which, at times, may exceed federally insured limits, and trade receivables. The Company has not experienced any losses in bank deposit accounts and does not believe it is exposed to any significant credit risk on cash. A portion of the Company’s cash flows are derived outside of the United States. As a result, the Company is subject to market risk associated with fluctuations in foreign currency exchange rates.

The Company also monitors the creditworthiness of entities to which the Company grants credit terms in the normal course of business. The Company’s trade accounts receivable are exposed to credit risk; however, management believes this risk is mitigated by the fact that the Company’s customer base is diverse and geographically dispersed.

Accounts Receivable

The Company generally does not require collateral for trade accounts receivable; however, management performs ongoing credit evaluations of customers’ financial condition and maintains an allowance for credit losses based on a combination of factors. The factors management considers when quantifying the allowance for credit losses include the aging of trade accounts receivable, industry trends, the financial strength of customers, credit ratings, customer specific credit risks, payment and default history and reasonable and supportable forecasts about future economic and market conditions. Changes in these factors, among others, may lead to adjustments in the allowance for credit losses. The calculation of the allowance requires judgment as to the impact of those and other factors on the ultimate realization of trade accounts receivable. Reserves for credit losses are recorded based on historical experience of customer collectability. The Company maintains a reserve for potential credit losses when management determines these losses are probable and estimable. The Company writes off trade accounts receivable to the allowance for credit losses when management determines collection is highly unlikely and collection efforts have ceased. In addition, management estimates an additional reserve based on historical rates of write-offs. Credit loss expense for any period presented is equal to the changes in the period-end allowance for credit losses, net of write-offs, recoveries and other adjustments.

The Company has a third party consumer financing arrangement where a third party provides financing to the Company’s purchasers and distributors of equipment. A portion of the Company’s sales are assured collectability as a result of the third party consumer financing arrangement.

Inventories

Inventories are stated at the lower of cost or net realizable value determined on a first-in, first-out method. The Company assesses the realizability of its inventories based on assumptions about future demand and market conditions. Estimates are based on recent sales data, historical experience, external market analysis and third party appraisal services.

The determination of the fair market value of the Company's finished goods, primarily consisting of new stock unit trailers, is subject to variations, particularly in times of rapidly changing market conditions and specifications of such units in certain geographic regions.

A charge to results of operations is recorded when factors that would result in a need for a reduction in the valuation, such as excess or obsolete inventory, are determined.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Expenditures for major additions and improvements that extend the useful lives are capitalized while minor replacements, maintenance, and repairs, which do not improve or extend the life of such assets, are charged to expense as incurred. Disposals are removed at carrying value, less accumulated depreciation, and any resulting gain or loss is recorded in operations.

Depreciation expense is included in cost of goods and services and in selling and administrative expenses in the accompanying carve-out consolidated statements of operations and comprehensive income. Depreciation is calculated using the straight-line method over the shorter of the estimated useful lives, license period or the remaining lease terms, as applicable, of the depreciable assets. The estimated useful lives of the assets, excluding land, range from 1 to 20 years.

Goodwill

The Company reviews the carrying value of goodwill by estimating the fair value of each reporting unit annually, at year end. To perform the impairment testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair values of the Company's reporting units or indefinite-lived intangible assets are less than their carrying amounts as a basis for determining whether or not to perform the quantitative impairment test. Qualitative testing includes the evaluation of economic conditions, financial performance and other factors such as key events when they occur. If the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test.

Under the quantitative method, the fair value (as determined through a combination of market and cost methods) of each reporting unit is compared to the carrying value of the reporting unit. If the carrying amount of a reporting unit exceeds the estimated fair value, an impairment loss is recognized in an amount equal to the excess, limited to the total amount of goodwill allocated to that reporting unit. In connection with the annual impairment test as of December 31, no goodwill impairment was recognized in 2024 or 2023.

Intangible Assets

Finite-lived intangible assets will be amortized over their respective economic lives on a basis that is proportionate to the timing of the estimated cash flows used to determine their values. Amortization of intangible assets is included in selling and administrative expenses in the accompanying carve-out consolidated statements of operations and comprehensive income. The indefinite-lived intangible asset of the Company is comprised solely of Heil and Polar's trade names. Indefinite-lived intangible assets are not amortized; rather, the trade names are evaluated annually by management to determine whether the values of indefinite-lived intangible assets are sustainable or impaired.

Impairment of Long-Lived Assets

Long-lived assets, consisting of property, plant and equipment and finite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, recoverability of such assets is evaluated by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with the assets. If such evaluations indicate that the future undiscounted cash flows from the assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their estimated fair values, if less than the carrying value, with a charge to operations. No impairment of long-lived assets was recognized during the years ended December 31, 2024 and 2023.

Leases

The Company is a lessee through noncancellable lease agreements for property and equipment consisting primary of buildings, land, vehicles, and equipment used in both operations and administrative functions. The Company recognizes a lease liability with an offsetting right-of-use asset on the carve-out consolidated balance sheets under ASC 842, Leases.

