

Interim Condensed Consolidated Financial Statements

**Element Fleet Management Corp.**

March 31, 2024

**Element Fleet Management Corp.**

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

	As at March 31, 2024	As at December 31, 2023	As at January 1, 2023
	\$	\$	\$
<b>ASSETS</b>			
Cash	696,043	96,419	50,850
Restricted funds (note 5)	335,908	254,218	319,921
Finance receivables (notes 3 and 15)	7,473,180	7,219,554	5,957,552
Equipment under operating leases (note 4)	2,685,015	2,646,158	2,072,264
Accounts receivable and other assets	197,553	202,898	159,336
Derivative financial instruments (notes 15)	62,164	85,459	97,412
Property, equipment and leasehold improvements, net	114,466	102,733	59,727
Intangible assets, net	631,288	638,411	638,335
Deferred tax assets	184,224	226,774	269,794
Goodwill	956,177	957,912	956,152
	<u>13,336,018</u>	<u>12,430,536</u>	<u>10,581,343</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,098,935	1,207,797	1,081,766
Derivative financial instruments (notes 15)	41,552	27,864	60,340
Borrowings (note 5)	9,021,567	8,018,132	6,502,760
Convertible debenture (notes 6 and 15)	126,108	127,816	121,030
Deferred tax liabilities	103,268	105,099	97,842
	<u>10,391,430</u>	<u>9,486,708</u>	<u>7,863,738</u>
<b>Shareholders' equity (note 7)</b>	<u>2,944,588</u>	<u>2,943,828</u>	<u>2,717,605</u>
	<u>13,336,018</u>	<u>12,430,536</u>	<u>10,581,343</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 United States dollars, except for per share amounts)

	<b>Three-month period ended</b>	Three-month period ended
	<b>March 31, 2024</b>	March 31, 2023
	<b>\$</b>	\$
<b>NET REVENUE</b>		
Interest income, net (note 9)	<b>144,603</b>	108,878
Rental revenue and other (note 9)	<b>233,889</b>	181,490
Depreciation of equipment under operating leases (notes 4 and 9)	<b>(137,331)</b>	(105,730)
	<b>241,161</b>	184,638
Interest expense	<b>133,983</b>	86,413
Net financing revenue	<b>107,178</b>	98,225
Fleet service revenue (note 9)	<b>157,061</b>	125,241
Direct costs of fixed rate service contracts (note 9)	<b>(10,008)</b>	(9,759)
Servicing income, net	<b>147,053</b>	115,482
Syndication revenue, net (note 9 and 16)	<b>8,226</b>	10,945
Net revenue	<b>262,457</b>	224,652
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	<b>74,562</b>	63,301
General and administrative expenses	<b>32,135</b>	27,033
Depreciation and amortization (note 14)	<b>14,278</b>	12,045
Amortization of convertible debenture discount (note 6)	<b>793</b>	739
Share-based compensation (note 8)	<b>10,731</b>	12,086
	<b>132,499</b>	115,204
<b>OTHER EXPENSES</b>		
Amortization of intangible assets from acquisitions	<b>6,979</b>	6,977
Loss on investments	<b>—</b>	538
Income before income taxes from operations	<b>122,979</b>	101,933
Provision for income taxes	<b>29,162</b>	23,246
<b>Net income for the period</b>	<b>93,817</b>	78,687
Basic earnings per share (note 11)	<b>\$ 0.23</b>	\$ 0.19
Diluted earnings per share (note 11)	<b>\$ 0.23</b>	\$ 0.18

*See accompanying notes*

**Element Fleet Management Corp.**

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

	<b>Three-month period ended</b>	Three-month period ended
	<b>March 31, 2024</b>	March 31, 2023
	<b>\$</b>	\$
<b>Net income for the period</b>	<b>93,817</b>	78,687
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow and foreign exchange hedges loss	<b>(49,702)</b>	(8,474)
Net unrealized foreign exchange gain	<b>12,914</b>	103,078
	<b>(36,788)</b>	94,604
Provision for/(recovery of) income taxes	<b>14,701</b>	(3,577)
<b>Total other comprehensive (loss) income</b>	<b>(51,489)</b>	98,181
<b>Comprehensive income for the period</b>	<b>42,328</b>	176,868

*See accompanying notes*

**Element Fleet Management Corp.**

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

	Common share capital	Preferred share capital	Equity component of convertible debentures	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2023	2,109,103	181,077	8,990	424,646	220,012	2,943,828
Comprehensive income for the period	—	—	—	93,817	(51,489)	42,328
Dividends - Preferred shares (note 7)	—	—	—	(2,919)	—	(2,919)
Dividends - Common shares (note 7)	—	—	—	(34,469)	—	(34,469)
Options exercised (notes 7 and 8)	465	—	—	(93)	—	372
Shares repurchased for cancellation (note 7)	(1,545)	—	—	(3,007)	—	(4,552)
Balance, March 31, 2024	<b>2,108,023</b>	<b>181,077</b>	<b>8,990</b>	<b>477,975</b>	<b>168,523</b>	<b>2,944,588</b>
Balance, December 31, 2022	2,124,564	263,380	8,990	282,272	38,399	2,717,605
Comprehensive income for the period	—	—	—	78,687	98,181	176,868
Dividends - Preferred shares (note 7)	—	—	—	(4,343)	—	(4,343)
Dividends - Common shares (note 7)	—	—	—	(28,599)	—	(28,599)
Options exercised (notes 7 and 8)	2,123	—	—	(537)	—	1,586
Issuance of shares, net of share issue costs (note 7)	6	—	—	(1)	—	5
Shares repurchased for cancellation (note 7)	(6,063)	—	—	(8,596)	—	(14,659)
Balance, March 31, 2023	<b>2,120,630</b>	<b>263,380</b>	<b>8,990</b>	<b>318,883</b>	<b>136,580</b>	<b>2,848,463</b>

