



Management Discussion and Analysis

September 30, 2018

The following management discussion and analysis (“MD&A”) provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the “Company” or “Element”) (formerly, Element Financial Corporation) as at and for the three and nine-month periods ended September 30, 2018 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements as at and for the three and nine-month periods ended September 30, 2018 and the MD&A and audited consolidated financial statements and accompanying notes for the year ended December 31, 2017. All numbers are in thousands, unless otherwise specified or for per share amounts. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.elementfleet.com.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO NOVEMBER 5, 2018. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE “FORWARD-LOOKING STATEMENTS”. IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS “MAY”, “WILL”, “EXPECT”, “PLAN”, “ANTICIPATE”, “INTEND”, “POTENTIAL”, “ESTIMATE”, “BELIEVE” OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT’S GROWTH PROSPECTS AND OBJECTIVES, OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITION AND COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT’S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION, BUSINESS INTEGRATION, TECHNOLOGY AND INTELLECTUAL PROPERTY INCLUDING THE XCELERATE PLATFORM, STRATEGIC ASSESSMENT, STRATEGY FOR NON-CORE ASSETS INCLUDING THE 19TH CAPITAL JOINT VENTURE, BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT’S CURRENT ANNUAL MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM.

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Overview

Element Fleet Management Corp. (“Element”, “we”, or the “Company”) is a leading global fleet management company, providing best-in-class services and financing solutions for commercial vehicle fleets. With approximately \$17.5 billion in assets, we are North America's largest publicly traded fleet management company. We are a leading fleet-focused business services provider driven by technology and advanced analytics, and benefit from a large-scale stable leasing and integrated services platform. We actively invest in people, processes and technology to remain at the forefront of the fleet management industry.

Our mission is to ensure that our customers' fleets and their drivers are safer, smarter and more productive. Commercial vehicle fleets are mission-critical assets that enable our customers to conduct their daily business and typically represent a significant part of their overall capital spend. Through a suite of services that spans the total fleet lifecycle, from acquisition and financing to program management and remarketing, we help our customers optimize the productivity and performance of their fleet assets, while lowering their total cost of ownership.

On October 1, 2018, Element announced the completion of a comprehensive strategic assessment of our business, which included customer and stakeholder interviews, extensive industry benchmarking, and in-depth reviews of our operations, capital structure and balance sheet. The outcome of our process is a detailed plan to transform Element's fleet business over the next two years, founded on renewing our focus on customers and ensuring that customer needs are at the center of all key decision-making. We have already begun this transformational reset, effecting dozens of changes to our organization in executing our plan to consistently deliver superior customer service, generate meaningfully improved profitability and solidify Element's financial position between now and the end of 2020. Please refer to sections titled “Update on Strategic Review and Transformation” and “Outlook and Economic Conditions” of this MD&A for additional information.

Update on Strategic Review and Transformation

We have completed the strategic assessment announced in the second quarter and have begun the implementation of a clearly defined plan, announced on October 1, 2018, to consistently deliver superior customer service, generate meaningfully improved profitability and solidify our financial position. This plan is the product of the thorough strategic assessment process we have undertaken over the past four months. It will enable Element to reach the full potential inherent in its leading fleet management platform, creating significant value for all our stakeholders.

The plan includes:

- A series of concrete actions to improve the customer experience and generate an estimated \$150 million in run-rate pre-tax operating income improvements in the fleet management business by the end of 2020;
- A \$150 million investment in the business to achieve those improvements, which will be funded in part by capital retained after a reduction in the Company's quarterly common share dividend from \$0.075 to \$0.045, and the introduction of a dividend reinvestment plan;
- An agreement, which closed after the quarter on October 19, 2018, to purchase the interests in the 19th Capital joint venture that Element does not already own for nominal consideration, allowing Element to undertake an orderly run off of 19th Capital's assets over the next 36 months. In conjunction with this initiative, Element has recognized an after-tax charge of \$360 million in the third quarter reflecting a write down of the carrying value of its remaining investment in 19th Capital;

- Strengthening the Company’s investment-grade balance sheet through the issuance of 45.5 million common shares at \$6.60 per share, with the potential for a further 6.825 million share issuance under the underwriters’ over-allotment. The company received net proceeds of \$286.3 million on October 11, 2018 and has the potential to receive approximately \$45.0 million should the underwriters’ over-allotment be exercised prior to November 11, 2018; and
- A clear accountability plan, including a Transformation Management Office run by the Boston Consulting Group that will bring focus, support and accountability for the duration of the program, as well as regular reporting to track our performance.

All of these initiatives have been undertaken with the intention of positioning Element to offer better service to its customers. The plan builds on Element’s foundational strengths - scale and leadership in key markets, a top-tier customer base, strong cash flow, ready access to capital and an investment-grade balance sheet - by putting the focus where it should be, on customers, and putting legacy issues behind the Company. The result will be a stronger, more efficient Element that better serves its clients and is well-positioned for future growth and value creation.

Transforming the Fleet Business

The plan to transform Element’s fleet business is based on a comprehensive assessment of our operations undertaken in recent months. This included customer and stakeholder interviews, extensive industry benchmarking, and in-depth reviews of Element’s operations, structure and balance sheet. Element’s management and Board of Directors (the “Board”) have examined key topics such as customer retention, rebate management, people and culture, IT systems, allocation of capital expenditures, and more.

The result is a new path forward, founded on renewing Element’s focus on its customers, and ensuring that customer needs are at the center of everything we do and every decision we make. Key aspects of the plan include:

- Simplifying how we work, and the organizational structure we work in, by reducing the nine existing layers of the organization to five, bringing leadership closer to the customer and the front-line employees that serve them; and,
- Simplifying operations and customer touchpoints to provide a better, more consistent customer experience, through initiatives such as automating manual processes to reduce errors and improve cycle times.

In total, approximately 80% - or ~\$120 million - of the expected total run rate pre-tax operating income improvement is from productivity enhancements to the customer experience, with the other 20% - or \$30 million - largely flowing from revenue assurance and improved retention.

As a result of these transformational changes to how Element does business, management expects to achieve the ~\$150 million in annual pre-tax operating income improvements by executing on opportunities in three waves:

1. **Quick Wins** - We expect to action \$40 million in run-rate profitability improvements by the end of 2018, and we have already identified and advanced more than \$30 million of these to date. This phase includes the implementation of over 50 initiatives including organizational redesign, supplier management, revenue assurance and cost productivity.

2. **Back to Basics** - Throughout 2019, Element will execute on the second wave of over 25 projects that are collectively anticipated to take us to \$100 million of pre-tax run-rate profitability improvements actioned by the end of that year. These projects will focus on improving customer service delivery, optimizing our go-to-market strategy and pricing model, improving customer acquisition and retention, better managing rebates and procurement, and advancing automation and organizational simplification.
3. **Building for the Future** - The final wave will consist of a smaller number of 5-10 projects that are anticipated to bring the actioned pre-tax run-rate profitability improvement to the full \$150 million estimate by the end of 2020. Completing the fortification of our operating foundation, we will then pivot to growth, with focus on the mid-market fleet segments, salesforce optimization and other strategic growth levers.

To de-risk the execution of this transformation and to ensure that the customer experiences only positive outcomes from this undertaking, we have taken a number of steps to create crisp execution:

- Element has created a Transformation Management Office, which will bring focus, support and accountability to the program.
- We have also developed a change management approach to train and support our team, and we will align incentive compensation to the attainment of results.
- We are building capability and confidence with Quick Wins, and we have populated our executive ranks with seasoned leaders who have successfully steered organizations through extensive change.

In recent weeks, we have added two more experienced executives with a demonstrated ability to manage change and deliver value - Jacqui McGillivray as Chief Human Resources Officer and Scott Davidson as Executive Vice President, Corporate Development. This is in addition to the previously announced appointments of Mr. Forbes, effective June 1, 2018, and new Chief Financial Officer Vito Culmone, effective July 16, 2018.

The Company has also realigned its executive team to put the right people in the right roles to drive the best possible customer experience, bring the executive close to the customers and front-line employees, enable faster decision making, and to represent our strategic priorities. This includes the naming of Jim Halliday as Chief Operating Officer.

The result is a well-balanced leadership team that combines a wealth of industry experience and established customer relationships, with new perspectives and strong change management experience.

Repositioning 19th Capital

Over its short history, 19th Capital has meaningfully underperformed expectations. Element's strategic assessment has led management and the Board to conclude that attempting to undertake any further turnaround of the 19th Capital business would divert management's focus from its core fleet business and the aforementioned transformation plan. Accordingly, the Company has determined that the best path forward is to acquire full control of the venture and run off the business in an orderly fashion over the next 36 months.

On October 19, 2018, the Company purchased the equity interest held by its joint venture partner for cash consideration of \$5,160, thereby obtaining 100% ownership of and control over 19th Capital. This acquisition of control will be reflected as a business combination during the fourth quarter of 2018.

As part of this business combination, the Company's existing equity and debt interest in 19th Capital will be measured at fair value as at the acquisition date. The acquisition-date fair value of the existing equity and debt interest is expected to be consistent the September 30, 2018 impaired carrying values of nil [note 5] and \$251.7 million [note 6], respectively. However, any difference between the acquisition-date fair value and the September 30, 2018 carrying value will be recorded as a gain or loss through the statement of operations. The acquisition-date fair value of the existing equity and debt investment together with the cash consideration noted above will represent aggregate consideration paid by the Company for the identifiable assets acquired and liabilities assumed of 19th Capital. The Company's preliminary estimate of the fair value of aggregate consideration paid by the Company is \$256.8 million.