The Company elected to follow the package of practical expedients within ASC 842, which included the practical expedient to account for lease and non-lease components as a single lease, the practical expedient to not include leases with an initial term of less than twelve months in lease assets and liabilities and the practical expedient available to private companies to use the risk-free discount rate when the implicit lease rate is not readily available. The Company has elected to use the risk-free discount rate for all asset classes.

Renewal options are common in longer term real estate leases; however, the Company generally does not include the renewal options in the assessment of the leases unless extension is deemed to be reasonably certain. Residual value guarantees are not typically part of the Company's leases. Occasionally, the Company sub-leases excess facility space, generally at terms similar to the source lease.

For operating leases, lease expense for lease payments is recognized on a straight-line basis over the lease term.

Payment provisions in certain of the Company's lease agreements contain escalation factors which may be based on stated rates or a change in a published index at a future time. The amount by which a lease escalates based on the change in a published index, which is not known at lease commencement, is considered a variable payment and is not included in the present value of the future lease payments, which only includes those that are stated or can be calculated based on the lease agreement at lease commencement.

Deferred Financing Fees

The Company defers certain costs incurred in connection with obtaining financing and amortizes those costs over the terms of the underlying debt. Amortization of deferred financing fees is measured using the effective interest method, and is included with interest expense in the accompanying carve-out consolidated statements of operations and comprehensive income.

The Company classifies the deferred financing fees, other than from the revolving credit facility, as a reduction of long-term debt in the accompanying carve-out consolidated balance sheets as a result of the adoption of ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

Revenue Recognition

The Company recognizes revenue at a point in time when control of the product is transferred to the customer or services have been rendered under standard commercial terms, as the Company does not have enforceable right to payment prior to such transfer. Any payments received for shipment of product in advance of control being transferred or performance of service are deferred until such time that revenue can be recognized. Customer deposits represent prepayments, typically a percentage of the fixed selling price, by customers on orders not completed or not delivered.

The Company has elected the practical expedient under ASC 606 to account for shipping and handling activities performed after control of a good has been transferred to the customer as a fulfillment cost rather than a performance obligation.

The control of the product is transferred to the customer generally when the sold product is ready for use and is shipped to the customer. From time to time customers will request an ordered product be held by the Company on the Company's property or in an offsite location until such time as the customer is ready for it to be delivered. As part of a standard written sales contract, the Company obtains written authorization from the customer to bill and hold certain sold products for a period of time on the Company's property or an offsite location until a pick-up or delivery is scheduled and occurs. From time to time, the Company's customers may also request certain enhancements or modifications to the sold product during a bill and hold status. These change orders are treated as separate transactions for revenue recognition purposes and revenue is recognized upon meeting the criteria for recognition.

Amounts billed to customers for shipping costs are included within revenues. Shipping and handling expenses are included within the costs of goods and services. Revenue is presented net of sales tax. The sales tax obligation is included in accrued expenses until the taxes are remitted to the appropriate taxing authorities.

Warranty

The Company provides warranties for certain of its products and services at the point of sale and at a later point if sold separately from the initial transaction. Warranties that are sold with the products or services generally cover periods from one to four years. Extended warranties cover periods up to ten years and the revenue from the sale of the extended warranties is deferred and recognized ratably over the warranty period.

The Company's accounting policy and methodology for warranty arrangements is to measure and recognize the expense and liability for warranty obligations based on its history of warranty claims. A provision for the estimated costs related to warranty expense is recorded when such costs are probable and reasonably estimable. The Company also recognizes additional warranty expense to cover a specific product, or component thereof, when such costs are probable and reasonably estimable.

Warranty expense is included in selling and administrative expenses in the accompanying carve-out consolidated statements of operations and comprehensive income.

Equity-Based Compensation

Equity-based compensation associated with awards of equity instruments are based upon the grant date fair value of these awards. Management uses the Black-Scholes-Merton ("BSM") option-pricing model to estimate the fair value of equity-based awards. The application of the BSM option-pricing model involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost. The expected life for the Company's Class B units is based on the length of each purchase period as measured at the beginning of the offering period for the Class B units. The Company estimates the expected volatility of its equity based on market comparable entities. The risk-free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued.

The Company discloses equity-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on its historical employment termination patterns, which it believes are representative of future behavior.

Income Taxes

Heil is a limited liability company and therefore is generally not subject to income tax because the results of operations are included in the taxable income of the individual members. For the pass-through entities, income taxes on net earnings are payable by the members or partners and are not reflected in the Company's financial statements. The subsidiaries of Polar LLC are limited liability companies and disregarded for federal income tax purposes.

The foreign subsidiaries of ETI continue to be subject to income taxes in their respective foreign jurisdictions based on local country tax policies. Heil Trailer Asia, Limited, Corporacion Heil Trailer de Mexico, Ingenieria En Transporte ETI de Mexico, and Heil Trailer Saudi Arabia, LLC are all subject to corporate income taxes, which have been provided in the financial statements based upon ASC 740, Income Taxes. Certain operations of the Company are subject to gross receipts tax in the state of Texas along with other state minimum taxes which are accounted for under ASC 740.