*See accompanying notes*

**Element Fleet Management Corp.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands of United States dollars)

	<b>Three-month period ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	93,817	78,687
Items not affecting cash		
Depreciation of property, equipment and leasehold improvements	4,057	3,560
Amortization of intangible assets, including from acquisitions	17,200	15,462
Amortization of deferred lease costs	5,911	5,825
Amortization of deferred financing costs	4,453	2,712
Depreciation of equipment under operating leases (note 4)	137,331	105,730
Amortization of convertible debenture discount and deferred costs (note 6)	1,052	985
Loss on investments	—	538
Provision for credit losses	328	(77)
	<u>264,149</u>	<u>213,422</u>
Changes in non-cash operating assets and liabilities		
Investment in finance receivables	(1,365,952)	(1,339,861)
Repayments of finance receivables	631,306	521,468
Investment in equipment under operating leases	(258,111)	(254,613)
Proceeds on disposal of equipment under operating leases	76,068	61,185
Syndications of finance receivables	482,483	518,065
Cash payments for interest portion of lease liability	(784)	(421)
Other non-cash operating assets and liabilities	(131,674)	(106,973)
<b>Cash used in operating activities</b>	<u>(302,515)</u>	<u>(387,728)</u>
<b>INVESTING ACTIVITIES</b>		
Investments	—	478
Purchase of property, equipment and leasehold improvements	(6,482)	(2,900)
Proceeds on disposals of property, equipment and leasehold improvements and intangible assets	75	121
Purchase of intangible assets, including computer software	(12,514)	(10,534)
<b>Cash used in investing activities</b>	<u>(18,921)</u>	<u>(12,835)</u>
<b>FINANCING ACTIVITIES</b>		
Cash payments for principal portion of lease liability	(1,753)	(1,714)
Increase (decrease) in restricted funds	(82,303)	37,762
Decrease in deferred financing costs	(5,860)	(1,607)
Issuance of share capital, net	372	1,586
Shares repurchased (note 7)	(3,673)	(14,669)
Repayments of borrowings, net	368,447	404,588
Dividends paid (note 7)	(37,741)	(33,587)
Issuance of senior notes (note 5)	750,000	—
<b>Cash provided by financing activities</b>	<u>987,489</u>	<u>392,359</u>
<b>Effects of foreign exchange rates on cash</b>	<u>(66,429)</u>	<u>64,505</u>
<b>Net increase in cash during the period</b>	<u>599,624</u>	<u>56,301</u>
Cash, beginning of the period	<u>96,419</u>	<u>50,850</u>
<b>Cash, end of the period</b>	<u>696,043</u>	<u>107,151</u>
<b>Supplemental cash flow information:</b>		
Cash taxes paid	15,500	14,915
Cash interest paid	<u>116,042</u>	<u>73,765</u>

*See accompanying notes*

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

### **1. CORPORATE INFORMATION**

Element Fleet Management Corp. ("Element" 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 \$13.3 billion in assets and operations in the United States ("US"), Canada, Mexico, Australia and New Zealand. Element is a leading global fleet management company, providing services and financings for commercial vehicle and equipment fleets, reaching 55 countries worldwide through the Element-Arval Global Alliance. Element provides a comprehensive range of fleet services that span the total lifecycle, from vehicle acquisition and financing to program management and remarketing with approximately 1.5 million fleet vehicles under management which include all leased vehicles, including syndicated leases and interim funding.

### **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* ("IAS 34"), as issued by the International Accounting Standards Board.

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, 2023, which include 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 May 14, 2024.

#### **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, 2023, except as discussed below.

#### **Translation of foreign currencies**

Effective January 1, 2024, the Company has elected and changed its presentation currency from Canadian dollars ("CAD" or "C\$") to United States dollars ("USD"). Management is of the view that financial reporting in USD more accurately reflects the predominant currency of the Company's revenue, expenses, and cash flows and enhances comparability to its peers. The change in presentation currency is a voluntary change which is accounted for retrospectively, in accordance with the guidance in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Comparative balances from prior periods have been translated from CAD to USD using the procedures outlined below:

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

- Unaudited interim condensed consolidated Statements of Operations, Comprehensive Income, and Cash Flows have been translated into USD using average foreign currency rates prevailing for the relevant periods.
- Assets and liabilities in the unaudited interim condensed consolidated Statement of Financial Position, including goodwill, have been translated into USD at the closing foreign currency rates on the relevant balance sheet dates.
- Shareholders' Equity in the unaudited interim condensed consolidated Statement of Financial Position and Statement of Shareholders' Equity, including share capital, preferred share capital, equity component of convertible debentures, retained earnings, and other reserves, have been translated into USD using historical rates.
- Notes to the unaudited interim condensed consolidated financial statements have been translated into USD using the methodologies above given the nature of the underlying accounts, including earnings per share and dividend disclosures, to reflect the change in presentation currency.

The Company's unaudited interim condensed consolidated financial statements are now presented in USD. All information in these unaudited interim condensed consolidated financial statements is presented in USD unless otherwise specified. The change in presentation currency did not impact the functional currency for any of the Company's wholly owned subsidiaries. Cumulative translation differences between functional currency and presentation currency are recognized and included as part of the cumulative foreign currency translation adjustment in Comprehensive Income.

