

Interim Condensed Consolidated Financial Statements

**Element Fleet Management Corp.**

September 30, 2019

**Element Fleet Management Corp.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(unaudited, in thousands of Canadian dollars)

	As at September 30, 2019	As at December 31, 2018
	\$	\$
<b>ASSETS</b>		
Cash	41,201	21,999
Restricted funds (note 7)	465,383	504,454
Finance receivables (notes 3 and 16)	12,220,064	13,203,588
Equipment under operating leases (note 4)	2,252,991	2,161,663
Accounts receivable and other assets	198,586	284,695
Derivative financial instruments (note 16)	50,183	34,752
Property, equipment and leasehold improvements, net	148,043	60,969
Investments (notes 5 and 16)	23,122	124,353
Intangible assets, net	809,828	854,433
Deferred tax assets	386,316	410,864
Goodwill	1,268,345	1,302,236
	<u>17,864,062</u>	<u>18,964,006</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	907,508	706,720
Derivative financial instruments (note 16)	53,857	68,467
Secured borrowings (notes 7 and 16)	12,153,652	13,270,780
Convertible debentures (notes 8 and 16)	715,399	897,435
Deferred tax liabilities	45,216	45,119
	<u>13,875,632</u>	<u>14,988,521</u>
<b>Shareholders' equity (note 9)</b>	<u>3,988,430</u>	<u>3,975,485</u>
	<u>17,864,062</u>	<u>18,964,006</u>

*See accompanying notes*

On behalf of the Board:



Director



Director

**Element Fleet Management Corp.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited, in thousands of Canadian dollars, except for per share amounts)

	<b>Three-month period ended September 30, 2019</b>	Three-month period ended September 30, 2018
	<b>\$</b>	\$
<b>NET REVENUE</b>		
Interest income, net (note 11)	<b>157,633</b>	168,796
Rental revenue and other (note 11)	<b>183,270</b>	150,904
Depreciation of equipment under operating leases (note 4)	<b>(118,767)</b>	(101,988)
	<b>222,136</b>	217,712
Interest expense	<b>121,605</b>	112,723
Net financing revenue	<b>100,531</b>	104,989
Fleet service revenue (note 11)	<b>133,034</b>	121,319
Direct costs of fixed rate service contracts (note 11)	<b>(10,853)</b>	(11,460)
Servicing income, net	<b>122,181</b>	109,859
Syndication revenue, net (note 11)	<b>23,084</b>	6,407
Net revenue	<b>245,796</b>	221,255
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	<b>79,904</b>	81,464
General and administrative expenses	<b>27,765</b>	35,504
Depreciation and amortization (note 15)	<b>10,477</b>	6,196
Amortization of convertible debenture discount (note 8)	<b>2,504</b>	3,537
Share-based compensation (note 10)	<b>4,360</b>	8,867
Impairment on loans to 19 <sup>th</sup> Capital (note 6)	<b>—</b>	480,000
	<b>125,010</b>	615,568
<b>OTHER EXPENSES</b>		
Amortization of intangible assets from acquisitions	<b>8,948</b>	10,442
Restructuring and transformation costs (note 17)	<b>34,055</b>	35,000
	<b>43,003</b>	45,442
Loss on investments (note 5)	<b>240</b>	20,000
Income (loss) before income taxes from operations	<b>77,543</b>	(459,755)
Provision for (recovery of) income taxes	<b>7,398</b>	(118,650)
<b>Net income (loss) for the period</b>	<b>70,145</b>	(341,105)
Basic earnings (loss) per share (note 12)	<b>\$ 0.14</b>	\$ (0.93)
Diluted earnings (loss) per share (note 12)	<b>\$ 0.13</b>	\$ (0.93)

*See accompanying notes*

**Element Fleet Management Corp.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited, in thousands of Canadian dollars, except for per share amounts)

	<b>Nine-month period ended September 30, 2019</b>	Nine-month period ended September 30, 2018
	<b>\$</b>	<b>\$</b>
<b>NET REVENUE</b>		
Interest income, net (note 11)	491,916	491,966
Rental revenue and other (note 11)	559,411	438,062
Depreciation of equipment under operating leases (note 4)	<b>(360,893)</b>	(299,249)
	<b>690,434</b>	630,779
Interest expense	<b>379,471</b>	325,880
Net financing revenue	<b>310,963</b>	304,899
Fleet service revenue (note 11)	<b>398,384</b>	371,862
Direct costs of fixed rate service contracts (note 11)	<b>(33,793)</b>	(34,341)
Servicing income, net	<b>364,591</b>	337,521
Syndication revenue, net (note 11)	<b>62,039</b>	9,618
Net revenue	<b>737,593</b>	652,038
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	244,551	245,800
General and administrative expenses	86,155	98,177
Depreciation and amortization (note 15)	31,307	17,448
Amortization of convertible debenture discount (note 8)	10,651	10,441
Share-based compensation (note 10)	14,940	18,605
Impairment on loans to 19 <sup>th</sup> Capital (note 6)	—	480,000
	<b>387,604</b>	870,471
<b>OTHER EXPENSES</b>		
Amortization of intangible assets from acquisitions	27,236	34,249
Restructuring and transformation costs (note 17)	62,742	77,117
	<b>89,978</b>	111,366
Loss on investments (note 5)	1,332	34,905
Income (loss) before income taxes from operations	<b>258,679</b>	(364,704)
Provision for (recovery of) income taxes	44,000	(124,454)
<b>Net income (loss) for the period</b>	<b>214,679</b>	(240,250)
Basic earnings (loss) per share (note 12)	<b>\$ 0.42</b>	\$ (0.72)
Diluted earnings (loss) per share (note 12)	<b>\$ 0.41</b>	\$ (0.72)

*See accompanying notes*

**Element Fleet Management Corp.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited, in thousands of Canadian dollars)

	<b>Three-month period ended September 30, 2019</b>	Three-month period ended September 30, 2018
	<b>\$</b>	\$
<b>Net income (loss) for the period</b>	<b>70,145</b>	(341,105)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow and foreign exchange hedges income (loss)	<b>125</b>	(4,161)
Net unrealized foreign exchange income (loss)	<b>7,460</b>	(44,374)
	<b>7,585</b>	(48,535)
Provision for (recovery of) income taxes	<b>46</b>	(1,440)
<b>Total other comprehensive income (loss)</b>	<b>7,539</b>	(47,095)
<b>Comprehensive income (loss) for the period</b>	<b>77,684</b>	(388,200)

*See accompanying notes*

**Element Fleet Management Corp.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited, in thousands of Canadian dollars)

	<b>Nine-month period ended September 30, 2019</b>	Nine-month period ended September 30, 2018
	<b>\$</b>	\$
<b>Net income (loss) for the period</b>	<b>214,679</b>	(240,250)
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow and foreign exchange hedges (loss) gain	(2,110)	12,388
Net unrealized foreign exchange (loss) gain	(137,813)	117,796
	(139,923)	130,184
Recovery of income taxes	(2,071)	(661)
<b>Total other comprehensive (loss) income</b>	<b>(137,852)</b>	130,845
<b>Comprehensive income (loss) for the period</b>	<b>76,827</b>	(109,405)

*See accompanying notes*

**Element Fleet Management Corp.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(unaudited, in thousands of Canadian dollars)

	Common share capital	Preferred share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings / (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	3,092,010	680,412	46,200	75,805	(175,426)	256,484	3,975,485
Impact on adopting IFRS 16 (notes 2 and 15)	—	—	—	—	1,958	—	1,958
Restated opening balance under IFRS 16	3,092,010	680,412	46,200	75,805	(173,468)	256,484	3,977,443
Comprehensive income (loss) for the period	—	—	—	—	214,679	(137,852)	76,827
Dividends - Preferred shares (note 9)	—	—	—	—	(33,399)	—	(33,399)
Dividends - Common shares (note 9)	—	—	—	—	(58,473)	—	(58,473)
Options exercised (notes 9 and 10)	10,977	—	—	(7,647)	—	—	3,330
Issuance of shares, net of share issue costs (note 9)	6,577	—	—	—	—	—	6,577
Issuance of convertible debentures (note 8)	—	—	18,544	—	—	—	18,544
Deferred income taxes on equity component of convertible debentures	—	—	(4,812)	—	—	—	(4,812)
Employee stock option expense (note 10)	—	—	—	2,393	—	—	2,393
Balance, September 30, 2019	3,109,564	680,412	59,932	70,551	(50,661)	118,632	3,988,430
Balance, December 31, 2017	2,755,536	680,412	46,200	69,450	248,843	(60,358)	3,740,083
Impact on adopting IFRS 9	—	—	—	—	(65,304)	—	(65,304)
Restated opening balance under IFRS 9	2,755,536	680,412	46,200	69,450	183,539	(60,358)	3,674,779
Comprehensive (loss) income for the period	—	—	—	—	(240,250)	130,845	(109,405)
Dividends - Preferred shares (note 9)	—	—	—	—	(33,205)	—	(33,205)
Dividends - Common shares (note 9)	—	—	—	—	(85,595)	—	(85,595)
Net taxes on dividends paid	—	—	—	—	(898)	—	(898)
Options exercised (notes 9 and 10)	2,440	—	—	(1,467)	—	—	973
Employee stock option expense (note 10)	—	—	—	6,032	—	—	6,032
Balance, September 30, 2018	2,757,976	680,412	46,200	74,015	(176,409)	70,487	3,452,681