As required by ASC 740, the Company recognizes the financial statement benefit of an income tax position only after determining that the relevant tax authority would more likely than not sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant authority. The Company's unrecognized tax benefits have been determined on a separate return basis and the interest and penalties associated with unrecognized tax benefits, if any, are included as a component of tax expense.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. To the extent management determines a deferred tax asset will not be fully realized, a valuation allowance is recorded against the asset.

Foreign Currency

The functional currency of the Company's foreign operations is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the carve-out consolidated balance sheet date, while revenues and expenses are translated at the weighted average exchange rates for the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within equity. Foreign currency gains and losses resulting from individual transactions are charged to operations.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to the Company's stockholders / members. Other comprehensive income or loss refers to revenues, expenses, gains and losses that are included in comprehensive income, but excluded from net income (loss) as these amounts are recorded directly as an adjustment to equity.

(Amounts in thousands of dollars, unless otherwise indicated)

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which is intended to improve the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide for required income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for private companies for annual periods beginning after December 15, 2025. The Company continues to evaluate the impact of this standard on its disclosures.

4. Receivables, net

The following table details the components of receivables, net as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Trade receivable	$ 42,596	$ 47,664
Allowance for credit losses	(782)	(782)
	41,814	46,882
Taxes	990	1,492
Vendor rebates	1,922	2,383
Other	244	167
Receivables, net	$ 44,970	$ 50,924

5. Inventories, net

The following table details the components of inventories, net as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Raw materials	$ 48,097	$ 55,961
Work-in-process	14,514	14,833
Finished goods	10,286	1,521
	72,897	72,315
Reserves	(2,960)	(3,272)
Inventories, net	$ 69,937	$ 69,043

For the year ended December 31, 2024, inventory was written down by $705 because the cost exceeded the net realizable value. There were no inventory write downs during the year ended December 31, 2023.

(Amounts in thousands of dollars, unless otherwise indicated)

6. Property, Plant and Equipment, net

The following table details the components of property, plant and equipment, net as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Land	$ 2,500	$ 2,489
Buildings and improvements	8,680	7,526
Machinery, equipment, and other	76,843	71,168
Construction in progress	5,301	4,463
	93,324	85,646
Accumulated depreciation	(63,231)	(60,512)
Total property, plant and equipment, net	$ 30,093	$ 25,134

For the years ended December 31, 2024 and 2023, the Company recorded depreciation expense of $4,004 and $3,011, respectively.

7. Intangible Assets, net

The following table details the components of intangible assets, net as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Amortizable intangible assets:		
Customer relationships	$ 97,380	$ 97,380
Order backlog	23,390	23,390
Patents	6,740	6,740
Existing technology	6,300	6,300
Non-compete	1,800	1,800
Total amortizable intangibles	135,610	135,610
Accumulated amortization	(129,938)	(128,979)
	5,672	6,631
Indefinite trade names	42,290	42,290
Intangible assets, net	$ 47,962	$ 48,921

For the years ended December 31, 2024 and 2023, the Company recorded amortization expense for intangible assets of $959 for both years. The weighted average remaining amortization period of finite-lived intangible assets as of December 31, 2024 is approximately 4 years.

(Amounts in thousands of dollars, unless otherwise indicated)

Future amortization expense of finite-lived intangible assets is as follows:

Year Ended December 31,	Amount
2025	$ 959
2026	959
2027	959
2028	959
2029	959
Thereafter	877
	$ 5,672

8. Bank Debt

The following table details the components of debt as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Term loan	$ 277,594	$ 288,656
Deferred financing fees, net	(4,870)	(7,153)
	272,724	281,503
Current maturities	(14,750)	(11,063)
Long-term maturities	$ 257,974	$ 270,440

Excluding deferred financing fees, net, future aggregate annual principal maturities consist of the following:

Year Ended December 31,	Amount
2025	$ 14,750
2026	18,438
2027	244,406
	$ 277,594

In June 2023 and December 2023, the Company entered into Amendments to the Credit Agreement to increase the existing term loan balance by $70,000 and $50,000, respectively, to $295,000 with no change to the $50,000 revolving credit commitment or the maturity date. The proceeds from the increases in term loan balance were used for equity distributions. As a result of the amendments during 2023, the Company incurred total fees of $3,735, of which $3,520 were considered deferred financing fees and classified as a reduction of long-term debt and the remaining $215 of fees were recognized as one time expenses in the accompanying carve-out consolidated statements of operations and comprehensive income for the year ended December 31, 2023.

The amount that could be borrowed under the $50,000 revolving credit commitment is reduced by issued and outstanding letters of credit. Letters of credit under the $50,000 revolving credit commitment are limited to

(Amounts in thousands of dollars, unless otherwise indicated)

$15,000. The Company had letters of credit outstanding of $2,651 and $3,028 as of December 31, 2024 and 2023, respectively.