### **Income Taxes**

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Company operates. The legislation is effective for the Company's financial year beginning January 1, 2024. The Company is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Company. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Company operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Company does not expect a material exposure to Pillar Two income taxes in those jurisdictions

### **Future accounting change**

The following IFRS pronouncement has been issued but is not yet effective and may have a future impact on the Company's consolidated financial statements:

IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18")

IFRS 18 will replace IAS 1, *Presentation of Financial Statements* ("IAS 1"). IFRS 18 substantially carries forward IAS 1 accounting requirements for recognition and measurement of items in the financial statements, with changes to improve Companies' reporting of financial performance which will enhance investors' ability to analyze and compare financial results between Companies. The new standard may impact the structure of the statement of profit or loss, disclosure in the financial statements for certain profit or loss performance measures that are reported outside of the Company's financial statement such as management-defined

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

performance measures, and redefining the principles of aggregate and disaggregate grouping of items based on their shared characteristics. IFRS 18 is to be effective for fiscal years beginning on or after 1 January 2027 and also applies to comparative information. Management is currently evaluating the potential impact that the adoption of IFRS 18 will have on the Company's consolidated financial statements.

### 3. FINANCE RECEIVABLES

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

	As at March 31, 2024			
	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$
Minimum lease payments	5,280,729	230,915	660,205	6,171,849
Unguaranteed residual values	—	61,499	—	61,499
Gross investment	5,280,729	292,414	660,205	6,233,348
Unearned income	(741,473)	(44,219)	(98,618)	(884,310)
<b>Net investment (Subsection A)</b>	<b>4,539,256</b>	<b>248,195</b>	<b>561,587</b>	<b>5,349,038</b>
Net realizable value of impaired receivables	4,822	537	—	5,359
Unamortized deferred costs and subsidies	(63,298)	—	—	(63,298)
Prepaid lease payments and security deposits	(34,487)	—	(42,617)	(77,104)
Interim funding	933,004	—	46,075	979,079
Fleet management receivables	620,778	39,222	51,515	711,515
Other receivables	225,656	71,446	190,084	487,186
Continuing involvement asset	87,199	—	—	87,199
Allowance for credit losses (Subsection B)	(3,227)	(1,609)	(958)	(5,794)
<b>Total finance receivables</b>	<b>6,309,703</b>	<b>357,791</b>	<b>805,686</b>	<b>7,473,180</b>

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

	As at December 31, 2023			
	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$
Minimum lease payments	4,836,840	228,217	634,591	5,699,648
Unguaranteed residual values	—	61,969	—	61,969
Gross investment	4,836,840	290,186	634,591	5,761,617
Unearned income	(657,220)	(42,402)	(97,820)	(797,442)
Net investment (Subsection A)	4,179,620	247,784	536,771	4,964,175
Net realizable value of impaired receivables	5,743	504	—	6,247
Unamortized deferred costs and subsidies	(58,232)	—	—	(58,232)
Prepaid lease payments and security deposits	(15,373)	—	(44,641)	(60,014)
Interim funding	950,700	—	178,391	1,129,091
Fleet management receivables	576,332	31,690	41,540	649,562
Other receivables	272,342	76,724	163,347	512,413
Continuing involvement asset	81,851	—	—	81,851
Allowance for credit losses (Subsection B)	(2,937)	(1,724)	(878)	(5,539)
Total finance receivables	5,990,046	354,978	874,530	7,219,554

#### A) Interest rate characteristics of net investment in finance lease receivables and loan receivables

	As at March 31, 2024		As at December 31, 2023	
	Leases	Loans	Leases	Loans
Net investment	\$ 5,074,385	\$ 274,653	\$ 4,696,280	\$ 267,895
Weighted average fixed interest rate	6.76 %	10.69 %	6.39 %	10.71 %
Weighted average floating interest rate	7.91 %	8.49 %	8.02 %	8.30 %
Percentage of portfolio with fixed interest rate	50.97 %	99.99 %	49.86 %	99.99 %

#### B) Allowance for credit losses

The Company continues to monitor its inputs to the expected credit loss ("ECL") model to ensure it appropriately reflects current market conditions in light of a clearing economic outlook and information available to the Company as at March 31, 2024.

The Company evaluates its credit risk exposure broadly in line with Standard & Poor's and Moody's ratings outlined below and will adjust internal classifications based on additional information the Company has available to it at the time of the assessment. In conjunction with the Company's evaluation of the probability of default ("PD") as at March 31, 2024, and consistent with the ECL model, the Company reviewed its classifications and updated its internal assessment of PD based on current information.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

The Company's lease and loan portfolio is secured by the underlying assets and, in the event of an obligor bankruptcy, leases are typically affirmed, resulting in continued collection of lease payments. Further, all the vehicles in a client portfolio are cross-collateralized, such that the surplus collateral on (usually older) vehicles can be used to offset under-collateralized positions (usually newer vehicles), such that the net full value of the lease and loan would be recovered. As a result, the Company is often able to recover 100% of the net investment.

Although overall used vehicle prices continue to decline continuing into 2024 as OEM production returned to historical levels, prices remain materially elevated from a historical basis leading to continued low loss given default levels as at March 31, 2024. The Company expects used vehicle pricing in 2024 to follow normal season trends and for values to decline versus 2023. Should a recessionary scenario occur, we would expect an increasing number of drivers to keep their vehicles for longer periods of time (or purchase used, instead of new, vehicles) which would likely lead to higher used vehicle demand and prices.

In determining the appropriate allowance for credit losses, the Company considered forward-looking macroeconomic information, including moderating inflation, potential decline in interest rates in the second half of 2024, and the impact that potential upward or downward trends in gross domestic product and default rates might have on the Company's lease and loan portfolio. The Company has also evaluated multiple scenarios related to this environment, including how it is expected to affect markets and as it pertains to specific industries or clients most susceptible to be impacted by recession. Clearing forward-looking macroeconomic expectations, the creditworthiness of our clients and the favorable evolution of our portfolio, as well as the release of specific provisions, has kept the Company's allowance for credit losses relatively flat at \$5,794 as at March 31, 2024.