*See accompanying notes*

**Element Fleet Management Corp.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited, in thousands of Canadian dollars)

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	214,679	(240,250)
Items not affecting cash		
Share-based compensation (note 10)	2,393	6,032
Depreciation of property, equipment and leasehold improvements	20,441	10,378
Amortization of intangible assets, including from acquisitions	38,102	41,319
Amortization of deferred lease costs	23,064	18,092
Amortization of deferred financing costs	31,304	33,042
Depreciation of equipment under operating leases (note 4)	360,893	299,249
Amortization of convertible debenture discount and deferred costs (note 8)	16,407	16,012
Impairment on loans to 19 <sup>th</sup> Capital (note 6)	—	480,000
Loss on investments	1,332	34,905
Provision for credit losses	1,399	580
	<u>710,014</u>	<u>699,359</u>
Changes in non-cash operating assets and liabilities		
Investment in finance receivables	(4,771,115)	(3,972,379)
Repayments of finance receivables	3,354,904	3,441,279
Investment in equipment under operating leases	(854,885)	(693,102)
Proceeds on disposal of equipment under operating leases	267,756	232,070
Syndications of finance receivables	1,950,405	461,953
Other non-cash operating assets and liabilities	39,557	(86,321)
<b>Cash provided by operating activities</b>	<u>696,636</u>	<u>82,859</u>
<b>INVESTING ACTIVITIES</b>		
Investments	(338)	(13,813)
Sale of ECAF I Holdings Ltd.	97,476	—
Purchase of property, equipment and leasehold improvements	(26,983)	(6,460)
Proceeds on disposals of property, equipment and leasehold improvements, and intangible assets	28,034	4,498
Purchase of intangible assets	(12,630)	(21,340)
Decrease in notes receivable	3,720	6,352
<b>Cash provided by (used in) investing activities</b>	<u>89,279</u>	<u>(30,763)</u>
<b>FINANCING ACTIVITIES</b>		
Cash payments for principal portion of lease liability	(8,012)	—
Cash payments for interest portion of lease liability	(1,871)	—
Decrease in restricted funds	25,637	54,234
Increase in deferred financing costs	(21,536)	(17,864)
Issuance of share capital, net	9,907	973
(Repayments) issuance of secured borrowings, net	(510,554)	2,957
Dividends paid	(85,295)	(118,800)
Repayment of 2014 convertible debenture	(345,000)	—
Issuance of 2019 convertible debenture	172,500	—
<b>Cash used in financing activities</b>	<u>(764,224)</u>	<u>(78,500)</u>
<b>Effects of foreign exchange rates on cash</b>	(2,489)	260
<b>Net increase (decrease) in cash during the period</b>	19,202	(26,144)
Cash, beginning of the period	21,999	76,637
<b>Cash, end of the period</b>	<u>41,201</u>	<u>50,493</u>
<b>Supplemental cash flow information:</b>		
Cash taxes paid	36,348	37,706
Cash interest paid	347,284	315,952

*See accompanying notes*

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

(unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts)

**1. CORPORATE INFORMATION**

Element Fleet Management Corp. ("Element", "EFN" or the "Company"), was incorporated under the *Business Corporations Act (Ontario)* on May 11, 2007 and commenced operations on that date. The registered office of the Company is 161 Bay Street, Suite 3600, Toronto, Ontario. The Company is a public corporation traded on the Toronto Stock Exchange (the "TSX") under the symbol "EFN".

Element is a publicly traded fleet management company with approximately \$17.9 billion in assets and operations in the US, Canada, Mexico, Australia and New Zealand. Element is a leading global fleet management company, providing world-class services and financings for commercial vehicle and equipment fleets, serving 50 countries worldwide through the Element-Arval Global Alliance. EFN provides a comprehensive range of fleet services that span the total lifecycle, from vehicle acquisition and financing to program management and remarketing – helping more than 4,000 clients optimize their fleet performance and productivity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018, which includes information necessary or useful in understanding the Company's business and financial statement presentation. The results reported in these unaudited interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 6, 2019.

**Accounting policies**

These unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting policies disclosed in the consolidated financial statements for the year ended December 31, 2018, except as discussed below.

**Syndication**

The Company periodically syndicates certain finance receivables to third party financial institutions. At the time the finance receivables are syndicated, the net book value of the asset is removed from the statement

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of financial position and the associated revenue and expenses are recognized immediately in the statement of operations within the Syndication revenue, net line item.

**Fair value hedges**

The Company designates fair value hedges as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are included in net income. Changes in fair value from the hedging derivatives are also included in net income. Any differences between the two represent hedge ineffectiveness that is included in other income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the basis adjustment applied to the hedged item is amortized over the remaining term of the hedged item. If the hedged item is derecognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of operations.

**Recently adopted accounting standards**

IFRS Interpretation Committee IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23")

Effective January 1, 2019, the Company adopted IFRIC 23 which was issued in June 2017. IFRIC 23 was applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments including whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. Adoption of IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, issued by the IASB, using the modified retrospective method with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings. This adoption methodology does not require restatement of prior periods. In addition, the Company elected the practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Company to carry forward the historical lease classification and allowed the use of hindsight to determine the lease term for existing leases. In the application of hindsight, the Company evaluated its current real estate strategies, which resulted in the determination that certain renewal terms would likely be exercised and were therefore included in the expected lease term when calculating the lease liability and right of use asset. As a result, the recorded lease liability at adoption was higher than the lease commitments disclosed in the Company's December 31, 2018 audited annual financial statements.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
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lease payments. This resulted in the recording of additional lease assets and lease liabilities of approximately \$79,700 as of January 1, 2019. Lessor accounting under the new standard was mostly left unchanged and did not impact the Company's vehicle leases with its clients. The adoption of this standard did not materially impact the Company's unaudited interim condensed consolidated operations and had no impact on cash flows.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

**Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

**Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

**Changes in the presentation of the unaudited interim condensed consolidated statements of operations and geographic location**

During the first quarter, the Company modified the presentation and classification of the Net revenue section within the unaudited interim condensed consolidated statements of operations with the overarching principle of disaggregating revenue into three distinct revenue streams: 1) financing revenue, 2) syndication revenue, and 3) servicing revenue.

The primary reclassifications are as follows:

- Reclassification of gain on sale of disposition of equipment under operating leases from Service revenue and other to Rental revenue and other,
- Reclassification of syndication revenue from Service revenue and other to its own line item,
- Reclassification of certain US financing leases to Equipment under operating leases, and
- Reclassification of certain contract costs from Interest income, net to Servicing income, net.

Additionally, the Company modified its geographic locations from the US, Canada, and Other to the US and Canada, Australia and New Zealand, and Mexico to align with how management operates and evaluates the business.

The changes in presentation have been applied retrospectively to the 2018 comparative amounts in the unaudited interim condensed consolidated statements of financial position, operations, and cash flows and the geographic locations disclosed in the following notes to the unaudited interim condensed consolidated financial statements.

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(unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts)

The following tables illustrate the reclassifications of the Company's unaudited interim condensed consolidated financial statements for the periods noted.