Interest and Payments

Borrowings under the term loan and revolving credit agreement bear interest using a base or Secured Overnight Financing Rate ("SOFR") rate, plus an applicable margin. As of December 31, 2024 and 2023 the applicable margins for both the term loan and revolving credit agreement are 3.50% and 3.75%, respectively, for base rate borrowings and 4.50% and 4.75% for SOFR borrowings, respectively. The applicable margins for both the base rate and SOFR borrowings may increase or decrease quarterly by 0.25% depending on the total net leverage ratio calculation. The effective interest rate was 8.86% and 9.86% for the $277,594 and $288,656 outstanding balance under the term loan as of December 31, 2024 and December 31, 2023, respectively. The term loan provides for quarterly principal installments, which began December 2022, and a balloon payment of $238,875 due at maturity in May 2027.

In addition to paying interest on outstanding principal balances under the revolving credit agreement, the Company is required to pay a commitment fee of 0.50% per annum of the unutilized commitments and a letter of credit fee equal to the SOFR rate in effect for that quarter, which was 4.50% as of December 31, 2024 and 2023. There is also a 0.125% fronting fee on certain letters of credit.

Covenants

The Credit Agreement contains various covenants limiting the Company's excess cash flow, ability to incur indebtedness; grant certain liens; make certain loans, and acquisitions and investments; make any material change to the nature of its business; or enter into a merger or sale of assets, including the sale or transfer of interests in the Company's subsidiaries. The Credit Agreement also requires the Company to maintain undrawn availability on the revolver as defined in the Credit Agreement and maintain a certain consolidated total net leverage ratio.

9. Leases

The following table details the major components of lease expenses for the years ended December 31:

	Years Ended December 31,	
	2024	**2023**
	Audited	**Unaudited**
Operating lease cost	6,404	7,180
Sublease income	(50)	(50)
	$ 6,354	$ 7,130

The following table details lease supplemental information for the operating leases as of December 31:

	December 31,	
	2024	**2023**
Weighted average remaining lease term:	**Audited**	**Unaudited**
Weighted average remaining lease term	14 years	15 years
Weighted average discount rate	6.39%	6.34%

(Amounts in thousands of dollars, unless otherwise indicated)

Future minimum lease payments under the operating leases as of December 31, 2024 are as follows:

Year Ended December 31,	
2025	$ 5,765
2026	3,549
2027	3,429
2028	3,477
2029	3,526
Thereafter	49,165
Total lease payments	68,911
Less: amount representing interest	(31,669)
Present value of minimum lease payments	37,242
Less: current portion	(3,048)
	$ 34,194

10. Other Accrued Expenses

The following table details the major components of other accrued expenses as of December 31:

	December 31,	
	2024	2023
	Audited	Unaudited
Compensation, benefits and related taxes	$ 11,111	$ 11,753
Warranty	4,277	4,121
Liability and health insurance	2,888	2,556
Other taxes	2,269	1,394
Accrued freight	2,322	1,430
Professional fees	855	917
Interest	69	336
Other	1,931	826
Total accrued expenses	$ 25,722	$ 23,333

Warranty Activity

A roll-forward of the warranty reserve is as follows:

	December 31,	
	2024	2023
	Audited	Unaudited
Balance - January 1	$ 4,121	$ 4,137
Provision for warranties	4,359	3,378
Settlements made	(4,203)	(3,395)
Currency translation adjustment	---	1
Balance - December 31	$ 4,277	$ 4,121

(Amounts in thousands of dollars, unless otherwise indicated)

11. Equity-Based Compensation

Pursuant to the EnTrans Parent Holding, LP 2014 Equity Incentive Plan (the "EnTrans Plan"), the Company issued Class B units or management units to certain key employees with a grant date of March 5, 2015 at a weighted average participation threshold of $789.87 per unit. The majority of the awards vest 25% annually over a four year period but do not become exercisable until after a change of control event. Since issued, the fair value of the grants has not been recognized in the accompanying carve-out consolidated statements of operations and comprehensive income due to no change in control event or due to the variance between the 2015 participation threshold and the current participation threshold. Pursuant to the EnTrans Plan, no Class B units or management units were issued during 2024 or 2023.

The following summarizes the management unit activity for 2024:

	(Audited) Class B Units	Weighted-Average Participation Threshold	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2024	71,944	$ 442.88	$ 109.67
Redemption of equity incentive units	(1,000)	$ 355.38	$ 103.02
Outstanding at December 31, 2024	70,944	$ 444.11	$ 109.77
Vested at December 31, 2024	70,045	$ 445.55	$ 109.43

The following summarizes the management unit activity for 2023:

	(Unaudited) Class B Units	Weighted-Average Participation Threshold	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2023	99,046	$ 418.94	$ 107.85
Redemption of equity incentive units	(27,102)	$ 355.38	$ 103.02
Outstanding at December 31, 2023	71,944	$ 442.88	$ 109.67
Vested at December 31, 2023	69,945	$ 445.60	$ 108.98

There was no stock-based compensation expense for the year ended December 31, 2024 or 2023. Unrecognized compensation costs totaled $193 and $245 for the years ended December 31, 2024 and 2023, respectively. During the year ended December 31, 2024, the Company redeemed 1,000 member incentive equity units for $20. During the year ended December 31, 2023, the Company redeemed 27,102 member incentive equity units for $2,500.