The Company has not yet completed its preliminary assessment of the fair value of the identifiable assets acquired and liabilities assumed. However, the Company expects the fair value of the total assets acquired and liabilities assumed to be approximately \$482.0 million and \$226.0 million, respectively.

Both management and the Board firmly believe that the run off of 19th Capital will free up management time and resources to focus on the greater value the Company can create from its market-leading fleet business. Addressing 19th Capital in this manner has reduced uncertainty and de-risked Element's operations and balance sheet.

Strengthening the Balance Sheet and Investing in Transformational Improvements

Management recognizes that a strong, investment-grade balance sheet is a key pillar of our business, and undertook a number of initiatives since the end of the quarter to further strengthen our financial position while also freeing up capital to fund the necessary investments in the business and to address near term refinancing requirements:

- Raised \$300.3 million (\$286.3 million net) via the sale of common shares pursuant to a bought deal offering, with the potential for a further \$45.0 million through the underwriters' over-allotment;
- Reduced the common share dividend by 40% (from \$0.075 to \$0.045 per share per quarter);
- Instituted a dividend reinvestment program;
- Advancing sales of non-core assets, including surplus real estate; and
- Refinanced certain asset-backed security assets, creating approximately \$160 million in additional borrowing base capacity.

In addition to creating greater stability and liquidity today, these actions effectively pre-finance the Company's \$345.0 million convertible debenture maturing in June 2019, leaving less than \$150 million of that maturity to refinance.

As part of the strategic review, management engaged with the rating agencies on the impact of the transformation plan, the repositioning of 19th Capital and the balance sheet initiatives. Kroll, DBRS, and Fitch have affirmed Element's investment grade corporate ratings at A-/BBB+/BBB+ respectively. Element also engaged its senior lending syndicate throughout the strategic assessment process and has the group's support for the implementation of the strategic plan.

Operating Segments

Upon the Separation in 2016, certain assets remained with Element that are not typical earning assets of a pure fleet management company. Some were retained in order to provide fleet services, while others remained with Element for various commercial and legal structuring reasons or requirements. In addition, certain assets were opportunistically acquired post the Separation. The related strategy for each asset is dependent upon many factors including, but not limited to, cross-selling opportunities with core fleet services, current and expected market conditions impacting valuation, overall risk relative to the size of the Company, and the passage of time related to the separation activities and other post separation activities.

Commencing Q2 2017, Element determined that it would be more informative, and consistent with the internal reporting and management of the Company, to separate management discussions and analysis between those assets that are related to core fleet management services (“Fleet Management”) and those assets that are not (collectively, “Non-Core”). In addition, the notes to the Interim Condensed Consolidated Financial Statements reflect the two operating segments described herein.

Changes in Presentation

On January 1, 2018 the Company adopted IFRS 9, issued by the IASB. As permitted by the new standard, the Company elected to not restate comparative periods and has recognized classification and measurement adjustment on January 1, 2018 through opening retained earnings. The changes to the Company's accounting policies and adjustments made are described in later sections in this MD&A and presented in greater detail in the interim condensed consolidated financial statements.

Quarterly Results of Operations - Consolidated

The following table sets forth a summary of the Company's consolidated results of operations:

	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in \$000's for stated values, except per share amounts)	\$	\$	\$	\$	\$
Net revenue					
Service and other revenue, net (1)	131,434	130,280	141,086	390,846	442,158
Net interest income and rental revenue (2)	202,544	200,804	191,423	587,072	559,903
	333,978	331,084	332,509	977,918	1,002,061
Interest expense	112,723	111,644	96,225	325,880	279,822
Net revenue	221,255	219,440	236,284	652,038	722,239
Operating expenses					
Salaries, wages and benefits	81,464	82,071	80,838	245,800	235,041
General and administrative expenses	35,504	28,833	35,130	98,177	111,845
Depreciation and amortization	6,196	5,972	3,854	17,448	11,401
Adjusted operating expenses (3)	123,164	116,876	119,822	361,425	358,287
Amortization of convertible debenture synthetic discount	3,537	3,480	3,313	10,441	9,779
Share-based compensation	8,867	5,191	5,800	18,605	15,425
Impairment for loans to 19 th Capital	480,000	—	—	480,000	—
Total operating expenses	615,568	125,547	128,935	870,471	383,491
Business acquisition and other costs					
Amortization of intangibles from acquisition	10,442	11,936	13,975	34,249	43,569
Restructuring and transformation costs	35,000	1,306	1,059	77,117	68,420
Total business acquisition and other costs	45,442	13,242	15,034	111,366	111,989
Loss on equity investments	20,000	4,601	9,108	34,905	60,227
Net income (loss) before taxes	(459,755)	76,050	83,207	(364,704)	166,532
Income tax expense (recovery)	(118,650)	(3,046)	16,032	(124,454)	10,425
Net income (loss) for the period	(341,105)	79,096	67,175	(240,250)	156,107
Earnings (loss) per share (basic)	(0.93)	0.18	0.15	(0.72)	0.33
Earnings (loss) per share (diluted)	(0.93)	0.18	0.15	(0.72)	0.32
Adjusted operating results (3)					
Net revenue	221,255	219,440	236,284	652,038	722,239
Adjusted operating expenses (3)	123,164	116,876	119,822	361,425	358,287
Adjusted operating income (3)	98,091	102,564	116,462	290,613	363,952
Provision for taxes applicable to adjusted operating income	17,658	18,461	24,725	49,847	72,437
After-tax adjusted operating income (3) (4)	80,433	84,103	91,737	240,766	291,515
Weighted average number of shares outstanding (basic)	380,639	380,452	384,939	380,483	387,194
Before-tax adjusted operating income per share (basic) (3)	0.23	0.24	0.27	0.68	0.86
After-tax adjusted operating income per share (basic) (3)	0.18	0.19	0.21	0.55	0.67

(1) Service and other revenue, net, is shown net of direct costs of fixed rate service contracts.

(2) Net interest income and rental revenue is equal to interest income, less provision for credit losses (other than the impairment recorded this quarter on the loans to 19th Capital) and rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.

(3) For additional information, see "Description of Non-IFRS Measures" section.

(4) For reconciliation from IFRS Net Income to After-tax adjusted operating income, see page 32.

Net revenue was \$221.3 million for the current quarter, a decrease of 6.4% compared to the same period in the prior year and an increase of 0.8% compared to the immediately preceding quarter. On a sequential basis, services and other revenue increased by 0.9% while net interest income and rental revenue increased by 0.9%. Compared to Q3 2017, service and other revenue declined by 6.8%, while net interest and rental revenue increased by 5.8%. Changes to revenue line items for Fleet Management and Non-Core assets are explained in their respective sections.

Adjusted operating expenses increased by 5.4% and 2.8% compared to Q2 2018 and Q3 2017, respectively, largely due to higher IT-related costs. Changes to adjusted operating expenses are also described in the following sections.

Amortization of the convertible debenture synthetic discount reflects the accrual of the balance sheet liability back to its face value due at maturity.

Share-based compensation increased to \$8.9 million for Q3 2018 primarily due to changes in the fair value of the un-hedged portions of share based liabilities and the acceleration of vesting for terminating executives.

The Company adopted IFRS 9 on January 1, 2018, resulting in the incurred loss model used for measuring the allowance for credit losses being replaced with an expected credit loss model. As a result, the Company recorded \$65.0 million of allowance for credit losses against the \$775.9 million of loans to 19th Capital; opening retained earnings was adjusted for the change in methodology. An additional \$480.0 million provision has been recognized against our loans to 19th Capital and recorded as a separate impairment in the statement of operations. In addition, increases in allowance for credit losses of \$187 and \$580 were recorded in the current three and nine months, respectively, of 2018.

The amortization of intangibles acquired as part of past business acquisitions was \$10.4 million in Q3 2018, down from the \$14.0 million in Q3 2017 and down from the \$11.9 million in Q2 2018, consistent with the declining balance basis of amortization.

The company also recorded a \$35.0 million charge for the completed strategic review and resultant transformation projects during the quarter. Prior reserves have been substantially utilized and accordingly \$23.0 million of provision remains.

The Company recorded a \$20.0 million charge against its equity investments for Q3 2018, to bring the aggregate carrying value at September 30, 2018 to management's best estimate of fair market value. This result compared to \$4.6 million for Q2 2018, primarily related to a mark to market loss on DMG Blockchain, and \$9.1 million for Q3 2017, from our share of operating losses in the 19th Capital joint venture.

For the nine-month period ended September 30, 2018, net revenue was \$652.0 million, a decrease of 9.7% compared to the same period in the prior year. Adjusted operating expenses increased by 0.9% over the same period in 2017, largely due to the higher US dollar. Other expenses for the nine-month period ended September 30, 2018 as compared to the same period in 2017 were impacted by the same factors as noted for the quarterly periods.

Impact of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Australia, New Zealand, Mexico and, predominantly, the United States where, as at September 30, 2018, 8.1%, 3.6%, 3.8% and 74.4% of the net finance receivables and equipment under operating leases were located, respectively. While Element partially hedges for currency fluctuations, the value of the net equity investment in each country does fluctuate as a result of changes in the exchange rates against the Canadian dollar, which is our reporting currency. Fluctuations in currencies also affect the net foreign operating results when converted to the Canadian dollar.

During the third quarter of 2018, the weighted average changes in average exchange rates of the Company's operating currencies against the Canadian dollar affected adjusted operating income positively by approximately 0.1% and 0.7% over the immediately preceding quarter and the third quarter in 2017, respectively.