Interim condensed consolidated statement of operations

	Three months ended September 30, 2018		
	As previously reported	Adjustments	As reclassified
	\$	\$	\$
Interest income, net	167,783	1,013	168,796
Rental revenue and other	134,448	16,456	150,904
Depreciation of equipment under operating leases	(99,687)	(2,301)	(101,988)
	202,544	15,168	217,712
Interest expense	112,723	—	112,723
Net financing revenue	89,821	15,168	104,989
Fleet service revenue	142,894	(21,575)	121,319
Direct costs of fixed rate service contracts	(11,460)	—	(11,460)
Servicing income, net	131,434	(21,575)	109,859
Syndication revenue, net	—	6,407	6,407
Net revenue	221,255	—	221,255

	Nine months ended September 30, 2018		
	As previously reported	Adjustments	As reclassified
	\$	\$	\$
Interest income, net	490,254	1,712	491,966
Rental revenue and other	390,117	47,945	438,062
Depreciation of equipment under operating leases	(293,299)	(5,950)	(299,249)
	587,072	43,707	630,779
Interest expense	325,880	—	325,880
Net financing revenue	261,192	43,707	304,899
Fleet service revenue	425,187	(53,325)	371,862
Direct costs of fixed rate service contracts	(34,341)	—	(34,341)
Servicing income, net	390,846	(53,325)	337,521
Syndication revenue, net	—	9,618	9,618
Net revenue	652,038	—	652,038

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
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(unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts)

Interim condensed consolidated statement of financial position

	As at December 31, 2018		
	As previously reported	Adjustments	As reclassified
	\$	\$	\$
Finance receivables	13,231,146	(27,558)	13,203,588
Equipment under operating leases	2,134,105	27,558	2,161,663

Interim condensed consolidated statement of cash flows

	Nine months ended September 30, 2018		
	As previously reported	Adjustments	As reclassified
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Items not affecting cash			
Depreciation of equipment under operating leases	293,299	5,950	299,249
Changes in non-cash operating assets and liabilities			
Investment in finance receivables	(4,046,685)	74,306	(3,972,379)
Repayments of finance receivables	3,454,048	(12,769)	3,441,279
Investment in equipment under operating leases	(625,615)	(67,487)	(693,102)
Proceeds on disposal of equipment under operating leases	179,622	52,448	232,070
Syndications of finance receivables	514,401	(52,448)	461,953

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

(unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts)

**3. FINANCE RECEIVABLES**

The following tables present finance receivables based on the ultimate obligor's location:

	September 30, 2019			
	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$
Minimum lease payments	10,669,490	250,754	161,047	11,081,291
Unguaranteed residual values	1,846	58,489	—	60,335
Gross investment	10,671,336	309,243	161,047	11,141,626
Unearned income	(966,808)	(39,585)	—	(1,006,393)
<b>Net investment</b>	<b>9,704,528</b>	<b>269,658</b>	<b>161,047</b>	<b>10,135,233</b>
Net realizable value of impaired receivables	53,132	1,776	—	54,908
Unamortized deferred costs and subsidies	(109,698)	—	—	(109,698)
Prepaid lease payments and security deposits	(21,102)	(217)	(27,575)	(48,894)
Interim fundings	1,159,962	—	28,823	1,188,785
Fleet management service receivables	631,245	37,342	19,936	688,523
Other receivables	189,727	72,274	57,016	319,017
Allowance for credit losses (Subsection C)	(5,822)	(1,136)	(852)	(7,810)
<b>Total finance receivables</b>	<b>11,601,972</b>	<b>379,697</b>	<b>238,395</b>	<b>12,220,064</b>

  

	December 31, 2018			
	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$
Minimum lease payments	12,228,537	258,052	109,587	12,596,176
Unguaranteed residual values	4,704	72,435	—	77,139
Gross investment	12,233,241	330,487	109,587	12,673,315
Unearned income	(1,128,602)	(43,555)	—	(1,172,157)
Net investment	11,104,639	286,932	109,587	11,501,158
Net realizable value of impaired receivables	8,064	25,263	—	33,327
Unamortized deferred costs and subsidies	(106,178)	—	—	(106,178)
Prepaid lease payments and security deposits	(42,167)	(236)	(26,936)	(69,339)
Interim fundings	770,542	—	100,266	870,808
Fleet management service receivables	718,297	32,176	15,245	765,718
Other receivables	109,286	83,485	24,655	217,426
Allowance for credit losses (Subsection C)	(6,667)	(2,039)	(626)	(9,332)
<b>Total finance receivables</b>	<b>12,555,816</b>	<b>425,581</b>	<b>222,191</b>	<b>13,203,588</b>

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**A) Delinquency status of net investment in finance receivables**

The following table presents the delinquency status of the net investment in finance receivables, by contract balance:

	September 30, 2019 <sup>(1)</sup>		December 31, 2018 <sup>(1)</sup>	
	\$	%	\$	%
31-60 days past due	6,510	0.06	5,349	0.05
61-90 days past due	1,739	0.02	6,080	0.05
Greater than 90 days past due	1,467	0.01	4,286	0.04
Total past due	9,716	0.09	15,715	0.14
Current	10,125,517	99.91	11,485,443	99.86
Total net investment	10,135,233	100.00	11,501,158	100.00

1. As at September 30, 2019, \$2,279 (December 31, 2018 - \$1,157) of the total past due amounts are related to portfolios acquired in the non-core operating segment. The Company maintains a cash holdback/reserve pool or a purchase discount funded by the sellers to cover losses.

**B) Interest rate characteristics of net investment in finance receivables**

	September 30, 2019		December 31, 2018	
	Leases	Loans	Leases	Loans
Net investment	\$ 10,020,715	\$ 114,518	\$ 11,387,535	\$ 113,623
Weighted average fixed interest rate	4.69%	8.74%	4.57%	8.77%
Weighted average floating interest rate	4.62%	6.79%	5.04%	8.13%
Percentage of portfolio with fixed interest rate	47.29%	98.29%	48.35%	98.56%

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**C) Allowance for credit losses**

An analysis of the Company's allowance for credit losses under IFRS 9 is as follows:

<b>Loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at January 1, 2019	3	207	213	423
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	—	—	—
Loan originations	—	—	—	—
Changes in models and inputs, derecognition, and repayments	3	166	(169)	—
<b>Total</b>	<b>6</b>	<b>373</b>	<b>44</b>	<b>423</b>
Charge-offs, net of recoveries	—	7	—	7
Foreign exchange	—	(19)	(4)	(23)
<b>Balance at September 30, 2019</b>	<b>6</b>	<b>361</b>	<b>40</b>	<b>407</b>

  

<b>Finance leases</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at January 1, 2019	—	8,556	322	8,878
Transfer to Stage 2	—	79	(79)	—
Transfer to Stage 3	—	(652)	652	—
Lease originations	—	6,209	—	6,209
Changes in models and inputs, derecognition, and repayments	—	(4,460)	(342)	(4,802)
<b>Total</b>	<b>—</b>	<b>9,732</b>	<b>553</b>	<b>10,285</b>
Charge-offs, net of recoveries	—	(2,327)	—	(2,327)
Foreign exchange	—	(654)	(4)	(658)
<b>Balance at September 30, 2019</b>	<b>—</b>	<b>6,751</b>	<b>549</b>	<b>7,300</b>

  

<b>Fleet management service receivables</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at January 1, 2019	—	19	12	31
Provision for credit losses	—	—	(8)	(8)
Charge-offs, net of recoveries	—	64	16	80
Foreign exchange	—	—	—	—
<b>Balance at September 30, 2019</b>	<b>—</b>	<b>83</b>	<b>20</b>	<b>103</b>

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Loans	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Balance at January 1, 2018	22	65,193	340	65,555
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	—	(65,060)	65,060	—
Loan originations	—	—	—	—
Changes in models and inputs, derecognition, and repayments	(19)	15	479,622	479,618
<b>Total</b>	<b>3</b>	<b>148</b>	<b>545,022</b>	<b>545,173</b>
Charge-offs, net of recoveries <sup>(1)</sup>	—	—	(552,500)	(552,500)
Foreign exchange	—	59	7,691	7,750
<b>Balance at December 31, 2018</b>	<b>3</b>	<b>207</b>	<b>213</b>	<b>423</b>

  

Finance leases	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Balance at January 1, 2018	—	7,544	39	7,583
Transfer to Stage 2	—	31	(31)	—
Transfer to Stage 3	—	(325)	325	—
Lease originations	—	9,136	—	9,136
Changes in models and inputs, derecognition, and repayments	—	(6,850)	(5)	(6,855)
<b>Total</b>	<b>—</b>	<b>9,536</b>	<b>328</b>	<b>9,864</b>
Charge-offs, net of recoveries	—	(1,398)	—	(1,398)
Foreign exchange	—	418	(6)	412
<b>Balance at December 31, 2018</b>	<b>—</b>	<b>8,556</b>	<b>322</b>	<b>8,878</b>

  

Fleet management service receivables	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Balance at January 1, 2018	—	7	13	20
Provision for credit losses	—	13	1	14
Charge-offs, net of recoveries	—	(1)	(2)	(3)
Foreign exchange	—	—	—	—
<b>Balance at December 31, 2018</b>	<b>—</b>	<b>19</b>	<b>12</b>	<b>31</b>

1. On October 19, 2018, the Company purchased the equity interest held by its joint venture partner thereby obtaining 100% ownership and control over 19<sup>th</sup> Capital (note 6). At the time of acquisition, the loans receivable from 19<sup>th</sup> Capital were derecognized and the assets and liabilities of 19<sup>th</sup> Capital were recorded on the Company's consolidated statement of financial position at the acquisition-date fair value.