12. Employee Benefit Plans

The EnTrans 401(k) Plan enables employees of certain of its U.S. companies to defer up to specific percentages of their annual compensation and contribute such amount to the plan. For employees, EnTrans provides a safe harbor matching contribution equal to 100% of each participant's elective deferrals up to 3% and $0.50 per dollar contributed on the next 2% of the participant's elective deferrals. During the years ended December 31, 2024 and 2023, the Company recognized $1,631 and $1,579 of matching contributions, respectively, related to ETI.

(Amounts in thousands of dollars, unless otherwise indicated)

The Company's subsidiary Heil Trailer Asia, Limited has a socialized pension plan in Thailand. The pension plan is only available to local employees and is generally government mandated. The pension liability recorded as of December 31, 2024 and 2023 was $974 and $1,080, respectively. The provision for employee benefits of the Thailand pension is based on actuarial estimates that can result in expense or income to the Company's carve-out consolidated statements of operations and comprehensive income. The amount expensed by the Company for this plan was $276 and $74 for the years ended December 31, 2024 and 2023, respectively.

13. Income Taxes

Income taxes from continuing operations have been based on the following income before income taxes:

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
U.S. operations	$ 33,282	$ 63,171
Foreign operations	5,346	4,094
Income before income taxes	$ 38,628	$ 67,265

The following table details the components of the income tax expense:

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Current:		
U.S. state and local	$ 2,867	$ 1,391
Foreign	1,400	1,668
	4,267	3,059
Deferred:		
U.S. state and local	716	(390)
Foreign	(843)	(469)
	(127)	(859)
Income tax expense	$ 4,140	$ 2,200

The deferred income tax provision is a noncash expense or benefit resulting from differences between financial reporting and income tax filing in the timing of certain income and expense items and differences in the bases of assets and liabilities.

The deferred tax assets, related valuation allowances, and deferred tax liabilities in these carve-out consolidated financial statements have been determined on a separate company basis. The assessment of the need for a valuation allowance requires considerable judgment on the part of management, with respect to benefits that could be realized from future taxable income, as well as other positive and negative factors. Due to a lack of significant positive evidence of the ability to realize the deferred tax assets in the relevant period, a valuation allowance was established on certain foreign losses and state tax credits. The valuation allowance increased by $92 during the year ended December 31, 2024 and by $1,223 during the year ended December 31, 2023 due to fully removing the valuation allowance on state credits, as the Company expects to realize the benefits of these state credits in future years. The valuation allowances were established due to management's belief that it is more likely than not that the entire benefit from these net operating loss carryforwards will not be realized in certain jurisdictions.

(Amounts in thousands of dollars, unless otherwise indicated)

The tax effects of temporary differences that give rise to future deferred tax assets and liabilities are as follows:

	December 31,	
	2024	2023
	Audited	Unaudited
Deferred tax assets:		
Accrued compensation	$ 957	$ 260
Accrued expenses	96	255
Inventories	93	157
Property, plant, and equipment	631	51
Product warranty reserves	23	26
State credit carryforwards	---	716
Net operating loss carryforwards	1,122	1,029
Other	1,253	1,155
Total deferred tax assets before valuation allowance	4,175	3,649
Valuation allowance	(1,122)	(1,030)
Total deferred tax assets after valuation allowance	3,053	2,619
Deferred tax liabilities:		
Property, plant, and equipment	(1,171)	(983)
Total deferred tax liabilities	(1,171)	(983)
Net deferred tax asset	$ 1,882	$ 1,636
Classified as follows in the carve-out consolidated balance sheets:		
Non-current deferred tax asset	$ 2,744	$ 2,408
Non-current deferred tax liability	(862)	(772)
Net deferred tax asset	$ 1,882	$ 1,636

As of December 31, 2024, the Company had a foreign net operating loss carryforward of $5,610 that will begin to expire in 2037 and no U.S. state net operating loss carryforwards. As of December 31, 2023, the Company had a foreign net operating loss carryforward of $5,145 that will begin to expire in 2037 and no U.S. state net operating loss carryforwards. As of December 31, 2024, the Company had no tax credit carryforwards available for state income tax purposes. As of December 31, 2023, the Company had tax credit carryforwards available for state income tax purposes of $716, which will begin to expire in 2036.

14. Commitments and Contingencies

Regulation

The Company's business is subject to extensive and frequently changing federal, state and local, environmental, health and safety regulations governing a wide range of matters, including the emission of air pollutants, the release of hazardous substances into the environment, the treatment and discharge of waste water and the storage, handling, and use of raw materials, and other substances that are part of the Company's operations. These laws include the Clean Air Act (the "CAA"), the federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and various other federal, state and local laws and regulations. The laws and regulations to which the Company is subject are complex, change frequently and have tended to become more stringent over time. The ultimate impact on the Company's business of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that the Company's operations may change over time and certain implementing regulations for laws, such as the CAA, have not yet been finalized, are under governmental or judicial review or are being revised. These laws and regulations could result in increased capital, operating and compliance costs.