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

<b>Finance receivables</b>	<b>Performing</b>	<b>Impaired</b>	<b>Total</b>
	\$	\$	\$
Balance as at January 1, 2024	5,477	62	5,539
Transfer to Performing	24	(24)	—
Transfer to Impaired	(24)	24	—
Lease originations	2,011	—	2,011
Changes in models and inputs, derecognition, and repayments	(1,688)	5	(1,683)
<b>Total</b>	<b>5,800</b>	<b>67</b>	<b>5,867</b>
Charge-offs, net of recoveries	—	(13)	(13)
Foreign exchange	(61)	1	(60)
<b>Balance as at March 31, 2024</b>	<b>5,739</b>	<b>55</b>	<b>5,794</b>

**Element Fleet Management Corp.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

Finance receivables	Performing \$	Impaired \$	Total \$
Balance as at January 1, 2023	7,606	49	7,655
Transfer to Performing	1	(1)	—
Transfer to Impaired	(36)	36	—
Lease originations	8,968	—	8,968
Changes in models and inputs, derecognition, and repayments	(11,256)	728	(10,528)
Total	5,283	812	6,095
Charge-offs, net of recoveries	—	(749)	(749)
Foreign exchange	194	(1)	193
Balance as at December 31, 2023	5,477	62	5,539

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

Allowance for credit losses	Three-month period ended	Year ended
	March 31, 2024 \$	December 31, 2023 \$
<b>Allowance for credit losses, beginning of the period</b>	<b>5,539</b>	7,655
Provision for/(recovery of) credit losses	<b>328</b>	(1,560)
Charge-offs, net of recoveries	<b>(13)</b>	(749)
Impact of foreign exchange rates	<b>(60)</b>	193
<b>Allowance for credit losses, end of the period</b>	<b>5,794</b>	5,539
Allowance as a percentage of total finance receivables before allowance	<b>0.08 %</b>	0.08%

**Element Fleet Management Corp.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**C) Credit risk exposure**

The following table sets out the credit risk exposure for finance receivables, fleet management service receivables, and the impaired values and allowances for credit losses recorded.

As at March 31, 2024			
Finance receivables	Performing	Impaired	Total
	\$	\$	\$
<b>Internal risk rating grade <sup>(1)</sup></b>			
Low	3,247,812	—	3,247,812
Medium	2,044,149	—	2,044,149
High	57,077	—	57,077
Fleet management receivables	710,887	628	711,515
Other finance receivables	487,186	—	487,186
Impaired	—	5,359	5,359
	<b>6,547,111</b>	<b>5,987</b>	<b>6,553,098</b>
Allowance for credit losses	(5,739)	(55)	(5,794)
Net carrying value	<b>6,541,372</b>	<b>5,932</b>	<b>6,547,304</b>

1. Loan balances of \$7,799, \$266,854 and \$0 are included in the Performing category in internal risk rating grade low, medium, and high, respectively, and nil in Impaired.

As at December 31, 2023			
Finance receivables	Performing	Impaired	Total
	\$	\$	\$
<b>Internal risk rating grade <sup>(2)</sup></b>			
Low	3,015,771	—	3,015,771
Medium	1,859,659	—	1,859,659
High	88,745	—	88,745
Fleet management receivables	648,982	580	649,562
Other finance receivables	512,413	—	512,413
Impaired	—	6,247	6,247
	<b>6,125,570</b>	<b>6,827</b>	<b>6,132,397</b>
Allowance for credit losses	(5,477)	(62)	(5,539)
Net carrying value	<b>6,120,093</b>	<b>6,765</b>	<b>6,126,858</b>

2. Loan balances of \$9,251, \$258,643 and \$1 are included in the Performing category in internal risk rating grade low, medium, and high, respectively, and nil in Impaired.

## Element Fleet Management Corp.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

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

Internal risk rating grade	Standard & Poor's	Moody's
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. Leased assets under operating leases were as follows:

	As at March 31, 2024	As at December 31, 2023
	\$	\$
Cost	3,931,010	3,859,907
Accumulated depreciation	1,245,995	1,213,749
Net carrying amount	2,685,015	2,646,158

## 5. BORROWINGS

The Company's outstanding borrowings were as follows:

	As at March 31, 2024			
	Balance outstanding	Weighted average interest rate <sup>(1)</sup>	Pledged finance receivables and equipment under operating leases	Cash reserves
	\$	%	\$	\$
Revolving term notes in amortization	1,515,545	5.17	1,815,328	19,456
Variable funding notes	3,481,265	6.19	4,031,826	21,577
Other	21,999	5.05	21,930	—
Vehicle management asset-backed debt	5,018,809	5.88	5,869,084	41,033
Revolving senior credit facilities	796,104	9.30	—	—
Senior notes	3,150,000	5.08	—	—
	8,964,913	5.90	5,869,084	41,033
Deferred financing costs	(30,607)			
Hedge accounting fair value adjustments	62			
Continuing involvement liability	87,199			
<b>Total borrowings</b>	<b>9,021,567</b>			

## Element Fleet Management Corp.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

	As at December 31, 2023			
	Balance outstanding	Weighted average interest rate <sup>(1)</sup>	Pledged finance receivables and equipment under operating leases	Cash reserves
	\$	%	\$	\$
Revolving term notes in amortization	1,694,837	5.01	2,055,363	20,637
Variable funding notes	2,999,614	6.22	3,491,873	14,187
Other	29,061	4.75	28,452	—
Vehicle management asset-backed debt	4,723,512	5.78	5,575,688	34,824
Revolving senior credit facilities	825,319	9.17	—	—
Senior notes	2,400,000	4.91	—	—
	7,948,831	5.88	5,575,688	34,824
Deferred financing costs	(29,618)			
Hedge accounting fair value adjustments	17,068			
Continuing involvement liability	81,851			
Total borrowings	8,018,132			

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.