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A summary view of the Company's allowance for credit losses is as follows:

<b>Allowance for credit losses</b>	<b>Nine-month period ended</b>	<b>Year ended</b>
	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Allowance for credit losses, beginning of period	<b>9,332</b>	4,304
IFRS 9 adjustment	—	68,854
Provision for credit losses	<b>1,399</b>	1,913
Provision for 19 <sup>th</sup> Capital	—	480,000
Charge-offs, net of recoveries <sup>(1)</sup>	<b>(2,240)</b>	(553,901)
Impact of foreign exchange rates	<b>(681)</b>	8,162
<b>Allowance for credit losses, end of period</b>	<b>7,810</b>	9,332
Allowance as a percentage of finance receivables	<b>0.06%</b>	0.07%
Finance receivables in arrears (90 days and over)	<b>\$ 1,467</b>	\$ 4,286
Arrears (90 days and over) as a percentage of net investment in finance receivables	<b>0.01%</b>	0.04%

1. On October 19, 2018, the Company purchased the equity interest held by its joint venture partner thereby obtaining 100% ownership and control over 19<sup>th</sup> Capital (note 6). At the time of acquisition, the loans receivable from 19<sup>th</sup> Capital were derecognized and the assets and liabilities of 19<sup>th</sup> Capital were recorded on the Company's consolidated statement of financial position at the acquisition-date fair value.

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**D) Credit risk exposure**

The following table sets out the credit risk exposure for loans, finance leases and fleet management service receivables, and the impaired values and allowances for credit losses recorded as at September 30, 2019:

<b>Loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Internal risk rating grade</b>				
Low	11	11,598	—	11,609
Medium	25,390	7,568	—	32,958
High	—	5,724	24	5,748
Not rated	—	64,203	—	64,203
Impaired	—	—	769	769
	25,401	89,093	793	115,287
Allowance for credit losses	(6)	(361)	(40)	(407)
Net carrying value	25,395	88,732	753	114,880
<b>Finance leases</b>				
	\$	\$	\$	\$
<b>Internal risk rating grade</b>				
Low	—	6,228,011	—	6,228,011
Medium	—	3,521,524	—	3,521,524
High	—	174,336	—	174,336
Not rated	—	96,844	—	96,844
Other finance receivables	—	319,017	—	319,017
Impaired	—	—	54,139	54,139
	—	10,339,732	54,139	10,393,871
Allowance for credit losses	—	(6,751)	(549)	(7,300)
Net carrying value	—	10,332,981	53,590	10,386,571
<b>Fleet management service receivables</b>				
	\$	\$	\$	\$
Not rated	—	684,971	3,552	688,523
Allowance for credit losses	—	(83)	(20)	(103)
Net carrying value	—	684,888	3,532	688,420

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The following table sets out the credit risk exposure for loans, finance leases and fleet management service receivables, and the impaired values and allowances for credit losses recorded as at December 31, 2018:

Loans	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Internal risk rating grade				
Low	15	13,558	—	13,573
Medium	39,688	9,742	—	49,430
High	—	11,922	—	11,922
Not rated	—	38,698	—	38,698
Impaired	—	—	1,157	1,157
	39,703	73,920	1,157	114,780
Allowance for credit losses	(3)	(207)	(213)	(423)
Net carrying value	39,700	73,713	944	114,357
<hr/>				
Finance leases	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Internal risk rating grade				
Low	—	7,318,012	—	7,318,012
Medium	—	3,713,739	—	3,713,739
High	—	284,895	—	284,895
Not rated	—	70,889	—	70,889
Other finance receivables	—	217,426	—	217,426
Impaired	—	—	32,170	32,170
	—	11,604,961	32,170	11,637,131
Allowance for credit losses	—	(8,556)	(322)	(8,878)
Net carrying value	—	11,596,405	31,848	11,628,253
<hr/>				
Fleet management service receivables	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Not rated	—	763,636	2,082	765,718
Allowance for credit losses	—	(19)	(12)	(31)
Net carrying value	—	763,617	2,070	765,687

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The Company's internal risk rating grades broadly align to external ratings as follows:

<b>Internal risk rating grade</b>	<b>Standard &amp; Poor's</b>	<b>Moody's</b>
Low risk	AAA to BBB-	Aaa to Baa3
Medium risk	BB+ to B-	Ba1 to B3
High risk	CCC+ and below	Caa1 and below
Impaired receivables	Default	Default

**4. EQUIPMENT UNDER OPERATING LEASES**

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its unaudited interim condensed consolidated statements of financial position. The lease payments received are recognized in income as rental revenue.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Cost	<b>3,039,333</b>	2,922,965
Accumulated depreciation	<b>786,342</b>	761,302
Net carrying amount	<b>2,252,991</b>	2,161,663

**5. INVESTMENTS**

	<b>December 31, 2018</b>	<b>(Disposal or acquisition</b>	<b>(Loss) income</b>	<b>Foreign exchange loss</b>	<b>September 30, 2019</b>
	\$	\$	\$	\$	\$
<b>Equity accounted investments</b>					
Amerit Fleet Holdings, LLC	15,215	—	(972)	(422)	<b>13,821</b>
<b>Fair value through profit/loss accounted investments ("FVTPL")</b>					
ECAF I Holdings Ltd.	99,590	(97,763)	—	(1,827)	—
AutoTech Fund I, LP	3,370	901	435	(106)	<b>4,600</b>
DMG Blockchain Solutions Inc.	2,110	(566)	(795)	—	<b>749</b>
Parking Warrior, LP	2,705	—	—	(77)	<b>2,628</b>
Work Truck Solutions, Inc.	1,363	—	—	(39)	<b>1,324</b>
<b>Net investments</b>	<b>124,353</b>	<b>(97,428)</b>	<b>(1,332)</b>	<b>(2,471)</b>	<b>23,122</b>

On April 12, 2019, the Company sold its 32.5% interest in ECAF I Holdings Ltd., which is the parent holding company of ECAF I LuxCo S.à r.l., an entity that has invested in Class E-1 notes of ECAF I Ltd., a rated

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pooled-aircraft asset-backed securities issuer, for \$97,476 (USD \$72,864) which approximated the current carrying value of the investment.

**6. 19<sup>th</sup> CAPITAL GROUP LLC**

On October 19, 2018, the Company purchased the equity interest held by its joint venture partner for \$5,220, (USD \$4,000) thereby obtaining 100% ownership and control over 19<sup>th</sup> Capital Group LLC ("19<sup>th</sup> Capital"). At the time of acquisition, the loans receivable from, and the investments in, 19<sup>th</sup> Capital were derecognized and the assets and liabilities of 19<sup>th</sup> Capital were recorded in the Company's consolidated statement of financial position at the acquisition-date fair value. As at September 30, 2019 and December 31, 2018 and for the periods then ended, all assets, liabilities, and operations of 19<sup>th</sup> Capital subsequent to acquisition are fully consolidated in the financial statements of the Company.

**7. SECURED BORROWINGS**

Secured borrowings outstanding were as follows:

	September 30, 2019			
	Balance outstanding	Weighted average interest rate <sup>(1)</sup>	Pledged finance receivables and equipment under operating leases	Cash reserves
	\$	%	\$	\$
Term notes, in amortization period	6,163,025	2.74	6,700,465	62,045
Term notes, in revolving period	529,600	2.10	575,783	5,455
Variable rate borrowings	3,489,468	2.79	3,557,925	44,821
Other	186,596	4.88	181,037	—
Vehicle management asset-backed debt	10,368,689	2.76	11,015,210	112,321
Term senior credit facilities <sup>(2)</sup>	1,824,014	2.98	—	—
	<u>12,192,703</u>	<u>2.80</u>	<u>11,015,210</u>	<u>112,321</u>
Deferred financing costs	(49,553)			
Hedge accounting fair value adjustments	10,502			
<b>Total secured borrowings</b>	<u><b>12,153,652</b></u>			

1. Represents the weighted average stated interest rate of outstanding debt at period-end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.
2. The revolving senior credit facilities are secured by a general security agreement in favor of the lenders in respect of all property.

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	December 31, 2018			
	Balance outstanding	Weighted average interest rate(1)	Pledged finance receivables and equipment under operating leases	Cash reserves
	\$	%	\$	\$
Term notes, in amortization period	5,390,660	2.52	5,569,745	58,277
Term notes, in revolving period	1,907,920	3.23	1,971,304	19,652
Variable rate borrowings	3,380,147	3.28	3,560,286	27,301
Other	246,036	4.86	246,035	—
Vehicle management asset-backed debt	10,924,763	2.93	11,347,370	105,230
Term senior credit facilities <sup>(2)</sup>	2,406,195	3.54	—	—
	<u>13,330,958</u>	<u>3.04</u>	<u>11,347,370</u>	<u>105,230</u>
Deferred financing costs	(60,178)			
Total secured borrowings	<u>13,270,780</u>			

1. Represents the weighted average stated interest rate of outstanding debt at period-end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.