(Amounts in thousands of dollars, unless otherwise indicated)

Legal Matters

The Company is party to legal proceedings incidental to its operations. Management and legal counsel periodically review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred, the availability and extent of insurance coverage, and established reserves. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on these reviews, it is unlikely that the disposition of legal matters will have a material adverse effect on the financial position, results of operations, cash flows or competitive position of the Company.

Other Contingencies

The Company maintains general liability insurance and an umbrella policy covering matters such as product liability claims, as well as noncompany property and personnel accidents and injuries that may occur on the Company's premises. The Company establishes reserves that are recorded in other accrued expenses on the carve-out consolidated balance sheets for estimated losses relating to these types of accidents or injuries. To the extent that the Company has insurance coverage for losses associated with such claims, the Company records an offsetting receivable from its insurers in other assets on the carve-out consolidated balance sheets.

15. Related Party Transactions

The Company has entered into transactions with Serva, AIP and with certain entities controlled by AIP outside of the Company. A summary of transactions with these entities is as follows:

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Revenue from product sales	$ 7	$ 2,401
Purchases of materials and services	$ 7	$ 385

Related party revenues were primarily derived from sales of spare parts with Serva during the years ended December 31, 2024 and 2023 and sales of trailers and parts to PSC Custom LLC up to March 2023 when no longer considered a related party.

Related party purchases were comprised of purchases of spare parts from Serva during the years ended December 31, 2024 and 2023 and parts purchased from PSC Custom LLC up to March 2023 when no longer considered a related party.

Prior to the sale discussed in Note 17, management concluded that cumulative transactions that occurred between the Company and Serva would be settled through equity. As shown in the accompanying carve-out consolidated statements of changes in deficit, member's deficit was reduced by $3,150 and increased by $13,098 for the years ended December 31, 2024 and 2023, respectively, as a result of the settlement of transactions with Serva. Additionally, member's deficit was increased by $127,128 to settle cumulative transactions from Serva as of December 31, 2022.

During the years ended December 31, 2024 and 2023, the Company expensed $1,087 and $1,046, respectively, for charges from AIP for certain administrative costs and support that were incurred on behalf of the Company.

(Amounts in thousands of dollars, unless otherwise indicated)

16. One Time Expenses

The Company incurred one time expenses for costs outside the normal course of business. The Company has chosen to identify these costs as one time expenses to segregate these items from the normal expenses of the business shown in the accompanying carve-out consolidated statements of operations and comprehensive income.

The following table details the major components of one time expenses for the years ended December 31:

	Years Ended December 31,	
	2024	2023
	Audited	Unaudited
Reimbursement of AIP expenses (Note 15)	$ 1,087	$ 1,046
Debt issue costs	400	215
Other	174	114
Total one time expenses	$ 1,661	$ 1,375

17. Subsequent Events

The Company performed an evaluation of subsequent events through April 3, 2025, the date the carve-out consolidated financial statements were available to be issued, and determined there were no recognized or unrecognized subsequent events that would require an adjustment to the disclosures in the carve-out consolidated financial statements as of December 31, 2024 except for the transaction described below.

On March 17, 2025, the Company was acquired by TerraVest Industries Inc. for $546,000 at closing, plus contingent earn-out consideration based on the future financial performance of the Company in the twelve-month period following the date of acquisition of up to $46,000.

APPENDIX B

- **Unaudited Pro Forma consolidated statement of income of TerraVest for the year ended September 30, 2024**

- **Unaudited Pro Forma interim consolidated statement of income of TerraVest for the first quarter ended December 31, 2024**

TerraVest Industries Inc.

Pro Forma Consolidated Statement of Income

For the year ended September 30, 2024
(Unaudited – in thousands of Canadian dollars, except share and per share amounts)

	TerraVest Consolidated	Entrans Consolidated	Pro Forma Adjustments	Note	Pro Forma Consolidated
	$	$	$		$
SALES					
Products	708,366	697,068	-		**1,405,434**
Services	203,450	-	-		**203,450**
	911,816	697,068	-		**1,608,884**
Cost of sales	648,450	520,902	4,503	3 b)	**1,173,855**
Gross profit	263,366	176,166	(4,503)		**435,029**
EXPENSES					
Administration [i]	113,365	80,412	1,980	3 c)	**246,468**
			(4,503)	3 b)	
			55,214	3 d)	
Selling	30,820	-	-		**30,820**
Financing costs	25,138	43,239	7,407	3 a)	**77,123**
			1,339	3 a)	
Share of an associate and joint ventures net (income) loss	18	-	-		**18**
Other (gains) losses	(2,707)	(50)	-		**(2,757)**
	166,634	123,601	61,437		**351,672**
EARNINGS BEFORE INCOME TAXES	96,732	52,565	(65,940)		**83,357**
INCOME TAX EXPENSE (RECOVERY)					
Current	28,115	5,807	(2,788)	3 e)	**31,134**
Deferred	(4,627)	(173)	(14,356)	3 e)	**(19,156)**
	23,488	5,634	(17,144)		**11,978**
NET INCOME	73,244	46,931	(48,796)		**71,379**
Net income attributable to:					
Common shareholders	63,571	46,931	(48,796)		**61,706**
Non-controlling interests	9,673	-	-		**9,673**
	73,244	46,931	(48,796)		**71,379**
Weighted average number of common shares:					
Basic	18,630,378				**18,630,378**
Diluted	19,324,764				**19,324,764**
Net income per share:					
Basic	$3.41				**$3.31**
Diluted	$3.29				**$3.19**

[i] Includes amortization of intangible assets expense of $27,166 in TerraVest Consolidated and of $82,380 in the Pro Forma Consolidated.

See accompanying notes to the pro forma consolidated statements of income

TerraVest Industries Inc.

Pro Forma Interim Consolidated Statement of Income

For the first quarter ended December 31, 2024

(Unaudited – in thousands of Canadian dollars, except share and per share amounts)

	TerraVest Consolidated	Entrans Consolidated	Pro Forma Adjustments	Note	Pro Forma Consolidated
	$	$	$		$
SALES					
Products	188,848	153,922	-		**342,770**
Services	45,737	-	-		**45,737**
	234,585	153,922	-		**388,507**
Cost of sales	163,960	116,192	1,110	3 b)	**281,262**
Gross profit	70,625	37,730	(1,110)		**107,245**
EXPENSES					
Administration [i]	27,203	21,554	1,980	3 c)	**63,811**
			(1,110)	3 b)	
			14,184	3 d)	
Selling	9,019	-	-		**9,019**
Financing costs	4,576	9,930	2,868	3 a)	**17,709**
			335	3 a)	
Share of an associate and joint ventures net (income) loss	(12)	-	-		**(12)**
Other (gains) losses	(8,687)	221	-		**(8,466)**
	32,099	31,705	18,257		**82,061**
EARNINGS BEFORE INCOME TAXES	38,526	6,025	(19,367)		**25,184**
INCOME TAX EXPENSE (RECOVERY)					
Current	8,458	2,319	(1,347)	3 e)	**9,430**
Deferred	(363)	-	(3,688)	3 e)	**(4,051)**
	8,095	2,319	(5,035)		**5,379**
NET INCOME	30,431	3,706	(14,332)		**19,805**
Net income attributable to:					
Common shareholders	28,735	3,706	(14,332)		**18,109**
Non-controlling interests	1,696	-	-		**1,696**
	30,431	3,706	(14,332)		**19,805**
Weighted average number of common shares:					
Basic	19,501,433				**19,501,433**
Diluted	20,257,534				**20,257,534**
Net income per share:					
Basic	$1.47				**$0.93**
Diluted	$1.42				**$0.89**

[i] Includes amortization of intangible assets expense of $3,982 in TerraVest Consolidated and of $18,166 in the Pro Forma Consolidated.

See accompanying notes to the pro forma interim consolidated statements of income

1. THE COMPANY

TerraVest Industries Inc. is incorporated under the laws of Alberta and is listed on the Toronto Stock Exchange (equity symbol: TVK). TerraVest's head office is located at 6205 60th Street in Vegreville, Alberta, Canada.

TerraVest is a diversified industrial company that manufactures and sells goods and services to various end-markets including: agriculture, mining, energy production and distribution, chemical, utilities, transportation and construction, among others. TerraVest is focused on acquiring and operating market leading businesses that will benefit from TerraVest's financial and operational support. These opportunities generally center on manufactured products and services that complement TerraVest's existing operations and provide integration benefits.

TerraVest is comprised of four operating segments as follows: Home Heating and Cooling Products and Containment Equipment ("HVAC and Containment Equipment"), Compressed Gas Storage and Distribution Equipment ("Compressed Gas Equipment"), Energy Processing Equipment ("Processing Equipment"), and Service.

2. BASIS OF PRESENTATION

The unaudited Pro Forma consolidated statement of income of TerraVest for the year ended September 30, 2024 and the unaudited Pro Forma interim consolidated statement of income of TerraVest for the first quarter ended December 31, 2024 were prepared by TerraVest's management in accordance with International Financial Reporting Standards ("IFRS").

The audited carve-out consolidated financial statements of Engineered Transportation International were prepared using accounting principles generally accepted in the United States ("US GAAP"). These statements correspond to the financial results of the group of businesses acquired by TerraVest as part of the Entrans acquisition.

TerraVest's management did not identify any difference between IFRS and US GAAP that would have a material impact on the unaudited Pro Forma consolidated statement of income of TerraVest for the year ended September 30, 2024 and the unaudited Pro Forma interim consolidated statement of income of TerraVest for the first quarter ended December 31, 2024. Therefore, no adjustments were recorded in the unaudited Pro Forma financial statements of TerraVest.

Unaudited Pro Forma consolidated statement of income of TerraVest for the year ended September 30, 2024

The unaudited Pro Forma consolidated statement of income for the year ended September 30, 2024 is based on TerraVest's audited consolidated statement of income for the year ended September 30, 2024, as filed on SEDAR+, and on Entrans audited carve-out consolidated statement of income for the year ended December 31, 2024, and has been prepared as if the acquisition had been completed on October 1, 2023. The Entrans audited carve-out consolidated statement of income for the year ended December 31, 2024 is presented in U.S. dollars and was translated into Canadian dollars using the average exchange rate of C$1.3608 for the year ended September 30, 2024.

Unaudited Pro Forma interim consolidated statement of income of TerraVest for the first quarter ended December 31, 2024

The unaudited Pro Forma interim consolidated statement of income for the first quarter ended December 31, 2024 is based on TerraVest's unaudited interim condensed consolidated statement of income for the first quarter ended December 31, 2024, as filed on SEDAR+, and on Entrans unaudited carve-out consolidated statement of income for the fourth quarter ended December 31, 2024, and has been prepared as if the acquisition had been completed on October 1, 2023. The Entrans unaudited carve-out consolidated statement of income for the fourth quarter ended December 31, 2024 is presented in U.S. dollars and was translated into Canadian dollars using the average exchange rate of C$1.3982 for the fourth quarter ended December 31, 2024.

(Unaudited – in thousands of Canadian dollars, except share and per share amounts)

3. PRO FORMA ADJUSTMENTS

a) On March 17, 2025, certain subsidiaries of TerraVest amended their existing revolving operating credit facility with a syndicate of lenders. The revolving credit facility was increased to $800,000 ($310,000 as at September 30, 2024) and three term loans totaling $400,000 were obtained. The term loans are non-revolving and mature as follows: $100,000 in March 2026, $100,000 in March 2027 and $200,000 in March 2028.

The credit facilities now totaling $1,200,000 ($310,000 as at September 30, 2024) were used to refinance the credit facilities of $55,000 in the Processing Equipment and Service segments, to repay the term loan of a subsidiary of TerraVest and to purchase Entrans.

As at March 31, 2025, the interest rate was 5.95% on Canadian open ended borrowings and 9.00% on U.S. open ended borrowings and the standby fee was 0.50%.

Transaction costs of $4,017, incurred to amend the revolving credit facility, were recorded as prepaid expenses and are amortized on a straight-line basis over the 36-month term of the credit facility.

	Year ended September 30, 2024	First quarter ended December 31, 2024
	$	$
Additional interest expense [i)]	7,407	2,868
Amortization of transaction costs	1,339	335
	8,746	**3,203**

[i)] An interest rate of 5.80% for Canadian dollar borrowings and 6.92% for U.S. dollar borrowings were used to calculate pro forma interest expense on additional borrowings for the acquisition of Entrans.

b) Certain account balances from the Entrans statement of income were reclassified to comply with the presentation of TerraVest's consolidated statement of income.

c) Estimated acquisition-related cost of $1,980 were incurred as part of the transaction in administration expense.

d) Adjustments of $55,214 for the year ended September 30, 2024 and of $14,184 for the first quarter ended December 31, 2024 were recognized in administration expense to reflect the additional amortization expense from the preliminary intangible assets recognized in the purchase price allocation.

Intangible Assets	Estimated Useful Life	Preliminary Estimated Fair Value
		$
Sales order backlog	3 years	51,767
Non-compete agreements	5 years	36,506
Customer relationships	7 years	108,805
Technical drawings	5 years	33,228
Trademarks	indefinite	4,048
		234,354

e) Current income tax expense has been decreased by $2,788 for the year ended September 30, 2024, and by $1,347 for the first quarter ended December 31, 2024, to reflect the impact of the Pro Forma adjustments described above. Deferred income tax expense has been reduced by $14,356 for the year ended September 30, 2024, and by $3,688 for the first quarter ended December 31, 2024, also to reflect the impact of the above Pro Forma adjustments. The statutory income tax rate was applied in these calculations.

4. RISKS AND UNCERTAINTIES

The Pro Forma consolidated financial statements have been prepared by TerraVest's management for informational purpose only. It has been prepared with all available information up to and including the date of this report. Readers are cautioned that management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect. The Pro Forma consolidated financial statements may not be indicative of the financial and operational results that would have occurred if the acquisition of Entrans had been in effect on the dates indicated.

These Pro Forma consolidated financial statements do not include all the information and disclosure required by IFRS. Therefore, these Pro Forma consolidated financial statements should be read in conjunction with the financial statements of TerraVest and Entrans that are incorporated by reference or included herein.

These Pro Forma consolidated financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined entities may achieve or any costs necessary to achieve these cost savings, operating synergies or revenue enhancements.

TerraVest does not undertake any obligation to update or release any revisions to these Pro Forma consolidated financial statements to reflect events or circumstances, unanticipated events or circumstances, or should its estimates or assumptions change, after the date hereof, except as expressly required by law.