The following table sets forth a summary of the Company's results from both Fleet Management and Non-Core operations on a **constant currency** basis:

	For the three-month period ended			For the nine-month period ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in \$000's for stated values)	\$	\$	\$	\$	\$
Fleet Management service and other revenue	131,325	130,277	138,161	392,339	404,087
Non-core service and other revenue	109	764	6,189	1,495	35,237
Consolidated service and other revenue	131,434	131,041	144,350	393,834	439,324
Fleet Management net interest and rental revenue	88,790	86,919	86,179	256,960	247,480
Non-core net interest and rental revenue	1,031	2,915	11,649	6,469	31,294
Consolidated net interest and rental revenue	89,821	89,834	97,828	263,429	278,774
Fleet Management net revenue	220,115	217,196	224,340	649,300	651,567
Non-Core net revenue	1,140	3,678	17,838	7,964	66,531
Consolidated net revenue	221,255	220,874	242,178	657,264	718,098
Fleet Management adjusted operating expenses	120,677	116,389	121,591	359,427	352,492
Non-core adjusted operating expenses	2,487	1,236	1,490	4,977	4,474
Consolidated adjusted operating expenses	123,164	117,625	123,081	364,404	356,966
Fleet Management adjusted operating income	99,438	100,807	102,749	289,872	299,074
Non-Core adjusted operating income	(1,347)	2,442	16,348	2,985	62,057
Consolidated adjusted operating income	98,091	103,249	119,097	292,857	361,131
Fleet Management after-tax adjusted operating income	81,537	82,662	81,171	237,694	236,269
Non-Core after-tax adjusted operating income	(1,104)	2,002	12,631	5,221	52,934
Consolidated after-tax adjusted operating income	80,433	84,664	93,802	242,915	289,203
Fleet Management net earning assets	12,324,851	12,647,275	12,217,817	12,324,851	12,217,817
Non-core net earning assets	855,523	858,068	1,090,050	855,523	1,090,050
Consolidated net earning assets	13,180,374	13,505,343	12,217,817	13,180,374	13,307,867
Fleet Management average net earning assets	12,680,596	12,739,035	12,131,133	12,654,193	11,975,207
Non-core average net earning assets	867,856	873,298	968,378	877,537	972,304
Consolidated average net earning assets	13,548,452	13,612,333	13,099,511	13,531,730	12,947,511

Quarterly Results of Operations - Fleet Management

The following table sets forth a summary of the Company's results of Fleet Management operations; for greater clarity, this table excludes assets and earnings that have been deemed by the Company as Non-Core (see "Operating Segments"):

	For the three-month period ended			For the nine-month periods ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in \$000's for stated values, except per share amounts)	\$	\$	\$	\$	\$
Net revenue					
Service and other revenue	131,325	129,496	134,902	389,301	406,737
Net interest and rental revenue	88,790	86,298	84,164	255,055	248,784
Net revenue	220,115	215,793	219,066	644,356	655,521
Adjusted operating expenses					
Salaries, wages and benefits	80,742	81,338	79,980	243,615	232,411
General and administrative expenses	33,739	28,343	34,558	95,436	110,002
Depreciation and amortization	6,196	5,972	3,854	17,448	11,401
Adjusted operating expenses	120,677	115,653	118,392	356,499	353,814
Adjusted operating income	99,438	100,140	100,674	287,857	301,707
Provision for taxes applicable to adjusted operating income	17,901	18,025	21,141	51,814	63,358
After-tax adjusted operating income	81,537	82,115	79,533	236,043	238,349
Less: Cumulative preferred share dividends	11,068	11,068	11,068	33,205	30,233
After-tax adjusted operating income attributable to common shareholders	70,469	71,047	68,465	202,838	208,116
Weighted average number of shares outstanding (basic)	380,639	380,452	384,939	380,483	387,194
Before-tax adjusted operating income per share (basic)	0.23	0.23	0.23	0.67	0.70
After-tax adjusted operating income per share (basic)	0.19	0.19	0.18	0.53	0.54

Service and other revenue for Q3 2018 of \$131.3 million was down 2.7% from Q3 2017 but increased 1.4% from Q2 2018, reflecting improving customer attrition trends which are expected to continue to return to their normal historical levels.

Net interest and rental revenue of \$88.8 million increased 5.5% from Q3 2017 and 2.9% from Q2 2018. The increase over Q2 2018 was driven by one-time gains and the benefits of the higher interest rate environment, and was partially offset by lower interim rent and higher non-interest finance charges. Net interest and rental revenue margin (NIM) was 2.80% in Q3 2018, as compared with 2.73% in Q2 2018 and 2.77% in Q3 2017.

Adjusted operating expenses in Q3 2018 were \$120.7 million, an increase of 1.9% compared to Q3 2017, and an increase of 4.3% on a sequential basis. The increase over both periods was primarily related to higher IT related costs. Operating expenses are expected to decline over time as the Company executes on its transformation plan.

Adjusted operating income for Q3 2018 was \$99.4 million, a decrease of 1.2% from Q3 2017 and a decrease of 0.7% over the immediately preceding quarter, both for the reasons noted above.

The following table sets out the Net interest and rental revenue margin ("NIM") calculation for Fleet Management operations, together with references to key benchmarks and metrics:

	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in \$000's for stated values)	%	%	%	%	%
Net interest income and rental revenue	5.96	5.91	5.60	5.81	5.35
Interest expense	3.16	3.18	2.83	3.10	2.67
Net interest and rental revenue margin or NIM (1)	2.80	2.73	2.77	2.71	2.68
Average cost of debt (Interest expense / average debt) (1)	3.14	3.12	2.74	3.08	2.59
Average 1-Month LIBOR rates	2.08	1.56	1.23	1.91	1.04
Total average earning assets (1)	\$ 12,680,054	\$ 12,645,556	\$ 12,130,819	\$ 12,544,104	\$ 12,359,946
Total earning assets at period end (1)	\$ 12,324,851	\$ 12,860,886	\$ 12,110,284	\$ 12,324,851	\$ 12,110,284
Average debt outstanding (1)	\$ 12,762,964	\$ 12,855,796	\$ 12,518,163	\$ 12,638,218	\$ 12,736,242
New originations	\$ 1,486,700	\$ 1,714,100	\$ 1,441,839	\$ 4,672,300	\$ 4,729,335

(1) For additional information, see "Description of Non-IFRS Measures" section.

The average cost of debt increased to 3.14% primarily due to the increase in underlying reference rates during the quarter, partially offset by the decrease in convertible debentures allocated to the Core segment, consistent with the allocation methodology designed and implemented in Q2 2017.

For the nine-month period ended September 30, 2018, net revenue was \$644.4 million, a decrease of 1.7% compared to the comparative period in the prior year. The decrease was mainly attributed to declines in service and other revenue due to the previously disclosed customer attrition partially offset by growth, while net interest and rental revenue increased 2.5%, for the reasons noted above. Adjusted operating expenses were \$356.5 million for the current period, as compared to \$353.8 million in the comparative period in prior year, for the reasons discussed above. Overall, adjusted operating income was \$287.9 million for the nine-month period ended September 30, 2018, a decrease of 4.6% compared to \$301.7 million in the comparative period in prior year, due to the factors noted above.

Quarterly Results of Operations - Non-Core

The following table sets forth a summary of the Company's results from Non-Core operations:

	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in \$000's for stated values, except per share amounts)	\$	\$	\$	\$	\$
Net revenue					
Service and other revenue	109	784	6,184	1,545	35,421
Net interest and rental revenue	1,031	2,863	11,034	6,137	31,297
Net revenue	1,140	3,647	17,218	7,683	66,718
Adjusted operating expenses					
Salaries, wages and benefits	722	733	858	2,185	2,630
General and administrative expenses	1,765	490	572	2,741	1,843
Adjusted operating expenses	2,487	1,223	1,430	4,926	4,473
Adjusted operating income	(1,347)	2,424	15,788	2,757	62,245
Provision for taxes applicable to adjusted operating income	(243)	436	3,584	(1,968)	9,079
After-tax adjusted operating income	(1,104)	1,988	12,204	4,725	53,166
Weighted average number of shares outstanding (basic)	380,639	380,452	384,939	380,483	387,194
Before-tax adjusted operating income per share (basic)	—	0.01	0.04	0.01	0.12
After-tax adjusted operating income per share (basic)	—	0.01	0.03	0.01	0.11

Overall, net revenue for Non-core operations was down sharply to \$1.1 million as the company continued to exit from non-core operating activities.

Net interest and rental revenue for Q3 2018 was \$1.0 million, a decrease of 90.6% compared to Q3 2017, and a decrease of 64.0% compared to Q2 2018. The decrease from Q3 2017 was mainly due to the reduction in the Non-core portfolio from asset sales and run-off, and to the changes arising with the adoption of IFRS 9 wherein the accounting for the investment in ECAF I Holdings Ltd. ("ECAF") changed to the fair value through profit and loss methodology.

Adjusted operating expenses of \$2.5 million for Q3 2018 include specific expenses related to managing our interest in the 19th Capital joint venture, and the normal corporate expense allocation of approximately 50 bps on average earning assets and other investments.

Adjusted operating income from operations for Q3 2018 was a loss of \$1.3 million due to the factors discussed above.

For the nine-month period ended September 30, 2018, net revenue declined to \$7.7 million, with the decrease mainly attributed to the impact of IFRS 9 and non-recurring fee income in the prior year, as well as the other factors detailed for Q3 2018.