2. The revolving senior credit facility is secured by a general security agreement in favor of the lenders consisting of a first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders at September 30, 2019.

**Vehicle management asset-backed debt**

During the nine-month period ended September 30, 2019, USD \$1,400,000 of revolving notes were converted into amortizing term notes.

During the nine-month period ended September 30, 2019, the Company issued USD \$1,400,000 of revolving term notes. The proceeds from this issuance were used to pay down variable funding notes.

As at September 30, 2019, the Company has available capacity in variable rate borrowings and other of \$5,438,560 (December 31, 2018 – \$3,894,043) under its vehicle management asset-backed debt facilities.

**Term senior credit facility**

As at September 30, 2019, the Company had access to an additional \$2,611,386 (December 31, 2018 - \$1,682,205) of available financing from the term senior credit facilities.

**Restricted funds**

As at September 30, 2019, restricted funds include (i) cash reserves of \$112,321 (December 31, 2018 - \$105,230), which represent collateral for secured borrowing arrangements; (ii) cash accumulated in the collection account of \$350,782 (December 31, 2018 - \$367,094), which represents repayments received on assets financed pursuant to the secured borrowing facilities, which are subsequently remitted back to the facilities on specific dates; and (iii) cash provided to counter-parties as collateral against derivatives liabilities of \$2,280 (December 31, 2018 - \$32,130).

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**8. CONVERTIBLE DEBENTURES**

Convertible debentures consist of:

September 30, 2019							
Issue Date	Final maturity date	Conversion price per share <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Face value	Deferred costs	Discount	Net carrying value
		\$	%	\$	\$	\$	\$
May 29, 2015	<b>June 30, 2020</b>	17.41	4.250	575,000	(3,572)	(4,695)	566,733
April 5, 2019	<b>June 30, 2024</b>	11.99	4.250	172,500	(6,021)	(17,813)	148,666
				747,500	(9,593)	(22,508)	715,399
December 31, 2018							
Issue Date	Final maturity date	Conversion price per share	Interest rate <sup>(2)</sup>	Face value	Deferred costs	Discount	Net carrying value
		\$	%	\$	\$	\$	\$
June 18, 2014	June 30, 2019	13.13	5.125	345,000	(1,324)	(4,009)	339,667
May 29, 2015	June 30, 2020	17.51	4.250	575,000	(7,459)	(9,773)	557,768
				920,000	(8,783)	(13,782)	897,435

1. The conversion price was adjusted on March 29, 2019, the ex-dividend date for dividends to be paid on October 15, 2019, to \$11.99453 for the April 5, 2019 issuance and \$17.41275 for the May 29, 2015 issuance.

2. Stated interest rate on principal face value.

**April 5, 2019 Issuance**

On April 5, 2019, the Company closed on its offering of \$150,000, 4.25% aggregate principal amount of convertible unsecured subordinated debentures (the "2019 Debentures"). On April 8, 2019, the underwriters exercised in full their over-allotment option to purchase an additional \$22,500 aggregate principal amount of the 2019 Debentures. With the exercise of the over-allotment, the Company has issued a total of \$172,500 aggregate principal amount of 2019 Debentures pursuant to the offering.

To determine the initial amount of the respective debt and equity components of the 2019 Debentures issued, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of 6.80%, which represents the rate of interest prevailing at the date of issue for instruments of similar terms and risks. The debt component was assigned a value of \$146,553 (net of transaction costs of \$6,572) and the equity component was assigned a value of \$18,544 (net of after-tax transaction costs of \$831, and before the impact of deferred taxes).

The 2019 Debentures bear interest at an annual coupon rate of 4.25% payable semi-annually on the last day of June and December in each year, commencing on December 31, 2019. The maturity date for the 2019 Debentures is June 30, 2024.

Each 2019 Debenture is convertible into common shares at the option of the holder of a Debenture at any

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time prior to 5:00 p.m. (Toronto time) on June 30, 2024, initially at a conversion price of \$12.05 per common share (the "2019 Conversion Price"), subject to adjustment in accordance with the indenture agreement. Holders converting their 2019 Debentures will be entitled to receive, in addition to the applicable number of common shares to be received on conversion, accrued and unpaid interest thereon in cash for the period from the last interest payment date on their 2019 Debentures to, but excluding, the date of conversion.

The Company may redeem, subject to specified conditions and notice, on or after June 30, 2022 and prior to June 30, 2023, the 2019 Debentures in whole or in part from time to time, at a redemption price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted trading price of the common shares on the TSX for the 20 consecutive days preceding the date on which notice of redemption is given is not less than 125% of the 2019 Conversion Price. As at June 30, 2019, the Company has not redeemed any of the 2019 Debentures.

Subject to required regulatory approvals and provided that there is not a current 2019 Debenture event of default, the Company may, at its option and with notice, elect to repay, in whole or in part, the principal amount of the 2019 Debentures that are to be redeemed or that have matured by issuing common shares to the holders of the 2019 Debentures. Payment would be satisfied by delivering that number of common shares obtained by dividing the principal amount of the 2019 Debentures to be redeemed or that have matured, by 95% of the current market price of the common shares on the redemption date or maturity date. Any accrued and unpaid interest will be paid in cash.

**June 18, 2014 Issuance**

On June 30, 2019, the \$345,000, 5.125% extendible convertible unsecured subordinated debentures matured and were repaid in full, including accrued interest, by the Company, on June 28, 2019, in accordance with the Trust Indenture.

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**9. SHARE CAPITAL**

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.

	<b>Common shares</b>	
	<b>Shares</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
<b>Balance, December 31, 2018</b>	<b>433,204,448</b>	<b>3,092,010</b>
Share issuance	788,058	6,577
Exercise of options	1,223,989	10,977
<b>Balance, September 30, 2019</b>	<b>435,216,495</b>	<b>3,109,564</b>
Balance, December 31, 2017	380,355,836	2,755,536
Share issuance	52,325,000	333,849
Exercise of options	523,612	2,625
Balance, December 31, 2018	433,204,448	3,092,010

**Common share dividends**

During the three and nine-month periods ended September 30, 2019, the Company paid \$19,511 and \$58,473, respectively, in common share dividends, or \$0.045 and \$0.134, respectively, per common share (three and nine-month periods ended September 30, 2018 - \$28,541 and \$85,595, respectively, in common share dividends, or \$0.075 and \$0.22 per common share, respectively).

As at September 30, 2019, un-accrued common share dividends were \$19,497 or \$0.045 per common share (December 31, 2018 - \$19,494 or \$0.045 per common share).

On October 1, 2018, Element Fleet announced the adoption of a dividend reinvestment plan ("DRIP"). The DRIP provides eligible shareholders an opportunity to reinvest their eligible cash dividends for additional common shares at a discount of 2% to the prevailing market price of the common shares on the TSX, which discount may be changed or eliminated by the Board of Element Fleet from time to time. To be eligible to participate in the DRIP, shareholders must be resident in Canada. Shareholders residing outside of Canada are not eligible to participate in the DRIP. There were no common shares issued under the DRIP during the year ended December 31, 2018. During the three and nine-month periods ended September 30, 2019, the Company issued 295,321 and 788,058 common shares under the DRIP.

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**Preferred shares**

	<b>As at September 30, 2019</b>	
	<b>Shares</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
Preferred Shares, Series A	<b>4,600,000</b>	<b>110,375</b>
Preferred Shares, Series C	<b>5,126,400</b>	<b>124,744</b>
Preferred Shares, Series E	<b>5,321,900</b>	<b>129,994</b>
Preferred Shares, Series G	<b>6,900,000</b>	<b>168,543</b>
Preferred Shares, Series I	<b>6,000,000</b>	<b>146,756</b>

On June 18, 2014, the Company issued, through a public offering, 5,000,000 6.40% Cumulative 5-Year Rate Reset Preferred Shares, Series E ("Series E shares") at a price of \$25.00 per preferred share for gross proceeds of \$125,000. On July 8, 2014, the underwriters to the prospectus offering exercised their over-allotment option that resulted in the issuance of 321,900 Series E shares at a price of \$25 per share for gross proceeds of \$8,048. The issuance included pre-tax transaction costs of \$4,146 (or after-tax transaction costs of \$3,054).

For each five-year period, holders of the Series E shares are entitled to receive a fixed, cumulative, preferential cash dividend, if, as and when declared by the Board, payable quarterly on the last business day of March, June, September and December in each year. The annual dividend rate will reset at each five-year period to the non-callable Government of Canada bond yield with a term to maturity of five years plus 4.72%. The Company will have the right to redeem the Series E shares on September 30, 2019, and on September 30 every five years thereafter for \$25 per Series E share, plus accrued and unpaid dividends. Subject to the right of the Company to redeem the Series E shares, the holders of the Series E shares will have the right on September 30, 2019, and on September 30 every five years thereafter, to convert all or any of the Series E shares into Series F shares, on the basis of one Series F share for each Series E share converted. Holders of Series F shares are entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board, payable quarterly on the last business day of March, June, September and December in each year. The annualized floating quarterly dividend rate will equal the sum of the average three-month Government of Canada Treasury Bill rate plus 4.72%.