The Company was in compliance with all financial and reporting covenants with all of its lenders at March 31, 2024.

### Vehicle management asset-backed debt

As at March 31, 2024, the Company had available capacity in variable funding notes of \$1,817,985 (December 31, 2023 – \$2,355,998) under its vehicle management asset-backed debt facilities.

### Revolving senior credit facilities

As at March 31, 2024, the Company had available capacity under the revolving senior credit facilities of \$2,328,896 (December 31, 2023 - \$2,299,681).

### Senior notes

As at March 31, 2024, the Company had \$3,150,000 in outstanding senior unsecured notes (December 31, 2023 - \$2,400,000).

On March 13, 2024, the Company issued \$750,000 in aggregate principal amount of 5.643% senior unsecured notes due March 13, 2027. The notes were issued at par. Interest is paid semi-annually in arrears on March 13 and September 13, commencing on September 13, 2024. The proceeds received at the time of closing were used for general corporate purposes and will be used to repay upcoming debt maturities.

### Restricted funds

As at March 31, 2024, restricted funds include (i) cash reserves of \$41,033 (December 31, 2023 - \$34,824), which represent collateral for secured borrowing arrangements; (ii) cash accumulated in the collection accounts of \$283,648 (December 31, 2023 - \$216,822), which represents repayments received on assets

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

financed pursuant to the secured borrowing facilities, which are subsequently utilized in accordance with applicable provisions and other payments received that are due back to clients in accordance with their contracts; and (iii) cash of \$11,227 (December 31, 2023 - \$2,572) provided to counter-parties as collateral against derivative liabilities.

**6. CONVERTIBLE DEBENTURE**

Convertible debentures consist of:

As at March 31, 2024							
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
		C\$	%	\$	\$	\$	\$
April 5, 2019	June 30, 2024	11.77	4.250	127,162	(261)	(793)	126,108

As at December 31, 2023							
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
		C\$	%	\$	\$	\$	\$
April 5, 2019	June 30, 2024	11.77	4.250	129,964	(530)	(1,618)	127,816

1. The conversion price was adjusted on June 30, 2023, the ex-dividend date for dividends to be paid on July 14, 2023, to C\$11.77391 for the April 5, 2019 issuance.
2. Stated interest rate on principal face value.

**Conversions**

During January 2023, holders of the April 2019 Convertible Debentures ("2019 Debentures") redeemed C\$8 at a conversion price equal to C\$11.90841 per share, representing a conversion ratio of approximately 83.97427 shares per C\$1,000 principal amount of the 2019 Debentures. As a result of the conversion, holders of the 2019 Debentures received an interest payment of nil and 671 common shares.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**7. 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>
Balance, December 31, 2022	392,495,287	2,124,564
Convertible debenture	671	6
Share repurchase	(3,957,622)	(21,830)
Exercise of options	630,399	6,363
<b>Balance, December 31, 2023</b>	<b>389,168,735</b>	<b>2,109,103</b>
Share repurchase	<b>(281,500)</b>	<b>(1,545)</b>
Exercise of options	<b>38,915</b>	<b>465</b>
<b>Balance, March 31, 2024</b>	<b>388,926,150</b>	<b>2,108,023</b>

**Share repurchase**

On November 13, 2023, the TSX approved the Company's notice of intention to renew its Normal Course Issuer Bid ("NCIB"). The renewal allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 15, 2023 and ending on the earlier of November 14, 2024 or the completion of purchases under the NCIB, up to 38,852,159 common shares of the Company, subject to the normal terms and limitations of such bids, which include the number of common shares purchased in any 12 month period being limited to 10% of the common shares outstanding at the commencement of such period.

For the three-month period ended March 31, 2024, 281,500 common shares have been repurchased for cancellation for \$4,552 including commission, at a volume weighted average price of C\$21.97 per common share. For the three-month period ended March 31, 2023 1,906,533 common shares have been repurchased for cancellation for \$14,659, including commission, at a volume weighted average price of C\$18.27 per common share. The Company applies trade date accounting in determining the date on which the share repurchase is reflected in the unaudited interim condensed consolidated financial statements. The trade date is the date on which the Company commits itself to purchase the shares.

**Common share dividends**

For the three-month period ended March 31, 2024, the Company declared \$34,469 in common share dividends or C\$0.12 per common share (March 31, 2023 - \$28,599 or C\$0.10 per common share).

As at March 31, 2024, the accrued common share dividends were \$34,464 (December 31, 2023 – \$35,241).

**Increase in common share dividend**

On November 6, 2023, the Board approved an increase in the quarterly common share dividend from C\$0.10 to C\$0.12 per share.

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

#### Preferred shares

The Company's cumulative 5-Year rate reset Preferred Shares series as at March 31, 2024 consist of the following:

Series	Issue date	Interest rate %	Gross \$	After tax transaction costs \$	Net proceeds \$	Shares #
C	March 7, 2014	6.21 <sup>1</sup>	91,101	2,428	88,673	5,126,400
E	June 18, 2014	5.903 <sup>2</sup>	94,575	2,171	92,404	5,321,900

1. On June 21, 2019, Preferred Shares Series C dividend rate was reset from 6.50% to 6.21%.

2. On September 19, 2019, Preferred Shares Series E dividend rate was reset from 6.40% to 5.903%.

For each five-year period, holders of the respective Series 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.

#### Series A Preferred Shares Redemption

On December 31, 2023, Company redeemed all of its 4,600,000 Series A Preferred Shares for a redemption price equal to C\$25.00 per share for a total of \$85,752 together with all accrued and unpaid dividends.

#### Preferred share dividends

For the three-month period ended March 31, 2024, the Company declared \$2,919 in preferred share dividends (March 31, 2023 – \$4,343).

As at March 31, 2024, the accrued preferred share dividends were \$32 (December 31, 2023 – \$33).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**8. SHARE-BASED COMPENSATION**

Share-based compensation expense consists of the following:

	<b>Three-month period ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
	<b>\$</b>	<b>\$</b>
(b) Deferred share units	<b>(129)</b>	784
(c) Performance share units	<b>5,897</b>	7,046
(d) Restricted share units	<b>4,963</b>	4,256
	<b>10,731</b>	12,086

**(a) Stock options**

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

	<b>Number of options #</b>	<b>Weighted average exercise price C\$</b>
Outstanding, December 31, 2022	3,809,948	7.17
Expired	(123,280)	12.97
Exercised <sup>(1)</sup>	(3,130,399)	6.70
<b>Outstanding, December 31, 2023</b>	<b>556,269</b>	<b>8.49</b>
Expired	(2)	11.65
Exercised <sup>(1)</sup>	(38,915)	12.95
<b>Outstanding, March 31, 2024</b>	<b>517,352</b>	<b>8.15</b>

1. Weighted average share price of options exercised during the three-month period ended March 31, 2024 was C\$22.96 (year ended December 31, 2023 – C\$20.22).

**Element Fleet Management Corp.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

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

	<b>Deferred share units</b>	<b>Performance share units</b>	<b>Restricted share units</b>
	<b>#</b>	<b>#</b>	<b>#</b>
Outstanding, December 31, 2022	788,182	1,752,480	1,775,914
Granted	110,841	1,122,451	812,991
Forfeited	—	(664)	(74,122)
Redeemed	(70,810)	(976,528)	(673,141)
<b>Outstanding, December 31, 2023</b>	<b>828,213</b>	<b>1,897,739</b>	<b>1,841,642</b>
Granted	28,622	878,592	503,024
Forfeited	—	—	(63,089)
Redeemed	—	(1,098,636)	(754,095)
<b>Outstanding, March 31, 2024</b>	<b>856,835</b>	<b>1,677,695</b>	<b>1,527,482</b>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**9. REVENUE**

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

	<b>Three-month period ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Major service lines</b>		
Interest income, net	<b>144,603</b>	108,878
Rental revenue	<b>206,914</b>	153,628
Gain on sale of equipment under operating leases	<b>26,975</b>	27,862
Depreciation of equipment under operating leases	<b>(137,331)</b>	(105,730)
Financing revenue before interest expense	<b>241,161</b>	184,638
Service revenue, net	<b>125,259</b>	96,426
Vehicle sales and end of contract fees	<b>21,794</b>	19,056
Servicing income, net	<b>147,053</b>	115,482
Syndication revenue, net	<b>8,226</b>	10,945
Net revenue before interest expense	<b>396,440</b>	311,065
<b>Primary geographical markets</b>		
US and Canada	<b>252,771</b>	205,305
Australia and New Zealand	<b>54,554</b>	54,557
Mexico	<b>89,115</b>	51,203
Net revenue before interest expense	<b>396,440</b>	311,065
<b>Timing of revenue recognition</b>		
Revenue earned at a point in time	<b>124,173</b>	111,190
Revenue earned over time	<b>272,267</b>	199,875
Net revenue before interest expense	<b>396,440</b>	311,065

Revenue earned at a point in time includes gain on sale of equipment under operating leases, commissions from repairs due to accidents, fuel, title and registration fees, syndication revenue, and vendor commissions. Revenue earned over time includes interest income and rental revenue, fleet maintenance and accident management fees, and telematics fees.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**A) Contract balances**

	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Contract assets	<b>12,903</b>	12,877

Contract assets represent the costs the Company incurs to enter into service contracts with clients including certain commissions. Contract assets are recorded in the unamortized deferred costs and subsidies line within note 3. For the three-month period ended March 31, 2024, the Company has recorded \$2,169 of amortization on its service contract assets (March 31, 2023 - \$2,315).

**B) Performance obligations**

*Fixed-fee Service Contracts.* The Company provides separately priced and contracted service contracts to its fleet clients that include 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.

**10. INCOME TAXES**

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. IAS 34 requires this annual tax rate to be reviewed each quarter and applied to the profits earned to date.

The effective income tax rate was 23.74% for the three-month period ended March 31, 2024 (three-month period ended March 31, 2023 - 22.80%). The effective tax rate is higher than prior year reflecting year-over-year variances in pre-tax income and other tax related adjustments.

**11. EARNINGS PER SHARE**

Basic earnings per share is as follows:

	<b>Three-month period ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Net income attributable to shareholders	<b>\$ 93,817</b>	\$ 78,687
Cumulative dividends on preferred shares	<b>(2,919)</b>	(4,343)
Net income available to common shareholders	<b>\$ 90,898</b>	\$ 74,344
Weighted average number of common shares outstanding – basic (number)	<b>389,161,041</b>	392,220,198
Basic earnings per share	<b>\$ 0.23</b>	\$ 0.19

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

Diluted earnings per share is as follows:

	Three-month period ended	
	March 31, 2024	March 31, 2023
Net income available to common shareholders adjusted for the effects of dilution	\$ 92,120	\$ 75,569
Weighted average number of common shares outstanding – basic (number)	389,161,041	392,220,198
Convertible debentures (number)	14,627,599	14,462,387
Dilutive stock options (number)	329,348	2,283,170
Weighted average number of common shares outstanding – diluted (number)	404,117,988	408,965,755
Diluted earnings per share	\$ 0.23	\$ 0.18

Instruments outstanding as at March 31, 2024 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, included nil stock options for the three-month period ended March 31, 2024 (March 31, 2023 - nil stock options).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**12. CAPITALIZATION**

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. Element's funding activities are well diversified by facility, geography, investor, and lender and include both secured and unsecured sources.

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

<b>As at</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Cash	<b>696,043</b>	96,419
Unsecured debt		
Revolving senior credit facilities	<b>796,104</b>	825,319
4.250% Convertible Debentures due 2024	<b>126,108</b>	127,816
1.600% Senior Notes due 2024	<b>500,000</b>	500,000
3.850% Senior Notes due 2025	<b>400,000</b>	400,000
6.271% Senior Notes due 2026	<b>750,000</b>	750,000
5.643% Senior Notes due 2027	<b>750,000</b>	—
6.319% Senior Notes due 2028	<b>750,000</b>	750,000
Vehicle Management Asset-Backed Debt		
Revolving term notes in amortization	<b>1,515,545</b>	1,694,837
Variable funding notes	<b>3,481,265</b>	2,999,614
Other	<b>21,999</b>	29,061
Deferred financing costs	<b>(30,607)</b>	(29,618)
Continuing involvement liability	<b>87,199</b>	81,851
Hedge accounting fair value adjustments	<b>62</b>	17,068
<b>Total debt</b>	<b>9,147,675</b>	8,145,948
Shareholders' equity		
Common share capital	<b>2,108,023</b>	2,109,103
Preferred share capital	<b>181,077</b>	181,077
Other	<b>655,488</b>	653,648
<b>Total Shareholders' Equity</b>	<b>2,944,588</b>	2,943,828
<b>Total Capitalization</b>	<b>12,092,263</b>	11,089,776

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

### **13. GEOGRAPHIC INFORMATION**

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

Selected geographic assets are as follows:

	As at March 31, 2024				As at December 31, 2023			
	US and Canada	Australia and New Zealand	Mexico	Total	US and Canada	Australia and New Zealand	Mexico	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Select assets</b>								
Finance receivables	6,309,703	357,791	805,686	7,473,180	5,990,046	354,978	874,530	7,219,554
Equipment under operating leases	18,244	962,780	1,703,991	2,685,015	18,428	1,019,722	1,608,008	2,646,158
Goodwill and intangible assets	1,550,832	23,409	13,224	1,587,465	1,559,868	24,176	12,279	1,596,323
Property, equipment and leasehold improvements	90,589	14,085	9,792	114,466	77,511	15,189	10,033	102,733
	<b>7,969,368</b>	<b>1,358,065</b>	<b>2,532,693</b>	<b>11,860,126</b>	<b>7,645,853</b>	<b>1,414,065</b>	<b>2,504,850</b>	<b>11,564,768</b>

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

### **14. LEASES**

The Company leases its office space and certain office equipment. 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).

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 and is included in determining the lease liability and right-of-use asset if the Company assesses it is highly likely to exercise the lease renewal options at the inception of the lease. Subsequent to the inception of the lease, management continues to evaluate the likelihood of exercising the lease renewal options to ensure it aligns with the Company's business strategy. Adjustments to the lease liability and right-of-use asset as a result of a modification to the expected lease term are made in accordance with IFRS 16.

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.

Management evaluates all facilities to ensure the Company's footprint continues to support business activities, employees and client needs. In support of this and to align with the Company's growth strategy, the Company closed certain facilities in the US, Canada, Australia and New Zealand during the year ended December 31, 2020. The remaining lease liability for the closed facilities is \$333 as at March 31, 2024 (December 31, 2023 - \$1,081).

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

		As at March 31, 2024	As at December 31, 2023
		\$	\$
<b>Assets</b>	<b>Classification</b>		
Right-of-use assets	Buildings, net of accumulated amortization <sup>(1)</sup>	81,250	73,930
<b>Liabilities</b>	<b>Classification</b>		
Lease liabilities	Accounts payable and accrued liabilities	90,112	82,804

1. As at March 31, 2024, right-of-use assets are recorded net of accumulated amortization of \$49,021 (December 31, 2023 - \$47,201).

		Three-month period ended	
		March 31, 2024	March 31, 2023
		\$	\$
<b>Lease cost</b>	<b>Classification</b>		
Amortization of leased assets	Depreciation and amortization	2,167	2,188
Interest on lease liabilities	Interest expense	784	421
Net lease cost		2,951	2,609

	As at March 31, 2024
	\$
<b>Maturity of lease liabilities</b>	
2024	3,182
2025	4,471
2026	5,518
2027	5,769
2028	5,753
Thereafter	65,419

	As at March 31, 2024	As at December 31, 2023
Lease Term and Discount Rate		
Weighted-average remaining lease term (years)	15.7	14.4
Weighted-average discount rate	4.07 %	3.84 %

### 15. 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.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

- 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 borrowings on finance receivables**

The assertion that the carrying value of the finance receivables and 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 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.

#### **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 fair value through profit and loss ("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.

**Element Fleet Management Corp.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

**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 for the years 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 year.

	As at March 31, 2024				Total
	Level 1	Level 2	Level 3		
Carrying value	Quoted market price	Observable market inputs	Non-observable market inputs		
\$	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Assets not carried at fair value					
Cash	696,043	696,043	—	—	696,043
Finance lease receivables <sup>1</sup>	7,111,328	—	—	7,111,328	7,111,328
Finance loans receivables	274,653	—	—	274,653	274,653
Accounts receivable and other assets	191,372	—	—	191,372	191,372
Assets held at fair value					
Derivative financial assets					
Interest rate swaps	37,997	—	37,997	—	37,997
Equity swaps	24,167	—	24,167	—	24,167
Investments classified as FVTPL	6,181	—	—	6,181	6,181
<b>Total financial assets</b>	<b>8,341,741</b>	<b>696,043</b>	<b>62,164</b>	<b>7,583,534</b>	<b>8,341,741</b>
<b>Financial liabilities</b>					
Liabilities not carried at fair value					
Accounts payable and accrued liabilities	1,098,935	—	—	1,098,935	1,098,935
Borrowings on finance receivables <sup>1</sup>	8,934,368	—	—	8,934,368	8,934,368
Convertible debentures	126,108	—	126,198	—	126,198
Liabilities held at fair value					
Derivative financial liabilities					
Foreign exchange contracts	28,106	—	28,106	—	28,106
Interest rate swaps	13,446	—	13,446	—	13,446
<b>Total financial liabilities</b>	<b>10,200,963</b>	<b>—</b>	<b>167,750</b>	<b>10,033,303</b>	<b>10,201,053</b>

1. As at March 31, 2024, the finance lease receivables and borrowings on finance receivables exclude the continuing involvement asset and liability, respectively, of \$87,199.

**Element Fleet Management Corp.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2024

	As at December 31, 2023				Total
	Carrying value	Level 1	Level 2	Level 3	
		Quoted market price	Observable market inputs	Non-observable market inputs	
\$	\$	\$	\$	\$	
<b>Financial assets</b>					
Assets not carried at fair value					
Cash	96,419	96,419	—	—	96,419
Finance lease receivables	6,869,808	—	—	6,869,808	6,869,808
Finance loans receivables	267,895	—	—	267,895	267,895
Accounts receivable and other assets	196,717	—	—	196,717	196,717
Assets held at fair value					
Derivative financial assets					
Interest rate swaps	61,688	—	61,688	—	61,688
Equity Swaps	23,771	—	23,771	—	23,771
Investments classified as FVTPL	6,181	—	—	6,181	6,181
<b>Total financial assets</b>	<b>7,522,479</b>	<b>96,419</b>	<b>85,459</b>	<b>7,340,601</b>	<b>7,522,479</b>
<b>Financial liabilities</b>					
Liabilities not carried at fair value					
Accounts payable and accrued liabilities	1,207,797	—	—	1,207,797	1,207,797
Borrowings on finance receivables	7,936,281	—	—	7,936,281	7,936,281
Convertible debentures	127,816	—	128,592	—	128,592
Liabilities held at fair value					
Derivative financial liabilities					
Foreign exchange contracts	5,421	—	5,421	—	5,421
Interest rate swaps	22,443	—	22,443	—	22,443
<b>Total financial liabilities</b>	<b>9,299,758</b>	<b>—</b>	<b>156,456</b>	<b>9,144,078</b>	<b>9,300,534</b>

1. As at December 31, 2023, the finance lease receivables and borrowings on finance receivables exclude the continuing involvement asset and liability, respectively, of \$81,851.

## Element Fleet Management Corp.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2024

#### 16. SYNDICATIONS

The following represents the detail of the Company's syndicated assets that qualify for full derecognition:

	<b>Classification</b>	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>
		<b>\$</b>	<b>\$</b>
Allowance for early termination	Accounts payable and accrued liabilities	<b>2,970</b>	3,758
Deferred servicing fee	Finance receivables	<b>107</b>	127

The following represents the detail of the Company's syndicated assets subject to continuing involvement:

	<b>Classification</b>	<b>As at March 31, 2024</b>	<b>As at December 31, 2023</b>
		<b>\$</b>	<b>\$</b>
Continuing involvement in syndicated assets	Finance receivables	<b>87,199</b>	81,851
Liabilities associated with continuing involvement in syndicated assets	Secured borrowings	<b>87,199</b>	81,851
Allowance for early termination	Accounts payable and accrued liabilities	<b>10,930</b>	10,429
Net book value of assets related to deals remaining in continuing involvement	N/A	<b>2,940,393</b>	2,760,584

The following represents the detail of the Company's syndicated assets for the:

		<b>Three-month period ended</b>	
	<b>Classification</b>	<b>March 31, 2024</b>	<b>March 31, 2023</b>
		<b>\$</b>	<b>\$</b>
Syndication revenue, net	Syndication revenue, net	<b>8,226</b>	10,945
Net book value of assets syndicated	n/a	<b>473,248</b>	506,758

#### 17. COMPARATIVE FIGURES

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

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

March 31, 2024

**18. SUBSEQUENT EVENTS**

**Vehicle management asset-backed debt**

On April 17, 2024, the Company, under its US vehicle management asset-backed debt program, issued \$1 billion in amortizing term notes with an initial weighted average interest rate of 5.646%. The proceeds from these issuances were used to pay down variable funding notes.

**Revolving senior credit facilities**

On April 24, 2024, the Company increased the commitment of one of our revolving senior credit facilities by \$150 million, for a total facility amount of \$850 million. In addition, the maturity on the revolving portion of the facility was extended to April 24, 2025, and the maturity on the non-revolving portion of the facility was extended to March 24, 2029.

**Senior notes**

On April 5, 2024, proceeds from the March 13, 2024 senior notes issuance were used to repay the 1.600% \$500 million senior unsecured notes.