Consolidated Financial Position

The following table presents a summary of the comparative consolidated financial position, as at:

	September 30, 2018	June 30, 2018	December 31, 2017
(in \$000's for stated values)	\$	\$	\$
ASSETS			
Cash	50,493	125,740	76,637
Restricted funds	444,479	557,409	484,280
Finance receivables	12,528,927	13,416,790	12,768,133
Equipment under operating leases	1,677,911	1,654,130	1,599,423
Accounts receivable and other current assets	139,521	143,721	164,376
Notes receivable	13,318	16,113	19,670
Derivative financial instruments	26,920	1,260	32,026
Property, equipment and leasehold improvements	57,290	63,999	67,409
Equity investments (1)	115,234	141,539	151,425
Deferred tax assets	393,994	256,354	177,602
Intangible assets	823,719	841,449	819,308
Goodwill	1,238,378	1,259,080	1,209,344
	17,510,184	18,477,584	17,569,633
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	658,361	637,211	582,090
Derivative financial instruments	44,241	14,019	33,342
Secured borrowings	12,401,398	13,012,889	12,307,873
Convertible debentures	891,929	886,510	875,918
Deferred tax liabilities	61,574	49,386	30,327
	14,057,503	14,600,015	13,829,550
Shareholders' equity	3,452,681	3,877,569	3,740,083
	17,510,184	18,477,584	17,569,633

(1) Equity investments in the comparable period included the 32.5% interest in ECAF I Holdings Ltd., which was accounted for using the effective interest rate method and considered an earning asset. Upon adoption of IFRS 9 on January 1, 2018 by the Company, the investment is accounted for using fair value through profit and loss and no longer considered an earning asset.

Total assets decreased by 0.3% over December 31, 2017, due mainly to lower finance receivables partially offset by increased equipment under operating leases. Total liabilities increased by 1.6% over the same period on increased secured borrowing, accretion of convertible debentures and higher accruals,

As part of the strategic review, and to strengthen our investment grade balance sheet, on October 11, 2018 Element issued 45.5 million common shares at \$6.60 per share, for net proceeds of \$286.3 million. As part of the share issuance, the underwriters were granted an over-allotment option for a further 6.825 million shares that expires on November 11, 2018 that would - if fully exercised - generate gross proceeds of \$45.0 million.

Fleet Management - Finance Asset Details

The Fleet Management business generated originations of \$1,486.7 million during the third quarter, compared to originations of \$1,741.1 million in the preceding quarter and \$1,441.8 million in the third quarter of 2017. As at September 30, 2018, total Net Earning Assets were \$12,324.8 million (\$10,646.9 million of Net investment in finance receivables and \$1,677.9 million of Equipment under operating leases, net) reflecting sequential decline of 4.2% and year-over-year growth of 1.8%.

Finance Receivables

The following table sets forth a breakdown of the Company's Fleet Management finance receivables, as at:

	September 30, 2018	June 30, 2018	December 31, 2017
(in \$000's for stated values, except ratios)	\$	\$	\$
Net investment in finance receivables	10,646,940	11,206,756	10,629,514
Impaired receivables - at net realizable value	7,549	8,226	3,949
	10,654,489	11,214,982	10,633,463
Unamortized origination costs and subsidies	(98,928)	(104,720)	(105,022)
Net finance receivables	10,555,561	11,110,262	10,528,441
Prepaid lease payments and Security deposits	(83,247)	(53,426)	(67,526)
Interim funding	734,676	599,251	587,217
Fleet management service receivables	778,739	751,030	660,227
Other	232,558	197,439	200,575
	12,218,287	12,604,556	11,908,934
Allowance for credit losses	7,536	7,579	4,304
Total finance receivables	12,210,751	12,596,977	11,904,630
Ratios			
Allowance for credit losses as a percentage of finance receivables	0.06%	0.06%	0.04%

Fleet Management finance receivables as at September 30, 2018 decreased by 3.1% compared to June 30, 2018 and increased by 2.6% compared to December 31, 2017, mainly from the US dollar variation compared to the Canadian dollar.

Allowance for credit losses

The continuing strong credit character of our Fleet receivables results in low levels of allowance for credit losses being required. The Company adopted IFRS 9 on January 1, 2018 and increased the allowance for credit losses as a result of the transition to the expected credit loss model. The impact of this change was recognized through opening retained earnings. Please refer to section titled "Changes in Accounting Policies" of this MD&A for more details on the impact of the adoption. As a result, the Company's Fleet Management allowance for credit losses was \$7.5 million as at September 30, 2018, an increase over the \$4.3 million reported at December 31, 2017. Other nominal changes to the allowance were largely due to changes in the size of the portfolios. The allowance for credit losses as a percentage of finance receivables as at September 30, 2018 was 0.06%, an increase from 0.04% as at December 31, 2017.

Please refer to sections titled "Fleet Management Geographic Portfolio Segmentation", "Fleet Management Asset Class Portfolio Distribution" and "Fleet Management Delinquencies" of this MD&A for additional information.

Fleet Management delinquencies

The contractual delinquency of Fleet Management net finance receivables at each reporting period is as follows:

	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
(in \$000's for stated values)						
Current	10,537,049	99.82	11,091,948	99.84	10,518,221	99.90
31 to 60 days	6,126	0.06	6,068	0.05	2,277	0.02
61 to 90 days	3,478	0.03	2,788	0.03	3,825	0.04
91 to 120 days	1,359	0.01	1,232	0.01	169	—
Impaired receivables	7,549	0.08	8,226	0.07	3,949	0.04
Total	10,555,561	100.00	11,110,262	100.00	10,528,441	100.00

Fleet Management credit losses and provisions, as at and for each of the respective periods are as follows:

	Nine-month period ended September 30, 2018	Year ended December 31, 2017
	\$	\$
(in \$000's for stated values, except ratios)		
Allowance for credit losses, beginning of period	4,304	6,081
IFRS 9 Adjustment	3,028	—
Provision for (recovery of) credit losses	680	(921)
Charge-offs, net of recoveries	(702)	(611)
Impact of foreign exchange rates	226	(245)
Allowance for credit losses, end of period	7,536	4,304
Allowance for credit losses as a percentage of finance receivables	0.06%	0.04%

Fleet Management allowance for credit losses of \$7.5 million as at September 30, 2018 represented 0.06% of the finance receivables outstanding, an increase from the 0.04% reported at December 31, 2017. The slight increase in provision for credit losses was due to adoption of IFRS 9 as previously noted. It is important to note that the adoption of IFRS 9 does not directly impact the net charge-off rate of the Company's finance receivables which is driven by customers' credit profile and behaviour.

Fleet Management Equipment Under Operating Leases

The following table sets forth the Company's Fleet Management equipment under operating leases for continuing operations:

(in \$000's for stated values)	September 30, 2018	June 30, 2018	December 31, 2017
	\$	\$	\$
Equipment under operating leases, net			
Fleet Vehicles	1,677,911	1,654,130	1,599,423
	1,677,911	1,654,130	1,599,423

Equipment under operating leases grew 1.4% sequentially and 4.9% on a year-to-date basis.

Fleet Management Portfolio Distribution

Fleet Management Geographic Portfolio Segmentation

The table below sets forth the geographical distribution of the Company's portfolio of Fleet Management net finance receivables and equipment under operating leases, as at:

(in \$000's for stated values)	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
United States	8,891,541	72.7	9,446,268	74.0	8,913,991	73.5
Canada	1,320,178	10.8	1,316,014	10.3	1,319,230	10.9
Australia	1,064,661	8.7	1,092,292	8.6	1,050,041	8.7
New Zealand	462,054	3.8	471,938	3.7	466,546	3.8
Mexico	495,038	4.0	437,880	3.4	378,058	3.1
Total	12,233,472	100.0	12,764,392	100.0	12,127,866	100.0
Allocated as:						
Net finance receivables	10,555,561	86.3	11,110,262	87.0	10,528,443	86.8
Equipment under operating leases, net	1,677,911	13.7	1,654,130	13.0	1,599,423	13.2
Total	12,233,472	100.0	12,764,392	100.0	12,127,866	100.0

Fleet Management Asset Class Portfolio Distribution

The distribution of the Fleet Management net finance receivables and equipment under operating leases by asset classes was as follows:

(in \$000's for stated values)	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
Vehicles	11,659,984	95.3	12,187,774	95.5	11,586,471	95.5
Highway Tractors and Trailers	294,044	2.4	296,358	2.3	266,248	2.2
Other	279,444	2.3	280,260	2.2	275,147	2.3
Total	12,233,472	100.0	12,764,392	100.0	12,127,866	100.0

Non-Core - Finance Asset Details

Non-Core Finance Receivables

The following table sets forth a breakdown of the Company's Non-Core finance receivables, as at:

	September 30, 2018	June 30, 2018	December 31, 2017
(in \$000's for stated values)	\$	\$	\$
Net investment in finance receivables	855,523	873,964	851,966
Impaired receivables - at net realizable value	773	5,705	4,716
Net finance receivables	856,296	879,669	856,682
Prepaid lease payments and Security deposits	—	—	3,126
Other	4,142	8,927	3,695
	860,438	888,596	863,503
Allowance for credit losses	542,262	68,786	—
Total finance receivables	318,176	819,813	863,503

The establishment of an Allowance for credit losses resulted from the adoption of IFRS 9 (see details below). That provision was increased in the quarter by an impairment charge of \$480,000 related to the loans to 19th Capital. Our loans to the 19th Capital joint venture (\$251.7 million) remain the largest Non-core asset even after this impairment. Material changes to our strategic direction for this asset, which occurred after the close of the period, resulted in a material reduction to the present value of expected cash flows and gave rise to the impairment discussed above; please refer to the section of this MD&A titled "Update on Strategic Review and Transformation" for more details.

Please also refer to sections titled "Non-Core Geographic Portfolio Segmentation", "Non-Core Asset Class Portfolio Distribution" and "Non-Core Delinquencies" of this MD&A for additional information.

Non-core delinquencies

The contractual delinquency of the net finance receivables at each reporting period was as follows:

(in \$000's for stated values)	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
Current (1)	851,901	99.49	870,753	98.99	846,726	98.84
31 to 60 days	1,869	0.22	1,605	0.18	1,722	0.20
61 to 90 days	1,113	0.13	895	0.10	2,093	0.24
91 to 120 days	640	0.07	711	0.08	1,425	0.17
Impaired receivables	773	0.09	5,705	0.65	4,716	0.55
Total	856,296	100.00	879,669	100.00	856,682	100.00

(1) The loans to 19th Capital remained current and were legally not in default; the impairment was booked due to the material reduction in the present value of expected cash flows arising from the change in strategic direction.



and provisions, as at and for each of the respective periods are as follows:

(in \$000's for stated values, except ratios)	Nine-month period ended September 30, 2018	Year ended December 31, 2017
	\$	\$
Allowance for credit losses, beginning of period	—	—
IFRS 9 Adjustment	65,826	—
Provision for credit losses	479,900	—
Charge-offs, net of recoveries	9	—
Impact of foreign exchange rates	(3,473)	—
Allowance for credit losses, end of period	542,262	—
Allowance for credit losses as a percentage of finance receivables	63.02%	—%

The majority of IFRS 9 Adjustment and the current provision for credit losses pertain to the loans to the 19th Capital joint venture (refer to the Update on Strategic Review and Transformation subsection in the Overview for more details). As at September 30, 2018 this Allowance for credit losses was \$542.3 million (December 31, 2017 - \$nil).

Non-Core Portfolio Distribution

Non-Core Geographic Portfolio Segmentation

The table below sets forth the geographical distribution of the Company's Non-core portfolio of net finance receivables, as at:

(in \$000's for stated values)	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
United States	848,856	99.1	865,650	98.4	835,343	97.5
New Zealand	7,440	0.9	14,019	1.6	21,337	2.5
Total	856,296	100.0	879,669	100.0	856,680	100.0

Non-Core Asset Class Portfolio Distribution

The distribution of the net finance receivables and equipment under operating leases by asset classes was as follows:

(in \$000's for stated values)	September 30, 2018		June 30, 2018		December 31, 2017	
	\$	%	\$	%	\$	%
Vehicles	2,820	0.3	3,234	0.4	4,592	0.5
Highway Tractors	845,938	98.8	862,678	98.1	832,380	97.2
Highway Trailers	4,043	0.5	4,572	0.5	5,569	0.7
Other	3,495	0.4	9,185	1.0	14,139	1.7
	856,296	100.0	879,669	100.0	856,680	100.1

Liquidity & Capital Resources

The Company's primary sources of liquidity are (i) cash flows from operating activities, (ii) secured borrowing facilities, and (iii) equity. The Company's primary use of cash is the funding of finance receivables and working capital.

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company manages its capital resources by utilizing the financial leverage available under its term funding and revolving facilities and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred shares or common shares.

Subsequent to the quarter end, and as part of the outcome of the strategic review, the Company issued 45.5 million common shares for net proceeds of \$286.3 million. As part of the share issuance, the underwriters were granted an over-allotment option for a further 6.825 million shares that expires on November 11, 2018 that would - if fully exercised - generate gross proceeds of \$45.0 million.

Management believes that the liquidity available to the Company of \$5.9 billion at September 30, 2018 coupled with the cash flow generated from the repayment of leases and loans is sufficient to fund the Company's operations, as well as to pay dividends to all preferred and common shareholders. The future common dividend is set at \$0.045 per common share per quarter.

The Company's capitalization is calculated as follows:

		As at	
		September 30, 2018	December 31, 2017
Secured borrowings		\$ 12,401,398	\$ 12,307,873
Convertible debentures		891,929	875,918
Total debt	(a)	13,293,327	13,183,791
Total shareholders' equity	(b)	3,452,681	3,740,083
		\$ 16,746,008	\$ 16,923,874
Goodwill and intangible assets	(c)	\$ 2,062,097	2,028,652
Financial leverage	(a)/(b)	3.85	3.52
Tangible leverage	(a)/((b)-(c))	9.56	7.70

(1) As part of the strategic review and concurrently with the announcement on October 1, 2018, the Company issued common shares for net proceeds of \$286.3 million. Including these proceeds in the leverage ratios calculated at September 30, 2018, result in a proforma financial leverage ratio of 3.56 and a proforma tangible leverage ratio of 7.93.

Cash flow and liquidity

Overall, corporate cash has decreased from \$76.6 million at December 31, 2017 to \$50.5 million at September 30, 2018. Please refer to the Company's interim condensed consolidated statements of cash flows in the interim condensed consolidated financial statements.

During the nine-month period ended September 30, 2018, cash provided by operating activities from continuing operations was \$82.9 million, an improvement of \$187.1 million over the \$104.2 million used in operating activities during the comparative nine-month period ended September 30, 2017. This improvement was primarily due to timing of cash inflow and outflow from investment and repayments of finance receivables and equipment under operating leases, in line with the changes in finance receivables and equipment under operating leases, excluding the impact of changes in foreign exchange rates during the periods.

During the nine-month period ended September 30, 2018, cash used in investing activities from continuing operations was \$108.1 million compared to \$22.8 million in the comparative nine-month period ended September 30, 2017, an increase of \$85.3 million. The higher utilization during the period was primarily due to expenditures on our core systems.

Cash used in financing activities from continuing operations for the nine-month period ended September 30, 2018 was \$1.1 million, compared to \$153.4 million provided in the comparative period ended September 30, 2017, a decrease of \$154.5 million. The decrease over the comparative period is due to issuances of preferred shares and higher secured borrowings in the comparative period, as well as higher dividends paid in the current period.



Management Discussion and Analysis – September 30, 2018

The table below is a summary adjusted cash flow statement that, while differing from required IFRS presentation as in our financial statements, more closely reflects the key cashflows from operations, presented in a format more applicable to a fleet management company:

	For the nine-month period ended	
	September 30, 2018	September 30, 2017
(in \$000's for stated values)	\$	\$
CASH PROVIDED BY ADJUSTED OPERATING ACTIVITIES		
After-tax adjusted operating income	240,766	291,515
Cash taxes paid	(37,706)	(28,345)
Items not affecting cash		
Income taxes on adjusted operating income	49,846	72,437
Amortization, depreciation and provisions and other	67,663	38,535
Cash provided by adjusted operating activities	320,569	374,142
CASH USED IN ADJUSTED INVESTING ACTIVITIES		
Principal repayments of finance receivables and depreciation of equipment under operating leases	3,926,969	4,103,690
Syndications of finance receivables	514,401	471,906
Purchase of finance receivables and equipment under operating leases	(4,672,300)	(5,026,176)
Others	(913)	15,878
Cash used in adjusted investing activities	(231,843)	(434,702)
CASH PROVIDED BY FINANCING ACTIVITIES		
Issuance of share capital from exercise of stock options	652	154,387
Shares repurchased	—	(78,917)
Issuance of secured borrowings, net	3,278	105,004
Dividends paid	(118,800)	(94,753)
Cash provided by financing activities	(114,870)	85,721
Net increase in adjusted cash during the period	(26,144)	25,161
Cash, beginning of period	76,637	12,638
Cash, end of period	50,493	37,799

Debt and contractual repayment obligations

With approximately \$5.9 billion in liquidity, we have significant financial resources available to continue funding our projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. In addition, the Company adheres to a strict policy of matching the maturities of owned finance assets and the related debt as closely as possible in order to manage its liquidity position.

The Company's available sources of financing for continuing operations were as follows:

	September 30, 2018	June 30, 2018	As at December 31, 2017
(in \$000's for stated values)	\$	\$	\$
Cash	50,493	125,740	76,637
Term Senior Facility			
Facility amount	3,870,000	4,597,600	4,399,150
Utilized against facility	2,617,114	2,611,108	3,168,087
	1,252,886	1,986,492	1,231,063
Vehicle Management Asset-Backed Debt			
Facilities	14,449,116	14,337,172	12,566,226
Utilized against available facilities	9,836,110	10,456,674	9,200,002
	4,613,006	3,880,498	3,366,224
Total available sources of capital	5,916,385	5,992,730	4,673,924

Effective September 24, 2018, the Company cancelled its unutilized 1-year revolving facilities that were due to mature on October 29, 2018.

Subsequent to the completion of the strategic review, in October, the Company's available Vehicle Management Asset-Backed commitments were reduced by \$450.0 million.

The Company was in compliance with all of the terms of its credit facilities and loan agreements throughout the period and as at September 30, 2018.

Summary of Consolidated Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended September 30, 2018. This information has been prepared on the same basis as the Company's audited consolidated financial statements as adjusted to reflect the distinction between continuing and distributed operations, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

(in \$ 000's for stated values, except per share amounts)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net revenue from continuing operations (2)	221,255	219,440	211,343	229,814	236,284	247,543	238,412	233,546
Adjusted operating income from continuing operations (1)	98,091	102,564	89,958	102,676	116,462	124,425	123,065	119,942
After-tax adjusted operating income continuing ops (1)	80,433	84,103	76,230	82,051	91,737	99,753	100,025	99,914
Net income / (loss) from continuing operations	(341,105)	79,096	21,759	(1,463)	67,175	37,087	51,845	4,014
Net income / (loss) from distributed operations	—	—	—	—	—	—	—	171,354
Total net income / (loss)	(341,105)	79,096	21,759	(1,463)	67,175	37,087	51,845	175,368
Earnings per share from continuing operations, basic	(0.93)	0.18	0.03	(0.03)	0.15	0.07	0.11	(0.01)
Earnings per share from distributed operations, basic	—	—	—	—	—	—	—	0.44
Total earnings (loss) per share, basic	(0.93)	0.18	0.03	(0.03)	0.15	0.07	0.11	0.43
Earnings per share from continuing operations, diluted	(0.93)	0.18	0.03	(0.03)	0.15	0.07	0.11	(0.01)
Earnings per share from distributed operations, diluted	—	—	—	—	—	—	—	0.44
Total earnings (loss) per share, diluted	(0.93)	0.18	0.03	(0.03)	0.15	0.07	0.11	0.43
Adjusted operating income per share (basic) - from continuing operations (1)	0.23	0.24	0.21	0.24	0.27	0.29	0.29	0.29
After-tax adjusted operating income per share (basic) - from continuing operations (1)	0.18	0.19	0.17	0.19	0.21	0.23	0.24	0.24
After-tax pro forma diluted adjusted operating income per share - from continuing operations (1)	0.18	0.19	0.17	0.18	0.20	0.22	0.22	0.22
Total earning assets - continuing operations	13,180,374	13,734,850	13,395,434	13,203,188	13,105,362	13,652,770	13,706,744	13,973,475
Loan and lease originations - continuing operations	1,486,700	1,714,100	1,471,500	1,461,257	1,441,839	1,908,496	1,675,841	1,652,023
Allowance for credit losses - continuing operations	549,798	76,362	75,306	4,304	5,833	5,995	5,978	6,081
As a % of finance receivables	4.20	0.57	0.57	0.03	0.05	0.04	0.04	0.05
Senior revolving credit facility - continuing operations	2,617,114	2,611,108	3,435,650	3,168,087	3,163,214	3,758,274	3,494,105	2,978,122
Secured borrowings - continuing operations	9,784,284	10,401,781	9,288,195	9,139,786	9,183,920	9,492,215	9,777,661	10,005,413
Convertible debentures - continuing operations	891,929	886,510	881,173	875,918	870,743	865,647	860,629	855,688

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) The comparative periods have been reclassified to reflect removing internal expenses related to service delivery from service and other revenue to operating expenses (salaries, wages and benefits, and general and administrative expenses).

Other Disclosures

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by the Company; (b) key management personnel, which are comprised of directors and/or officers of the Corporation and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; (c) entities controlled by key management personnel. The Company's policies and procedures and nature of its related party transactions have not changed materially from December 31, 2017, as described under "Related-Party Transactions" in the Company's 2017 Annual MD&A.

The Company has provided \$793.3 million in loans to the 19th Capital Group LLC joint venture that have a weighted average fixed interest rate of 6.0% (December 31, 2017 - \$775.9 million with a 5.6% interest rate). As noted above, these loans were impaired with a \$480.0 million charge in the quarter, bringing their net book value down to \$251.7 million. During the first quarter, the Company acquired a performing portfolio from the joint venture as the third party funding for that portfolio matured. The portfolio was acquired at its agreed fair market value of \$9.6 million and the Joint Venture recorded a loss on the sale. Subsequent to the quarter, also as noted earlier, the Company acquired the interests in the joint venture it did not already own and will consolidate it results commencing in the fourth quarter.

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business activities. These risks include credit, liquidity, foreign exchange, interest rate, and various sources of operational risk. The Company's approach to the management of risk has not changed materially from that described in the "Risk Management" section of the Company's 2017 Annual MD&A.

The Transformation Plan May Impact Operations and Valuations

Element is in the process of undertaking a transformational reset of our business, with a renewed focus on our customers and on improving productivity. The plan includes concrete actions in our core Element fleet business to improve the customer experience and generate significant improved profitability. The plan also results in a decision to take full ownership and control of the 19th Capital joint venture with an aim to undertake an orderly run off of 19th Capital's assets over the next 36 months.

The implementation of this strategic plan could adversely affect current operations or the current valuations or accounting of Element's operations and businesses.

The Non-Core Portfolio Faces Counter-Party Operational Risk and Increased Concentration Risk

The Non-Core portfolio includes outsourced servicers that do not form part of the Core Fleet portfolio, which could negatively impact Element Fleet's operational control. Although Element Fleet monitors the actions and financial condition of these parties, future changes could impact the timing and amounts of cash flows from the Non-Core portfolio.

The Non-Core portfolio also involves increased concentration risk, as Non-Core investments are concentrated in individual entities such as 19th Capital and ECAF Holdings Ltd. While those entities have

diversified obligors, the Non-Core investments result in exposure that is less diversified than typical Core Fleet portfolio individual exposures. A decline in the performance of a Non-Core Portfolio investment could lead to direct losses incurred by the Corporation. The Corporation also borrows against certain of its Non-Core portfolio investments. A decline in the performance of a Non-Core Portfolio investment could therefore reduce the Corporation's borrowing capacity or increase its cost of funds, which could be detrimental to Element Fleet's business, financial condition and/or results of operations.

The Collateral Securing a Loan or a Lease May Not Be Sufficient

While most of Element Fleet's loans and leases are secured by a lien on specified collateral of the customer, there is no assurance that Element Fleet has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect Element Fleet from suffering a partial or complete loss if the loan or lease becomes non-performing and Element Fleet moves to foreclose on the collateral. In such event, Element Fleet could suffer loan or lease losses which could have a material adverse effect on its business, financial condition and/or results of operations. Certain of Element Fleet's Non-Core assets are also secured by collateral, including the loans and leases in 19th Capital and the heavy truck portfolio which were originated by others, and there similarly can be no assurance that those originators have properly perfected its interests in this collateral, or that the value of the collateral securing such loans and leases will protect Element Fleet from suffering a partial or complete loss if the loan or lease becomes non-performing and Element Fleet moves to foreclose on the collateral.

When underwriting collateral, Element Fleet makes an estimate of the value of the collateral under a distressed disposition. The estimated realization value of equipment during the life of the lease is an important element in the leasing business. A decrease in the market value of leased equipment at a rate greater than the rate Element Fleet projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current realization values of such equipment.

Further, certain equipment realization values are dependent on the manufacturers' or vendors' warranties, reputation, and other factors, including market liquidity. The degree of realization risk varies by transaction type.

Outlook and Economic Conditions

Financial Outlook

Element is a market leader in its sector and benefits from significant scale, industry expertise and the financial strength to support the achievement of its business objectives. The Company operates in the fleet management industry which is further characterized by strong barriers to entry, high-quality creditworthy customers, and has demonstrated resilience across the business cycle.

As previously indicated, we recently completed a comprehensive, end-to-end business assessment resulting in a strategic plan expected to enhance our operating performance, customer relationships, corporate structure and balance sheet (see also the section of this MD&A titled "Update on Strategic Review and Transformation"). We have already begun this transformational reset, effecting dozens of changes to our organization which we anticipate will result in superior customer service, greater efficiency, and generate meaningfully improved profitability going forward. Accordingly, management and the Board of Directors believe that Element is well positioned to execute on its strategy and deliver strong value creation for its shareholders over time. For the 2020 fiscal year, Element is expected to generate after-tax adjusted operating income per share in the range of \$0.90 to \$0.95.

Normal Course Issuer Bid

On June 8, 2017, the TSX approved the Company's notice of intention to commence a Normal Course Issuer Bid (the "NCIB"). The NCIB allowed the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period from June 12, 2017 to its expiry on June 11, 2018, subject to a maximum purchase of 38,582 common shares of the Company, subject to the normal terms and limitations of such bids. Under this bid during the prior year ended December 31, 2017, 9,014,600 common shares were repurchased for cancellation for \$78.9 million at a volume weighted average price of \$8.75 per common share, respectively. No repurchases were made in the current year prior to expiry.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the unaudited interim condensed consolidated financial statements for the three-month period ended September 30, 2018. A summary of the Company's significant accounting policies are presented in Note 2 to audited consolidated financial statements for the year ended December 31, 2017, with the exception of recently adopted accounting standards as described below. Some of the Company's accounting policies, as required by IFRS, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. Accounting policies that require management's judgment and estimates are described in the "Critical Accounting Policies and Estimates" section of the December 31, 2017 MD&A.

Recently Adopted Accounting Standards

IFRS 9, *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9, issued by IASB. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entities business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remained generally unchanged. The new standard replaced the existing incurred loss model used for measuring the allowance for credit losses with an expected credit loss model. The standard introduced a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The Company elected to not restate comparative periods and has recognized any classification and measurement adjustments on January 1, 2018, through opening retained earnings.

On transition to IFRS 9, the Company's investment in ECAF I Ltd. through ECAF I Holdings Ltd. was classified as fair value through profit and loss, as a result the accrued interest previously recognized using the effective interest method for amortized cost investments has been reversed, and the Company recognized a fair value adjustment. In addition, the Company increased the allowance for credit losses as a result of the transition to the expected loss model, including an allowance for loans to 19th Capital Group LLC. The impact of these two changes has been recognized through opening retained earnings. The Company has adopted hedge accounting under IFRS 9 and there were no adjustments to the Company's Interim Financial Statements and did not have a material impact on our accounting policies.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

Effective January 1, 2018, the Company adopted IFRS 15, issued by IASB. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. The adoption of this standard did not result in any adjustments to the Company's interim financial statements and did not have a material impact on our accounting policies.

Future Accounting Changes

All accounting standards effective for periods beginning on or after January 1, 2018 have been adopted by the Company. The following new IFRS pronouncements have been issued but are not yet effective and may have a future impact on the Company's financial statements.

IFRS 16, Leases (“IFRS 16”), will replace IAS 17, Leases (“IAS 17”). IFRS 16 substantially carry forward IAS 17 accounting requirements for lessor accounting, with additional disclosure requirements. For lessee accounting, the new standard will result in almost all leases being accounted for similar to finance leases under IAS 17, including leases previously accounted for as operating leases. IFRS 16 is to be effective for fiscal years beginning on or after January 1, 2019. Management is currently evaluating the potential impact that the adoption of IFRS 16 will have on the Company's consolidated financial statements but expects the impact to be immaterial.

Changes in accounting policies

This section should be read as a modification to the accounting policies and estimates disclosed in the MD&A for the year ended December 31, 2017:

Allowance for credit losses

IFRS 9 replaces the incurred loss model with the forward-looking expected credit loss (“ECL”) model. The Company is required to assess and segment its loan portfolio into financially healthy with no sign of increased credit risk (Stage 1), increased credit risk but not credit-impaired (Stage 2), and credit-impaired (Stage 3) categories at each consolidated statement of financial position date. Loans are categorized as Stage 2 when either their internal credit rating has declined significantly or when the loan has been delinquent for greater than 60 days. Loans in Stage 1 are applied an ECL over the next twelve months. For loans within Stage 2, the Company records an ECL over the remaining life of the loan. Internal risk rating changes and delinquencies are used by the Company to determine when there has been a significant increase or decrease in credit risk of a loan. The Company has elected as an accounting policy choice to apply the simplified approach to lease receivables and trade receivables to apply lifetime ECL at all times.

ECLs are calculated based on a four probability-weighted scenarios (a base case, an upside, a mild downside, and a more extreme downside). Each of these is associated with different probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”). ECL is then calculated under each scenario and weighted by probabilities assigned to each scenario; probability weights are assessed at each reporting period. Forward looking macroeconomic information is incorporated such as changes in GDP on PD and changes in used vehicle index on LGD.

Contractual delinquencies over 120 days are automatically considered defaulted accounts, Stage 3, and are fully provisioned net of any anticipated recoveries and are presented at their net realizable value on the statement of financial position. Accounts are also considered for transfer to Stage 3 when internal or external credit ratings indicate a default, a material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral, or when the borrower has filed for bankruptcy or creditor protection. A borrower is considered cured and moved out of Stage 3 when none of these conditions are present for six consecutive months. Loans are charged-off when the Company has stopped pursuing the recovery.

The adoption of IFRS 9 does not have a direct impact on the net charge-off rate of the Company's loans and receivables which is driven by customers' credit profile and behaviour.

Derivatives financial instruments and hedge accounting

The hedge accounting standards under IFRS 9 align the accounting for hedging instruments more closely to the Company's risk management practices. All hedging relationships that were designated under IAS 39 as of December 31, 2017 met the criteria for hedge accounting under IFRS 9.

Financial assets and liabilities

The Company recognizes financial assets and liabilities initially at fair value and subsequently measures at either fair value or amortized cost based on their classification under IFRS 9 as described below.

Fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities that the Company purchases or incurs, respectively, with the intention of generating earnings in the near term are classified as FVTPL. Such assets and liabilities are initially recognized on the consolidated statement of financial position at fair value, with any subsequent changes to fair value recognized through the consolidated statement of operations. Transaction costs as incurred are recognized in the consolidated statement of operations.

Amortized cost

Financial assets held to collect contractual cash flows (in the form of payment of principal and interest earned on the principal outstanding) are classified as amortized cost. The assets are initially recognized at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

Impact of transition to IFRS 9

The following table shows the pre-transition IAS 39 and post-transition IFRS 9 classification and measurement categories, and reconciles the IAS 39 and IFRS 9 carrying amounts for finance receivables and other financial assets as at January 1, 2018 as a result of adopting IFRS 9:

	IAS 39 Measurement category	IFRS 9 Measurement category	IAS 39 carrying value as at December 31, 2017	Reclassification	Remeasurement	IFRS 9 Carrying value as at January 1, 2018
			\$	\$	\$	\$
Financial Assets						
ECAF	Amortized cost	FVTPL	130,588	(8,303)	(9,164)	113,121
Finance receivables	Amortized cost	Amortized cost	12,768,133	—	(68,854)	12,699,279
Total pre-tax impact of IFRS 9 adoption			12,898,721	(8,303)	(78,018)	12,812,400
Total after-tax Retained earnings			248,843	(6,300)	(59,004)	183,539
Total after-tax Shareholders' Equity			3,740,083	(6,300)	(59,004)	3,674,779

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) are responsible for designing disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible to design, or cause to be designed under their supervision, internal controls over financial reporting to a standard that provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

It should be noted that while the Company’s CEO and CFO believe that the Company’s internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company’s control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place which includes the continuous testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.



Selected Quarterly Consolidated Financial Information and Financial Ratios

The table below sets out key financial metrics that show operating results together with related per share figures:

(in \$000's for stated values, except ratios and per share amounts)	As at and for the three-month periods ended			As at and for the nine-month periods ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net revenue	\$ 221,255	\$ 219,440	\$ 236,284	\$ 652,038	\$ 722,239
Net income (loss)	\$ (341,105)	\$ 79,096	\$ 67,175	\$ (240,250)	\$ 156,107
Total assets	\$ 17,510,184	\$ 18,477,584	\$ 17,626,721	\$ 17,510,184	\$ 17,626,721
Total debt	\$ 13,293,327	\$ 13,899,399	\$ 13,217,877	\$ 13,293,327	\$ 13,217,877
Earnings (loss) per share					
Basic	\$ (0.93)	\$ 0.18	\$ 0.15	\$ (0.72)	\$ 0.33
Diluted	\$ (0.93)	\$ 0.18	\$ 0.15	\$ (0.72)	\$ 0.32
Dividends declared, per share					
Common share	\$ 0.07500	\$ 0.07500	\$ 0.07500	\$ 0.22500	\$ 0.22500
Preferred Shares, Series A	\$ 0.41250	\$ 0.41250	\$ 0.41250	\$ 1.23750	\$ 1.23750
Preferred Shares, Series C	\$ 0.40625	\$ 0.40625	\$ 0.40625	\$ 1.21875	\$ 1.21875
Preferred Shares, Series E	\$ 0.40000	\$ 0.40000	\$ 0.40000	\$ 1.20000	\$ 1.20000
Preferred Shares, Series G	\$ 0.40625	\$ 0.40625	\$ 0.40625	\$ 1.21875	\$ 1.21875
Preferred Shares, Series I	\$ 0.35938	\$ 0.35938	\$ 0.58288	\$ 1.07813	\$ 0.58288

IFRS to Non-IFRS Reconciliations

The following table provides a reconciliation of IFRS to non-IFRS measures related to the consolidated operations of the Company:

(in \$000's for stated values)		As at and for the three-month periods ended			As at and for the nine-month periods ended	
		September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Reported and adjusted income measures						
Net income (loss)	A	(341,105)	79,096	67,175	(240,250)	156,107
Adjustments:						
Amortization of debenture synthetic discount		3,537	3,480	3,313	10,441	9,779
Share-based compensation		8,867	5,191	5,800	18,605	15,425
Amortization of intangible assets from acquisitions		10,442	11,936	13,975	34,249	43,569
Restructuring and transformation costs		35,000	1,306	1,059	77,117	68,420
Impairment of loans to 19 th Capital		480,000	—	—	480,000	—
Provision (recovery) of income taxes		(118,650)	(3,046)	16,032	(124,454)	10,425
Share of loss from and provision in equity accounted investments		20,000	4,601	9,108	34,905	60,227
Before-tax adjusted operating income	B	98,091	102,564	116,462	290,613	363,952
Provision for taxes applicable to adjusted operating income	C	17,658	18,461	24,725	49,847	72,437
After-tax adjusted operating income	D=B-C	80,433	84,103	91,737	240,766	291,515
Cumulative preferred share dividends during the period	Y	11,068	11,068	11,068	33,205	30,233
After-tax adjusted operating income attributable to common shareholders	D1=D-Y	69,365	73,035	80,669	207,561	261,282
Selected statement of financial position amounts						
Finance receivables, before allowance for credit losses	E	13,078,725	13,493,152	12,891,506	13,078,725	12,891,506
Allowance for credit losses	F	549,798	76,362	5,833	549,798	5,833
Earning assets						
Net investment in finance receivable	G	11,502,463	12,080,720	11,458,342	11,502,463	11,458,342
Equipment under operating leases	H	1,677,911	1,654,130	1,524,674	1,677,911	1,524,674
Other earning assets	H1	—	—	122,346	—	122,346
Total earning assets	I=G+H+H1	13,180,374	13,734,850	13,105,362	13,180,374	13,105,362
Average earning assets, net	J	13,547,614	13,515,353	13,274,291	13,339,754	13,527,936
Goodwill and intangible assets	K	2,062,097	2,100,529	2,014,689	2,062,097	2,014,689
Average goodwill and intangible assets	L	2,080,843	2,077,205	2,037,996	2,075,952	2,108,038
Secured borrowings	M	12,401,398	13,012,889	12,347,134	12,401,398	12,347,134
Unsecured convertible debentures	N	891,929	886,510	870,743	891,929	870,743
Total debt	O=M+N	13,293,327	13,899,399	13,217,877	13,293,327	13,217,877
Average debt	P	13,696,839	13,696,839	13,594,588	13,506,720	13,851,994
Total shareholders' equity	Q	3,452,681	3,877,569	3,786,193	3,452,681	3,786,193
Preferred shares	R	680,412	680,412	680,412	680,412	680,412
Common shareholders' equity	S=Q-R	2,772,269	3,197,157	3,105,781	2,772,269	3,105,781
Average common shareholders' equity	T	3,078,468	3,128,845	3,179,576	3,090,327	3,340,822
Average total shareholders' equity	U	3,758,879	3,809,256	3,860,168	3,770,739	3,947,857

Non-IFRS and IFRS key annualized consolidated operating ratios and per share information of the continuing operations of the Company:

(in \$000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended			As at and for the nine-month periods ended	
		September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Key annualized operating ratios						
Leverage ratios (1)						
Financial leverage ratio	O/Q	3.85	3.58	3.49	3.85	3.49
Tangible leverage ratio	O/(Q-K)	9.56	7.82	7.46	9.56	7.46
Average financial leverage ratio	P/U	3.64	3.60	3.52	3.58	3.51
Average tangible leverage ratio	P/(U-L)	8.16	7.91	7.46	7.97	7.53
Other key operating ratios						
Allowance for credit losses as a percentage of finance receivables	F/E	4.20%	0.57%	0.05%	4.20%	0.05%
Adjusted operating income on average earning assets	B/J	2.93%	3.04%	3.51%	2.90%	3.59%
After-tax adjusted operating income on average tangible total equity	D/(U-L)	19.17%	19.42%	20.14%	18.94%	21.13%
Per share information						
Number of shares outstanding	V	380,356	380,356	380,011	380,356	380,011
Weighted average number of shares outstanding (basic)	W	380,639	380,452	384,939	380,483	387,194
Pro forma diluted average number of shares outstanding	X	438,941	438,754	442,222	438,785	444,477
Cumulative preferred share dividends during the period	Y	\$ 11,068	\$ 11,068	\$ 11,068	\$ 33,205	\$ 30,233
Other effects of dilution adjusted operating income basis	Z	\$ 9,095	\$ 9,095	\$ 9,041	\$ 18,172	\$ 27,070
Net income (loss) per share (basic)	(A-Y)/W	\$ (0.93)	\$ 0.18	\$ 0.15	\$ (0.72)	\$ 0.33
Net income (loss) per share (diluted)		\$ (0.93)	\$ 0.18	\$ 0.15	\$ (0.72)	\$ 0.32
Book value per share	S/V	\$ 7.29	\$ 8.41	\$ 8.17	\$ 7.29	\$ 8.17
Before tax adjusted operating income per share (basic)	(B-Y)/W	\$ 0.23	\$ 0.24	\$ 0.27	\$ 0.68	\$ 0.86
After-tax adjusted operating income per share (basic)	(D1)/W	\$ 0.18	\$ 0.19	\$ 0.21	\$ 0.55	\$ 0.67
After-tax pro forma diluted adjusted operating income per share	(D1+Z)/X	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.51	\$ 0.65

(1) As part of the strategic review and concurrently with the announcement on October 1, 2018, the Company issued common shares for net proceeds of \$286.3 million. Including these proceeds in the leverage ratios calculated at September 30, 2018, result in a proforma financial leverage ratio of 3.56 and a proforma tangible leverage ratio of 7.93.



Management Discussion and Analysis – September 30, 2018

The following table provides a reconciliation of the consolidated after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the continuing operations of the Company for the three-month period ended September 30, 2018:

(in \$000's for stated values, except per share amounts)	Amount \$	Weighted average number of shares outstanding applicable	Amount per share \$
Adjusted operating income before taxes	98,091		0.26
Less:			
Income taxes related to adjusted operating income	(17,658)		(0.05)
Preferred share dividends	(11,068)		(0.03)
After-tax adjusted operating income attributable to common shareholders	69,365	380,639	0.18
Dilution items:			
Employee stock option plan	—	209	—
Convertible debentures (after-tax net interest expense)	9,095	58,093	—
After-tax pro forma diluted adjusted operating income	78,460	438,941	0.18

Description of Non-IFRS Measures

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the accounting policies we adopted in accordance with IFRS. These consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at September 30, 2018 and December 31, 2017, the results of operations, comprehensive income and cash flows for the three and nine-month periods ended September 30, 2018 and September 30, 2017.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company’s operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted operating expenses

Adjusted operating expenses are equal to salaries, wages and benefits and, general and administration expenses. Management believes adjusted operating expenses provide the most appropriate measure of operating costs during the period as they exclude synthetic discount amortization and share-based compensation.

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects Income before income taxes, costs from non-recurring unusual activities such as business acquisitions or major restructuring, amortization of convertible debenture synthetic discount, share-based compensation, and non-cash income or loss from equity investments. Management believes that this measure is the most appropriate operating measure of the Company’s performance as it excludes unusual non-recurring costs, synthetic discount amortization, share-based compensation, and non-cash income or loss from equity investments which do not relate to maintaining operating activities.

Adjusted operating income on average earning assets

Adjusted operating income on average earning assets is the adjusted operating income for the period divided by the average earning assets outstanding throughout the period, presented on an annualized basis.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company’s effective tax rates.

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income per share

After-tax adjusted operating income per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of common shares outstanding during the period.

After-tax adjusted operating income on average tangible total equity of Element Fleet

After-tax adjusted operating income on average tangible equity of Element Fleet is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets and less the Company's average net investment in ECN Capital, presented on an annualized basis.

After-tax pro forma diluted adjusted operating income per share

After-tax pro forma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution adjusted operating income basis added to the adjusted operating income, if they are dilutive.

Allowance for credit losses as a percentage of finance receivables

Allowance for credit losses as a percentage of finance receivables is the allowance for credit losses at the end of the period divided by the finance receivables (gross of the allowance for credit losses) at the end of the period.

Average cost of borrowing or average cost of debt

Average cost of borrowing or average cost of debt is equal to interest expense divided by the average debt outstanding during the period and is presented on an annualized basis. The average cost of borrowing provides an indication of the average interest rate that the Company pays on debt financing.

Average debt advance rate

Debt advance rate is computed as average debt outstanding divided by average earning assets during the period.

Average debt outstanding

Average debt outstanding is calculated as the monthly average borrowings outstanding under all of the Company's secured borrowings facilities and convertible debentures throughout the period.

Average common shareholders' equity

Average common shareholders' equity is calculated as the monthly average common shareholders' equity during the period.

Average financial leverage or average financial leverage ratio

Average financial leverage or average financial leverage ratio is calculated as average debt outstanding during the period, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and or existing debt covenants.

Average outstanding earning assets or average earning assets

Average outstanding earning assets or average earning assets is the sum of the average outstanding finance receivable, average equipment under operating leases and average other earning assets. Average outstanding finance receivables or average finance receivables is the sum of (i) the average finance receivables net investment balance (gross investment less unearned income) outstanding during the period and (ii) the average investment in managed fund during the period when it qualifies as an earning asset. Average equipment under operating leases is the monthly average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation. Average other earning assets is the monthly average of other earning assets outstanding during the period.

Average goodwill and intangible assets

Average goodwill and intangible assets is the monthly average balances of goodwill and intangible assets during the period.

Average shareholders' equity

Average shareholders' equity is calculated as the monthly average balances of shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average secured borrowings and average convertible debentures, divided by the net of total average shareholders' equity less average goodwill and intangible assets during the period.

Common shareholders' equity

Common shareholders' equity is total shareholders' equity less principal face value of the preferred shares outstanding.

Earning assets or total earning assets or finance earning assets

Earning assets are the sum of the total net investment in finance receivables, total carrying value of the equipment under operating leases and carrying value of other earning assets.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and total carrying value of the equipment under operating leases.

Financial leverage or financial leverage ratio

Financial leverage or financial leverage ratio is calculated as total debt (the sum of secured borrowings and convertible debentures) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Net interest and rental revenue

Net interest and rental revenue is calculated as the sum of net interest income, rental revenue net of depreciation, less interest expense. Net interest and rental revenue refers to net financing income earned from finance receivables, equipment under operating leases, and other earning assets, after considering financing costs and provision for credit losses.

Net interest and rental revenue margin or NIM

Net interest and rental revenue yield to average earning assets or NIM is calculated as net interest and rental revenue divided by average earning assets outstanding throughout the period on an annualized basis.

Operating expense ratio

The operating expense ratio is calculated as total operating expenses divided by average earning assets outstanding throughout the period on an annualized basis. The operating expense ratio is used by the Company to assess the efficiency of the management of the Company's finance receivables portfolio and equipment under operating leases.

Other earning assets

Other earning assets are other yield generating assets that are not finance receivables or equipment under operating leases.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the synthetic discount of the convertible debt (which is included on an IFRS basis).

Pro forma diluted average number of shares outstanding

Pro forma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Rental revenue, net

Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of secured borrowings and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at November 5, 2018, the Company had 426,363,268 common shares issued and outstanding, reflecting the increase from the issuance on October 11, 2018. In addition, 25,592,338 options were issued and outstanding under the Company's stock option plan as at November 5, 2018. These convertible securities are convertible into, or exercisable for common shares of the Company of which 17,741,164 are exercisable at September 30, 2018 for proceeds to the Company upon exercise of \$187.7 million. In addition, the Company had extendible convertible debentures outstanding that are convertible into an aggregate of 56,400,530 common shares.

As at November 5, 2018, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E, 6,900,000 Preferred Shares, Series G and 6,000,000 Preferred Shares, Series I issued and outstanding.

This Management Discussion and Analysis is dated as of the close of business on November 5, 2018.