On September 19, 2019, the Company announced during the conversion notice period, which commenced on September 3, 2019 and ended at 5:00 p.m. (EST) on September 16, 2019, 90,430 Series E shares were tendered for conversion into Series F shares. In accordance with Section 8.03(a)(iii) of the rights, privileges, restrictions and conditions attaching to the Series E shares, as provided in the Corporation's restated articles of incorporation dated October 4, 2016, since there would be outstanding on September 30, 2019 less than 500,000 Series F shares, after having taken into account all Series E shares tendered for conversion into Series F shares, holders of Series E shares who elected to tender their shares for conversion will not have their Series E shares converted into Series F shares on September 30, 2019. As a result, no Series F shares were outstanding on September 30, 2019.

The dividend rate applicable to the Series E shares for the period from and including September 30, 2019 up to, but excluding, September 30, 2024, was reset from 6.50% to 5.903%, being equal to the sum of the five-year Government of Canada bond yield determined as of September 3, 2019 plus 4.72%.

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**Preferred share dividends**

During the three and nine-month periods ended September 30, 2019, the Company paid \$11,071 and \$33,399, respectively, in preferred share dividends (three and nine-month periods ended September 30, 2018 – \$11,068 and \$33,204, respectively).

As at September 30, 2019, the un-accrued cumulative preferred share dividends were \$120 (December 31, 2018 – \$122).

**10. SHARE-BASED COMPENSATION**

Share-based compensation expense consists of the following:

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(a) Stock options	<b>535</b>	2,566	<b>2,393</b>	6,032
(b) Deferred share units	<b>496</b>	191	<b>1,301</b>	427
(c) Performance share units	<b>641</b>	2,285	<b>548</b>	5,290
(d) Restricted share units	<b>3,494</b>	3,825	<b>11,504</b>	6,856
	<b>5,166</b>	8,867	<b>15,746</b>	18,605
Allocated as:				
Share-based compensation	<b>4,360</b>	8,867	<b>14,940</b>	18,605
Restructuring and transformation costs	<b>806</b>	—	<b>806</b>	—
	<b>5,166</b>	8,867	<b>15,746</b>	18,605

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**(a) Stock options**

The changes in the number of stock options during the periods were as follows:

	Number of options #	Weighted average exercise price \$
Outstanding, December 31, 2017	21,368,293	10.92
Granted <sup>(1)</sup>	5,949,443	6.04
Forfeited	(670,368)	11.94
Expired	(430,424)	10.82
Exercised <sup>(2)</sup>	(888,334)	3.79
<b>Outstanding, December 31, 2018</b>	<b>25,328,610</b>	<b>10.01</b>
Forfeited	(226,204)	8.19
Expired	(3,888,178)	11.45
Exercised <sup>(2)</sup>	(2,811,721)	5.81
<b>Outstanding, September 30, 2019</b>	<b>18,402,507</b>	<b>10.37</b>

1. 4,100,000 options granted during 2018 contain performance vesting criteria; an additional 1,849,443 options granted during 2018 vest as described in each tranche of the award.

2. Weighted average share price of options exercised during the nine-month period ended September 30, 2019 was \$8.21 (year ended December 31, 2018 – \$6.51).

**(b) Deferred share units, performance share units and restricted share units**

	Deferred share units #	Performance share units #	Restricted share units #
Outstanding, December 31, 2017	1,393,987	268,934	1,255,415
Granted	360,185	606,247	2,210,714
Forfeited	—	(24,538)	(106,925)
Redeemed	(972,535)	(468,304)	(1,255,471)
<b>Outstanding, December 31, 2018</b>	<b>781,637</b>	<b>382,339</b>	<b>2,103,733</b>
Granted	171,634	1,119,090	833,109
Forfeited	—	—	(49,286)
Redeemed	(119,340)	—	(786,383)
<b>Outstanding, September 30, 2019</b>	<b>833,931</b>	<b>1,501,429</b>	<b>2,101,173</b>

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**11. REVENUE**

Set out below is the disaggregation of the Company's revenue before interest expense.

	Three-month period ended			Three-month period ended		
	September 30, 2019			September 30, 2018		
	Fleet Management	Non-Core	Total	Fleet Management	Non-Core	Total
	\$	\$	\$	\$	\$	\$
<b>Major service lines</b>						
Interest income, net	157,488	145	157,633	155,260	13,536	168,796
Rental revenue	148,577	21,314	169,891	137,666	—	137,666
Gain on sale of equipment under operating leases	11,229	2,150	13,379	13,238	—	13,238
Depreciation of equipment under operating leases	(108,027)	(10,740)	(118,767)	(101,988)	—	(101,988)
Financing revenue before interest expense	209,267	12,869	222,136	204,176	13,536	217,712
Other service revenue, net	96,740	—	96,740	86,143	109	86,252
Vehicle sales and end of contract fees	25,441	—	25,441	23,607	—	23,607
Service and other revenue, net	122,181	—	122,181	109,750	109	109,859
Syndication revenue, net	23,084	—	23,084	6,407	—	6,407
Net revenue before interest expense	354,532	12,869	367,401	320,333	13,645	333,978
<b>Primary geographical markets</b>						
US and Canada	280,088	12,861	292,949	258,924	13,312	272,236
Australia and New Zealand	45,348	8	45,356	43,090	333	43,423
Mexico	29,096	—	29,096	18,319	—	18,319
Net revenue before interest expense	354,532	12,869	367,401	320,333	13,645	333,978
<b>Timing of revenue recognition</b>						
Revenue earned at a point in time	108,241	—	108,241	77,210	—	77,210
Revenue earned over time	246,291	12,869	259,160	243,123	13,645	256,768
Net revenue before interest expense	354,532	12,869	367,401	320,333	13,645	333,978

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	Nine-month period ended September 30, 2019			Nine-month period ended September 30, 2018		
	Fleet Management	Non-Core	Total	Fleet Management	Non-Core	Total
	\$	\$	\$	\$	\$	\$
<b>Major service lines</b>						
Interest income, net	490,564	1,352	491,916	451,480	40,486	491,966
Rental revenue	440,156	79,606	519,762	399,504	—	399,504
Gain on sale of equipment under operating leases	32,608	7,041	39,649	38,558	—	38,558
Depreciation of equipment under operating leases	(320,755)	(40,138)	(360,893)	(299,249)	—	(299,249)
Financing revenue before interest expense	642,573	47,861	690,434	590,293	40,486	630,779
Other service revenue, net	286,125	215	286,340	264,154	1,545	265,699
Vehicle sales and end of contract fees	78,251	—	78,251	71,822	—	71,822
Service and other revenue, net	364,376	215	364,591	335,976	1,545	337,521
Syndication revenue, net	62,039	—	62,039	9,618	—	9,618
Net revenue before interest expense	1,068,988	48,076	1,117,064	935,887	42,031	977,918
<b>Primary geographical markets</b>						
US and Canada	858,290	47,935	906,225	749,252	38,536	787,788
Australia and New Zealand	136,131	141	136,272	136,694	3,495	140,189
Mexico	74,567	—	74,567	49,941	—	49,941
Net revenue before interest expense	1,068,988	48,076	1,117,064	935,887	42,031	977,918
<b>Timing of revenue recognition</b>						
Revenue earned at a point in time	321,272	—	321,272	222,857	—	222,857
Revenue earned over time	747,716	48,076	795,792	713,030	42,031	755,061
Net revenue before interest expense	1,068,988	48,076	1,117,064	935,887	42,031	977,918

Revenue earned at a point in time includes accident, fuel, and title and registration fees, and vendor commissions. Revenue earned over time includes interest income, fleet management fees, including maintenance fees, and telematics services.

#### (A) Contract balances

	September 30, 2019	December 31, 2018
	\$	\$
Contract assets	45,636	41,876

Contract assets represent the costs the Company incurs to enter into contracts with customers including certain commissions. Contract assets are recorded in the unamortized deferred costs and subsidies line within note 3.

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
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**B) Performance obligations**

*Fixed-fee Service Contracts.* The Company provides separately priced and contracted service contracts to our fleet clients that range from fuel cards, accident management services, and maintenance services. These service contracts generally have open-ended terms and can be in place as long as the client uses the underlying vehicle that is being serviced. Fees are billed monthly and revenue is recognized over the term of the agreement proportionally over the passage of time.

**12. EARNINGS PER SHARE**

Basic earnings per share are as follows::

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>September 30, 2019</b>	September 30, 2018	<b>September 30, 2019</b>	September 30, 2018
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income attributable to shareholders	<b>70,145</b>	(341,105)	<b>214,679</b>	(240,250)
Cumulative dividends on preferred shares	<b>(11,071)</b>	(11,068)	<b>(33,399)</b>	(33,205)
Net income available to common shareholders	<b>59,074</b>	(352,173)	<b>181,280</b>	(273,455)
Weighted average number of common shares outstanding – basic (number) <sup>(1)</sup>	<b>435,133,925</b>	380,644,427	<b>434,481,717</b>	380,488,708
Basic earnings (loss) per share	<b>\$ 0.14</b>	\$ (0.93)	<b>\$ 0.42</b>	\$ (0.72)

**Element Fleet Management Corp.**

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Diluted earnings per share is as follows:

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>September 30, 2019</b>	September 30, 2018	<b>September 30, 2019</b>	September 30, 2018
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income available to common shareholders adjusted for the effects of dilution	<b>60,625</b>	(352,173)	<b>184,378</b>	(273,455)
Weighted average number of common shares outstanding – basic (number) <sup>(1)</sup>	<b>435,133,925</b>	380,644,427	<b>434,481,717</b>	380,488,708
Convertible debentures (number)	<b>14,381,556</b>	—	<b>14,381,556</b>	—
Dilutive stock options and warrants (number)	<b>1,047,427</b>	—	<b>647,822</b>	—
Weighted average number of common shares outstanding – diluted (number)	<b>450,562,908</b>	380,644,427	<b>449,511,095</b>	380,488,708
Diluted earnings (loss) per share	<b>\$ 0.13</b>	<b>\$ (0.93)</b>	<b>\$ 0.41</b>	<b>\$ (0.72)</b>

(1) Prior year weighted average number of common shares outstanding has been adjusted for the impact of the issuance of shares under the DRIP by 5,902 and 5,474 shares for the three and nine-month periods ended September 30, 2018, respectively.

Instruments outstanding as at September 30, 2019 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 10,795,603 and 10,795,603 stock options for the three and nine-month periods ended September 30, 2019, respectively (three and nine-month periods ended September 30, 2018, no dilution can be measured as any issuance would be anti-dilutive due to the loss).

In addition, the May 29, 2015 convertible debentures (note 8) were excluded from the diluted earnings per share calculation as these were anti-dilutive for the three and nine-month periods ended September 30, 2019 and 2018.

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**13. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows, as at:

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Secured borrowings	<b>12,153,652</b>	13,270,780
Convertible debentures	<b>715,399</b>	897,435
Total debt	<b>12,869,051</b>	14,168,215
Shareholders' equity	<b>3,988,430</b>	3,975,485
	<b>16,857,481</b>	18,143,700

**14. SEGMENTED INFORMATION**

**Operating segments**

The Company operates and reports in two separate segments (a) the Fleet Management segment and, (b) the Non-Core segment, to reflect differing characteristics of assets and operations from core fleet management. The segments are evaluated on reported and adjusted measures such as net revenue, adjusted operating expenses, adjusted operating income, return on tangible equity and leverage.

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### Segmented operating results

	Three-month period ended September 30, 2019			Three-month period ended September 30, 2018		
	Fleet Management	Non-Core	Total	Fleet Management	Non-Core	Total
	\$	\$	\$	\$	\$	\$
<b>Net revenue</b>						
Net interest income and rental revenue	209,267	12,869	222,136	204,176	13,536	217,712
Interest expense	110,036	11,569	121,605	100,218	12,505	112,723
Net financing revenue	99,231	1,300	100,531	103,958	1,031	104,989
Servicing income, net	122,181	—	122,181	109,750	109	109,859
Syndication revenue, net	23,084	—	23,084	6,407	—	6,407
Net revenue	244,496	1,300	245,796	220,115	1,140	221,255
<b>Operating expenses</b>						
Salaries, wages and benefits	77,427	2,477	79,904	80,742	722	81,464
General and administrative expenses	27,443	322	27,765	33,739	1,765	35,504
Depreciation and amortization	9,840	637	10,477	6,196	—	6,196
	114,710	3,436	118,146	120,677	2,487	123,164
<b>Net segment operating income (loss) (before tax)</b>	<b>129,786</b>	<b>(2,136)</b>	<b>127,650</b>	<b>99,438</b>	<b>(1,347)</b>	<b>98,091</b>
Loss on investments	—	240	240	—	20,000	20,000
Net segment income (loss) (before tax)	129,786	(2,376)	127,410	99,438	(21,347)	78,091
Share-based compensation			4,360			8,867
Amortization of convertible debenture discount			2,504			3,537
Impairment on loans to 19 <sup>th</sup> Capital			—			480,000
Amortization of intangible assets from acquisitions			8,948			10,442
Restructuring and transformation costs			34,055			35,000
Provision for (recovery of) income taxes			7,398			(118,650)
Net income (loss) for the period			70,145			(341,105)

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	Nine-month period ended September 30, 2019			Nine-month period ended September 30, 2018		
	Fleet Management	Non-Core	Total	Fleet Management	Non-Core	Total
	\$	\$	\$	\$	\$	\$
<b>Net revenue</b>						
Net interest income and rental revenue	642,573	47,861	690,434	590,293	40,486	630,779
Interest expense	338,357	41,114	379,471	291,532	34,348	325,880
Net financing revenue	304,216	6,747	310,963	298,761	6,138	304,899
Servicing income, net	364,376	215	364,591	335,976	1,545	337,521
Syndication revenue, net	62,039	—	62,039	9,618	—	9,618
Net revenue	730,631	6,962	737,593	644,355	7,683	652,038
<b>Operating expenses</b>						
Salaries, wages and benefits	238,445	6,106	244,551	243,615	2,185	245,800
General and administrative expenses	84,339	1,816	86,155	95,436	2,741	98,177
Depreciation and amortization	29,382	1,925	31,307	17,448	—	17,448
	352,166	9,847	362,013	356,499	4,926	361,425
<b>Net segment operating income (loss) (before tax)</b>	378,465	(2,885)	375,580	287,856	2,757	290,613
Loss on investments	—	1,332	1,332	—	34,905	34,905
Net segment income (loss) (before tax)	378,465	(4,217)	374,248	287,856	(32,148)	255,708
Share-based compensation			14,940			18,605
Amortization of convertible debenture discount			10,651			10,441
Impairment on loans to 19 <sup>th</sup> Capital			—			480,000
Amortization of intangible assets from acquisitions			27,236			34,249
Restructuring and transformation costs			62,742			77,117
Provision for (recovery of) income taxes			44,000			(124,454)
Net income (loss) for the period			214,679			(240,250)

## Element Fleet Management Corp.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Segmented financial position

	As at September 30, 2019			As at December 31, 2018		
	Fleet Management	Non-Core	Total	Fleet Management	Non-Core	Total
	\$	\$	\$	\$	\$	\$
<b>Select condensed consolidated statement of financial position information</b>						
Finance receivables	12,187,805	32,259	12,220,064	13,147,971	55,617	13,203,588
Equipment under operating leases	1,878,950	374,041	2,252,991	1,778,868	382,795	2,161,663
Other investments <sup>(1)</sup>	—	—	—	—	99,590	99,590
Goodwill and intangible assets	2,078,173	—	2,078,173	2,156,669	—	2,156,669
<b>Total select segment assets</b>	<b>16,144,928</b>	<b>406,300</b>	<b>16,551,228</b>	<b>17,083,508</b>	<b>538,002</b>	<b>17,621,510</b>
Other assets			1,312,834			1,342,496
<b>Total assets</b>			<b>17,864,062</b>			<b>18,964,006</b>

1. Investments in the comparable period included the 32.5% interest in ECAF I Holdings Ltd., ("ECAF") 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 FVTPL and no longer considered an earning asset. The ECAF investment was sold on April 12, 2019.

### Geographic information

The Company primarily operates in the US and Canada, Australia and New Zealand, and Mexico.

Select geographic assets are as follows:

As at	September 30, 2019				December 31, 2018			
	US and Canada	Australia and New Zealand	Mexico	Total	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Select assets</b>								
Finance receivables	11,601,972	379,697	238,395	12,220,064	12,555,816	425,581	222,191	13,203,588
Equipment under operating leases	408,140	1,242,555	602,296	2,252,991	410,356	1,313,434	437,873	2,161,663
Goodwill and intangible assets	2,046,688	31,342	143	2,078,173	2,123,244	33,425	—	2,156,669
Property, equipment and leasehold improvements	111,995	27,397	8,651	148,043	49,506	8,671	2,792	60,969
	<b>14,168,795</b>	<b>1,680,991</b>	<b>849,485</b>	<b>16,699,271</b>	<b>15,138,922</b>	<b>1,781,111</b>	<b>662,856</b>	<b>17,582,889</b>

Geographic select assets are based on the location of the assets.

## 15. LEASES

The Company leases its office space and certain office equipment. Leases with an initial term of 12 months or less are not recorded in the statement of financial position and lease expense is recognized on a straight-line basis over the lease term for these leases. For existing leases as of January 1, 2019 and leases commencing

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on or after January 1, 2019, the Company accounts for the lease components (fixed payments including rent and variable payments that depend on an index or rate) separately from the non-lease components (e.g. common-area maintenance costs). On September 1, 2019, the Company began leasing a new facility in Hopkins, MN which resulted in the recording of a right-of-use asset and operating lease liability of \$33.7 million.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more. The exercise of lease renewal options is at the sole discretion of the Company. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Certain of the Company's leases include rental payments adjusted periodically for inflation. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

		As at January 1, 2019	As at September 30, 2019
		\$	\$
<b>Assets</b>	<b>Classification</b>		
Right-of-use assets	Land and buildings, net of accumulated depreciation <sup>(1)</sup>	79,688	<b>99,360</b>
<b>Liabilities</b>	<b>Classification</b>		
Lease liabilities	Accounts payable and accrued liabilities	79,688	<b>100,642</b>

(1) As at September 30, 2019, right-of-use assets are recorded net of accumulated amortization of \$9,499.

		Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
		\$	\$
<b>Lease Cost</b>	<b>Classification</b>		
Amortization of leased assets	Depreciation and amortization	3,311	9,883
Interest on lease liabilities	Interest expense	651	1,871
Net lease cost		<b>3,962</b>	<b>11,754</b>

<b>Maturity of lease liabilities</b>	As at September 30, 2019
	\$
2019	2,607
2020	12,091
2021	12,323
2022	11,434
2023	10,213
Thereafter	51,974

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	<b>As at September 30, 2019</b>
Lease Term and Discount Rate	
Weighted-average remaining lease term (years)	<b>11.6</b>
Weighted-average discount rate	<b>3.09%</b>

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2, or 3) based on the valuation inputs used in measuring the fair value, as outlined below.

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities the Company can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.
- Level 2 – Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation techniques where all significant inputs are observable. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.
- Level 3 – Non-observable or indicative prices or use of valuation techniques where one or more significant inputs are non-observable.

**Valuation methods and assumptions**

**Finance lease receivables, finance loan receivables, and secured borrowings on finance receivables**

The assertion that the carrying value of the finance receivables and secured borrowings approximates fair value requires the use of estimates and significant judgment. The finance receivables securing the borrowings were credit scored based on an internal model that is not used in market transactions. They comprise a large number of transactions with commercial clients in different businesses, are secured by liens on various types of equipment and may be guaranteed by third parties and cross collateralized. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the

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buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

**Convertible debentures**

The debt component of convertible debentures is recorded at fair value on initial recognition and subsequently carried at amortized cost. The fair market value of the debt component is calculated by discounting the stream of remaining payments at 5.50%, which represents the rate of interest prevailing for instruments of similar terms and risks without the conversion feature.

**Notes receivable**

The carrying value of the notes receivable approximates their fair value, as the interest rate on this asset is commensurate with market interest rates for this type of asset with similar duration and credit risk.

**Derivatives**

The fair values of derivatives are determined by the derivative counterparty using the related interest rate swap curves, foreign exchange forward values, intrinsic values and/or the Company's stock price for the total return swaps.

**Investments**

The FVTPL investments are valued based on bids received in the private market or using valuation techniques and/or inputs that are based on unobservable market data.

**Accounts receivable, accounts payable, and accrued liabilities**

The carrying value of the accounts receivable, accounts payable, and accrued liabilities approximates their fair value.

The tables below summarize the Company's fair value measurement hierarchy for its financial assets and financial liabilities. There were no transfers between Level 2 and Level 3 during the periods presented and there were no significant changes in valuation techniques or the range of significant non-observable inputs used in measuring the Company's Level 3 financial assets and liabilities during the quarter.

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	As at September 30, 2019				Total
	Carrying value	Level 1 Quoted market price	Level 2 Observable market inputs	Level 3 Non-observable market inputs	
	\$	\$	\$	\$	
<b>Financial assets</b>					
Assets not carried at fair value					
<i>Cash</i>	41,201	41,201	—	—	41,201
<i>Finance lease receivables</i>	12,105,546	—	—	12,105,546	12,105,546
<i>Finance loans receivables</i>	114,518	—	—	114,518	114,518
<i>Accounts receivable and other assets</i>	188,607	—	—	188,607	188,607
<i>Notes receivables</i>	9,979	—	—	9,979	9,979
Assets held at fair value					
<i>Derivative financial assets</i>					
<i>Interest rate swaps</i>	49,787	—	49,787	—	49,787
<i>Interest rate caps</i>	396	—	396	—	396
<i>Investments classified as FVTPL</i>	9,301	—	—	9,301	9,301
<b>Total financial assets</b>	<b>12,320,749</b>	<b>41,201</b>	<b>50,183</b>	<b>12,229,365</b>	<b>12,320,749</b>
<b>Financial liabilities</b>					
Liabilities not carried at fair value					
<i>Accounts payable and accrued liabilities</i>	907,508	—	—	907,508	907,508
<i>Secured borrowings on finance receivables</i>	12,153,652	—	—	12,153,652	12,153,652
<i>Convertible debentures</i>	715,399	—	751,492	—	751,492
Liabilities held at fair value					
<i>Derivative financial liabilities</i>					
<i>Interest rate swaps</i>	53,020	—	53,020	—	53,020
<i>Equity swaps</i>	837	—	837	—	837
<b>Total financial liabilities</b>	<b>13,830,416</b>	<b>—</b>	<b>805,349</b>	<b>13,061,160</b>	<b>13,866,509</b>

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	As at December 31, 2018				Total
	Carrying value	Level 1 Quoted market price	Level 2 Observable market inputs	Level 3 Non-observable market inputs	
	\$	\$	\$	\$	
<b>Financial assets</b>					
Assets not carried at fair value					
<i>Cash</i>	50,493	50,493	—	—	50,493
<i>Finance lease receivables</i>	13,089,965	—	—	13,089,965	13,089,965
<i>Finance loans receivables</i>	113,623	—	—	113,623	113,623
<i>Accounts receivable and other assets</i>	270,997	—	—	270,997	270,997
<i>Notes receivables</i>	13,698	—	—	13,698	13,698
Assets held at fair value					
<i>Derivative financial assets</i>					
<i>Interest rate swaps</i>	28,700	—	28,700	—	28,700
<i>Interest rate caps</i>	6,052	—	6,052	—	6,052
<i>Investments classified as FVTPL</i>	109,138	—	—	109,138	109,138
<b>Total financial assets</b>	<b>13,682,666</b>	<b>50,493</b>	<b>34,752</b>	<b>13,597,421</b>	<b>13,682,666</b>
<b>Financial liabilities</b>					
Liabilities not carried at fair value					
<i>Accounts payable and accrued liabilities</i>	706,720	—	—	706,720	706,720
<i>Secured borrowings on finance receivables</i>	10,924,763	—	—	10,924,763	10,924,763
<i>Convertible debentures</i>	897,435	—	959,065	—	959,065
Liabilities held at fair value					
<i>Derivative financial liabilities</i>					
<i>Foreign exchange forwards</i>	18,288	—	18,288	—	18,288
<i>Interest rate swaps</i>	39,684	—	39,684	—	39,684
<i>Equity swaps</i>	10,495	—	10,495	—	10,495
<b>Total financial liabilities</b>	<b>12,597,385</b>	<b>—</b>	<b>1,027,532</b>	<b>11,631,483</b>	<b>12,659,015</b>

**17. PROVISIONS**

During the three and nine-month periods ended September 30, 2019, the Company recorded a restructuring provision of \$34,055 and \$62,742, respectively with respect to transformation. All amounts have been incurred and paid or expect to be paid by the end of the fourth quarter of 2019. During the three and nine-month periods ended September 30, 2018, the Company recorded a restructuring provision of \$35,000 and

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\$75,811, respectively for severance and other termination costs of employees.

The changes in the provisions during the current period were as follows:

<b>Nature of expenses</b>	<b>Q1 2019</b>	<b>Q2 2019</b>	<b>Q3 2019</b>	<b>Total</b>	<b>Remaining liability</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Severances	<b>589</b>	<b>3,954</b>	<b>4,990</b>	<b>9,533</b>	<b>7,988</b>
Professional fees	<b>7,431</b>	<b>11,089</b>	<b>16,812</b>	<b>35,332</b>	<b>11,371</b>
Other	<b>(1,282)</b>	<b>6,906</b>	<b>12,253</b>	<b>17,877</b>	<b>9,114</b>
<b>Total</b>	<b>6,738</b>	<b>21,949</b>	<b>34,055</b>	<b>62,742</b>	<b>28,473</b>

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation.