Management Discussion and Analysis

June 30, 2018

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

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO AUGUST 13, 2018. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE "FORWARD-LOOKING STATEMENTS". IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS "MAY", "WILL", "EXPECT", "PLAN", "ANTICIPATE", "INTEND", "POTENTIAL", "ESTIMATE", "BELIEVE" OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT'S GROWTH PROSPECTS AND OBJECTIVES, OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES, ASSETS, BUSINESS STRATEGY, COMPETITION AND COMPETITIVE POSITIONING, ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY, THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION, BUSINESS INTEGRATION, TECHNOLOGY AND INTELLECTUAL PROPERTY INCLUDING THE XCELERATE PLATFORM, STRATEGIC ASSESSMENT, STRATEGY FOR NON-CORE ASSETS INCLUDING THE 19TH CAPITAL JOINT VENTURE, BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCIAL OR OPERATING PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, OPERATIONAL CAPABILITIES, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT, INCLUDING HEREIN AND IN ELEMENT'S CURRENT ANNUAL MD&A AND ANNUAL INFORMATION FORM, WHICH HAVE BEEN FILED ON SEDAR AND MAY BE ACCESSED AT WWW.SEDAR.COM.

BY THEIR NATURE, FORWARD-LOOKING STATEMENTS INVOLVE NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN, RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, WHICH CONTRIBUTE TO THE POSSIBILITY THAT PREDICTIONS, FORECASTS, PROJECTIONS AND OTHER FORMS OF FORWARD-LOOKING INFORMATION MAY NOT OCCUR OR BE ACHIEVED. MANY FACTORS COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS AND READERS ARE CAUTIONED THAT THE LIST OF FACTORS IN THE FOREGOING PARAGRAPH IS NOT EXHAUSTIVE. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ASSUMPTIONS UNDERLYING THE FORWARD-LOOKING STATEMENTS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS INTENDED, PLANNED, ANTICIPATED, BELIEVED, ESTIMATED OR EXPECTED. ACCORDINGLY, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS OR INTERPRET OR REGARD FORWARD-LOOKING STATEMENTS AS GUARANTEES OF FUTURE OUTCOMES, AS NO FORWARD-LOOKING STATEMENT MAY BE GUARANTEED. EXCEPT AS MAY BE REQUIRED BY APPLICABLE CANADIAN SECURITIES LAWS, WE DO NOT INTEND, AND DISCLAIM ANY OBLIGATION TO UPDATE OR REWRITE ANY FORWARD-LOOKING STATEMENTS WHETHER ORAL OR WRITTEN AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

Table of Contents

Overview

Element Fleet Management Corp. (“Element”, "we", or the “Company”) is a leading global fleet management company, providing best-in-class services and financing solutions for commercial vehicle fleets. With more than $18.0 billion in assets, we are North America's largest publicly traded fleet management company. We are a leading fleet-focused business services provider driven by technology and advanced analytics, and benefit from a large-scale stable leasing and integrated services platform. We actively invest in people, processes and technology to remain at the forefront of the fleet management industry.

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

Element is in the process of completing an end-to-end assessment of its business across three concurrent workstreams. For the core Element fleet business, this assessment entails a thorough review of its global operations with a view to identifying opportunities for profitable revenue growth, productivity enhancement and better investment returns. The second workstream involves a strategic assessment of the 19th Capital joint venture including its origin, evolution and current state, and the identification of potential pathways forward. The final workstream encompasses a comprehensive review of our balance sheet, capital structure and finance policies as a backdrop to designing a financing strategy that will provide ready access to cost-efficient capital to support the strategic plans of Element and, to the extent determined advisable by Element, the 19th Capital joint venture. The results of the strategic assessment and the resulting strategic plans will be communicated in the early fall of 2018.

Operating Segments

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

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

Changes in Presentation

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

Quarterly Results of Operations - Consolidated

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

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in $000's for stated values, except per share amounts)	**$**	$	$	**$**	$
Net revenue					
Service and other revenue, net (1)	**130,280**	129,132	153,556	**259,412**	301,072
Net interest income and rental revenue (2)	**200,804**	183,724	188,496	**384,528**	368,480
	331,084	312,856	342,052	**643,940**	669,552
Interest expense	**111,644**	101,513	94,509	**213,157**	183,597
Net revenue	**219,440**	211,343	247,543	**430,783**	485,955
Operating expenses					
Salaries, wages and benefits	**82,071**	82,265	79,271	**164,336**	154,203
General and administrative expenses	**28,833**	33,840	40,025	**62,673**	76,715
Depreciation and amortization	**5,972**	5,280	3,822	**11,252**	7,547
Adjusted operating expenses (3)	**116,876**	121,385	123,118	**238,261**	238,465
Amortization of convertible debenture synthetic discount	**3,480**	3,424	3,260	**6,904**	6,466
Share-based compensation	**5,191**	4,547	3,589	**9,738**	9,625
Total operating expenses	**125,547**	129,356	129,967	**254,903**	254,556
Business acquisition and other costs					
Amortization of intangibles from acquisition	**11,936**	11,871	14,773	**23,807**	29,594
Restructuring, strategic review and integration costs	**1,306**	40,811	31,315	**42,117**	67,361
Total business acquisition and other costs	**13,242**	52,682	46,088	**65,924**	96,955
Share of loss from and provision in equity accounted investments	**4,601**	10,304	40,875	**14,905**	51,119
Net income (loss) before taxes	**76,050**	19,001	30,613	**95,051**	83,325
Income tax expense (recovery)	**(3,046)**	(2,758)	(6,474)	**(5,804)**	(5,607)
Net income (loss) for the period	**79,096**	21,759	37,087	**100,855**	88,932
Earnings (loss) per share (basic)	**0.18**	0.03	0.07	**0.21**	0.18
Earnings (loss) per share (diluted)	**0.18**	0.03	0.07	**0.21**	0.18
Adjusted operating results (3)					
Net revenue	**219,440**	211,343	247,543	**430,783**	485,955
Adjusted operating expenses (3)	**116,876**	121,385	123,118	**238,261**	238,465
Adjusted operating income (3)	**102,564**	89,958	124,425	**192,522**	247,490
Provision for taxes applicable to adjusted operating income	**18,461**	13,728	24,672	**32,189**	47,712
After-tax adjusted operating income (3) (4)	**84,103**	76,230	99,753	**160,333**	199,778
Weighted average number of shares outstanding (basic)	**380,452**	380,356	388,958	**380,404**	388,338
Before-tax adjusted operating income per share (basic) (3)	**0.24**	0.21	0.29	**0.45**	0.59
After-tax adjusted operating income per share (basic) (3)	**0.19**	0.17	0.23	**0.36**	0.47

(1) Service and other revenue, net, is shown net of direct costs of fixed rate service contracts.
(2) Net interest income and rental revenue is equal to interest income, less provision for credit losses and rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.
(3) For additional information, see "Description of Non-IFRS Measures" section.
(4) For reconciliation from IFRS Net Income to After-tax adjusted operating income, see page 28.

Net revenue was $219.4 million for the current quarter, a decrease of 11.4% compared to the same period in the prior year and an increase of 3.8% compared to the immediately preceding quarter. On a sequential basis, services and other revenue increased by 0.9% while net interest income and rental revenue increased by 9.3%. Compared to Q2 2017, service and other revenue declined by 15.2%, while net interest and rental revenue increased by 6.5%. Changes to revenue line items are explained in the following sections as they relate to Fleet Management and Non-Core assets.

Adjusted operating expenses decreased by 3.7% and 5.1% compared to Q1 2018 and Q2 2017, respectively. Changes to adjusted operating expenses are also described in the following sections.

Share-based compensation was $5.2 million for Q2 2018, an increase of 14.2% compared to Q1 2018 and a increase of 44.6% compared to Q2 2017. The increases were primarily due to changes in the fair value of the un-hedged portions of PSU liabilities.

Amortization of the convertible debenture synthetic discount represented the accretion of the convertible debenture discount created from the bifurcation of the convertible debentures between debt and share capital.

Restructuring, strategic review and integration costs were $1.3 million in Q2 2018, compared to $31.3 million in Q2 2017 and $40.8 million in Q1 2018. During the current quarter, the costs recorded were part of a $6.0 to $8.0 million integration program relating to our CEI business. In the first quarter of 2018, the Company recorded a $40.0 million restructuring provision for severance and other termination costs of employees, and office closure costs; $33.0 million has been utilized with the remainder expected to be utilized within the next twelve months. Cost incurred in Q2 2017 was due to post IT migration activities in the US.

The amortization of intangibles acquired as part of past business acquisitions was $11.9 million in Q2 2018, down from the $14.8 million in Q2 2017 and essentially flat to Q1 2018.

The Company's share of loss from equity investments was $4.6 million for Q2 2018, primarily related to a mark to market loss on DMG Blockchain, compared to $10.3 million for Q1 2018, which saw our investment in the 19th Capital joint venture written down to $nil. All other amounts were nominal. The second quarter loss in the prior year was also attributable to our share of operating losses and write-downs in the joint venture.

The Company adopted IFRS 9 on January 1, 2018, resulting in the incurred loss model used for measuring the allowance for credit losses being replaced with an expected credit loss model. As a result, the Company recorded $65.0 million of allowance for credit losses against the $775.9 million of loans to 19th Capital; opening retained earnings was adjusted for the change in methodology. Increases in allowance for credit losses of $110 thousand and $394 thousand were recorded in the first three and six months, respectively, of 2018.

For the six-month period ended June 30, 2018, net revenue was $430.8 million, a decrease of 11.4% compared to the same period in the prior year. Adjusted operating expenses decreased by 0.1% over the same period in 2017, due to the lower U.S. dollar and expense initiatives. Other expenses for the six-month period ended June 30, 2018 as compared to the same period in 2017 were impacted by the same factors as noted in the quarterly periods.

Impact of Foreign Currency Exchange Rate Changes

We are exposed to fluctuations in certain foreign currencies from operations we conduct in Australia, New Zealand, Mexico and, predominantly, the United States where, as at June 30, 2018, 8.0%, 3.6%, 3.2% and 75.6% of the net finance receivables and equipment under operating leases were located, respectively. While Element hedges for currencies, our assets and liabilities do fluctuate as a result of fluctuation in these currencies against the reporting currency, being the Canadian dollar. Fluctuations in these currencies also affect the reported income when foreign operating results are then converted back to the Canadian dollar.

During the second quarter of 2018, the weighted average changes in average exchange rates of the Company's operating currencies against the Canadian dollar affected adjusted operating income positively by approximately 0.1% over the immediately preceding quarter and negatively by 3.2% over the second quarter in 2017, respectively.

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

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in $000's for stated values)	**$**	$	$	**$**	$
Fleet Management service and other revenue	**129,496**	129,997	138,972	**259,493**	264,625
Non-core service and other revenue	**785**	652	10,154	**1,437**	29,152
Consolidated service and other revenue	**130,281**	130,649	149,126	**260,930**	293,777
Fleet Management net interest and rental revenue	**86,298**	80,744	78,517	**167,042**	160,400
Non-core net interest and rental revenue	**2,861**	2,421	12,343	**5,282**	19,356
Consolidated net interest and rental revenue	**89,159**	83,165	90,860	**172,324**	179,756
Fleet Management net revenue	**215,793**	210,740	217,489	**426,533**	425,025
Non-Core net revenue	**3,647**	3,074	22,497	**6,721**	48,508
Consolidated net revenue	**219,440**	213,814	239,986	**433,254**	473,533
Fleet Management adjusted operating expenses	**115,653**	121,567	117,803	**237,220**	229,503
Non-core adjusted operating expenses	**1,222**	1,241	1,587	**2,463**	2,955
Consolidated adjusted operating expenses	**116,875**	122,808	119,390	**239,683**	232,458
Fleet Management adjusted operating income	**100,140**	89,173	99,687	**189,313**	195,522
Non-Core adjusted operating income	**2,424**	1,832	20,910	**4,256**	45,553
Consolidated adjusted operating income	**102,564**	91,005	120,597	**193,569**	241,075
Fleet Management after-tax adjusted operating income	**82,115**	73,122	78,752	**155,237**	154,463
Non-Core after-tax adjusted operating income	**1,988**	4,193	17,939	**6,181**	40,170
Consolidated after-tax adjusted operating income	**84,103**	77,315	96,691	**161,418**	194,633
Fleet Management net earning assets	**12,860,885**	12,616,752	12,436,150	**12,860,885**	12,436,150
Non-core net earning assets	**873,965**	872,235	1,094,783	**873,965**	1,094,783
Consolidated net earning assets	**13,734,850**	13,488,987	12,436,150	**13,734,850**	13,530,933
Fleet Management average net earning assets	**12,652,073**	12,458,444	12,125,358	**12,555,258**	12,211,508
Non-core average net earning assets	**863,348**	881,527	1,221,047	**872,438**	1,092,470
Consolidated average net earning assets	**13,515,421**	13,339,971	13,346,405	**13,427,696**	13,303,978

Quarterly Results of Operations - Fleet Management

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

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in $000's for stated values, except per share amounts)	**$**	$	$	**$**	$
Net revenue					
Service and other revenue	**129,496**	128,480	143,392	**257,976**	271,835
Net interest and rental revenue	**86,297**	79,967	81,060	**166,265**	164,620
Net revenue	**215,793**	208,448	224,452	**424,241**	436,455
Adjusted operating expenses					
Salaries, wages and benefits	**81,338**	81,535	78,287	**162,873**	152,431
General and administrative expenses	**28,343**	33,354	39,369	**61,697**	75,445
Depreciation and amortization	**5,972**	5,280	3,822	**11,252**	7,547
Adjusted operating expenses	**115,653**	120,169	121,478	**235,822**	235,423
Adjusted operating income	**100,140**	88,279	102,974	**188,419**	201,032
Provision for taxes applicable to adjusted operating income	**18,025**	15,890	21,625	**33,915**	42,217
After-tax adjusted operating income	**82,115**	72,389	81,349	**154,504**	158,815
Less: Cumulative preferred share dividends	**11,068**	11,068	10,253	**22,136**	19,165
After-tax adjusted operating income attributable to common shareholders	**71,047**	61,321	71,096	**132,368**	139,650
Weighted average number of shares outstanding (basic)	**380,452**	380,356	388,958	**380,404**	388,338
Before-tax adjusted operating income per share (basic)	**0.23**	0.20	0.24	**0.44**	0.47
After-tax adjusted operating income per share (basic)	**0.19**	0.16	0.18	**0.35**	0.36

Service and other revenue for Q2 2018 of $129.5 million increased 0.8% from Q1 2018, but was down 9.7% from Q2 2017. On a constant currency basis, service and other revenue decreased by 0.3% and 6.8% compared to Q1 2018 and Q2 2017, respectively. The decrease from Q2 2017 was primarily due to higher remarketing revenue in that quarter and an increase in customer attrition in the second half of 2017. Customer attrition trends continue to improve and are expected to revert to their normal historical levels in the second half of 2018.

Net interest and rental revenue of $86.3 million increased 6.5% from Q2 2017 and 7.9% from Q1 2018. On a constant currency basis, net interest and rental revenue increased by 9.9% and 6.9% compared to Q2 2017 and Q1 2018, respectively. The increase was partially due to the impact and timing of interest rate changes and pricing mechanisms in the prior quarter, and a one-off contract reset in Q2 2018. Net interest and rental revenue margin (NIM) was 2.73% in Q2 2018, as compared with 2.61% in Q1 2018 and 2.60% in Q2 2017, reflecting both these factors.

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

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in $000's for stated values)	**%**	%	%	**%**	%
Net interest income and rental revenue	**5.91**	5.43	5.28	**5.73**	5.23
Interest expense	**3.18**	2.82	2.68	**3.07**	2.60
Net interest and rental revenue margin or NIM (1)	**2.73**	2.61	2.60	**2.66**	2.63
Average cost of debt (Interest expense / average debt) (1)	**3.12**	2.96	2.56	**3.04**	2.51
Average 1-Month LIBOR rates	**1.56**	1.66	1.09	**1.66**	0.97
Total average earning assets (1)	**$ 12,645,556**	$ 12,298,999	$ 12,447,924	**$ 12,476,129**	$ 12,474,509
Total earning assets at period end (1)	**$ 12,860,886**	$ 12,523,199	$ 12,390,991	**$ 12,860,886**	$ 12,390,991
Average debt outstanding (1)	**$ 12,855,796**	$ 12,287,571	$ 13,004,536	**$ 12,571,683**	$ 12,883,505
New originations	**$ 1,714,100**	$ 1,471,500	$ 1,908,496	**$ 3,185,600**	$ 3,287,496

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

The average cost of debt increased to 3.12% during the quarter, from 2.56% in Q2 2017 and 2.96% from the immediately preceding quarter. The higher rate was primarily due to the increase in underlying reference rates during the quarter, and the decrease in convertible debentures allocated to the Core segment, consistent with the allocation methodology designed and implemented in Q2 2017.

Adjusted operating expenses in Q2 2018 were $115.7 million, a decrease of 4.8% compared to Q2 2017, and a decrease of 3.8% on a sequential basis. On a constant currency basis, adjusted operating expenses declined by 1.8% compared to Q2 2017 and by 4.9% compared to Q1 2018. The decreases reflect a combination of productivity and cost saving initiatives, including the closure of our Ireland operations, partially offset by higher salaries and benefits as some integration resources returned to their normal operational functions.

Adjusted operating income from core Fleet Management operations for Q2 2018 was $100.1 million, a decrease of 2.8% from Q2 2017 and an increase of 13.4% over the immediately preceding quarter. On a constant currency basis, adjusted operating income was flat compared to Q2 2017 due to the impact of the higher U.S. dollar in the comparable period, and increased by 12.3% compared to Q1 2018 for the reasons noted above.

For the six-month period ended June 30, 2018, net revenue was $424.2 million, a decrease of 2.8% compared to the comparative period in the prior year. On a constant currency basis, net revenue decreased by 0.4%. The decrease was mainly attributed to declines in service and other revenue due to the previously disclosed customer attrition partially offset by growth, while net interest and rental revenue was relatively constant. On a currency neutral basis, higher net interest income offset lower service and other revenue. Adjusted operating expenses were $235.8 million for the current period, as compared to $235.4 million in the comparative period in prior year, for the reasons discussed above. Overall, adjusted operating income was $188.4 million for the six-month period ended June 30, 2018, a decrease of 6.3% compared to $201.0 million in the comparative period in prior year, partially due to the strong U.S. dollar in the prior period. On a constant currency basis, adjusted operating income increased by 0.5%. The nominal decline was due to the relative foreign exchange environments.

Quarterly Results of Operations - Non-Core

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

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in $000's for stated values, except per share amounts)	**$**	$	$	**$**	$
Net revenue					
Service and other revenue	**784**	652	10,164	**1,436**	29,237
Net interest and rental revenue	**2,863**	2,244	12,927	**5,106**	20,263
Net revenue	**3,647**	2,895	23,091	**6,542**	49,500
Adjusted operating expenses					
Salaries, wages and benefits	**733**	730	984	**1,463**	1,772
General and administrative expenses	**490**	486	656	**976**	1,270
Adjusted operating expenses	**1,223**	1,216	1,640	**2,439**	3,042
Adjusted operating income	**2,424**	1,679	21,451	**4,103**	46,458
Provision for taxes applicable to adjusted operating income	**436**	(2,162)	3,047	**(1,726)**	5,495
After-tax adjusted operating income	**1,988**	3,841	18,404	**5,829**	40,963
Weighted average number of shares outstanding (basic)	**380,452**	380,356	388,958	**380,404**	388,338
Before-tax adjusted operating income per share (basic)	**0.01**	—	0.06	**—**	0.06
After-tax adjusted operating income per share (basic)	**0.01**	0.01	0.05	**0.01**	0.06

Overall, net revenue for Non-Core operations was $3.6 million, a decline of 84.2% compared to Q2 2017 and an increase of 26.0% on a sequential basis. Non-core service and other revenue for Q2 and Q1 2018 was largely related to the heavy truck portfolio. In Q2 2017, this revenue was derived from fees in connection with various services provided to non-fleet customers, which are not expected to recur.

Net interest and rental revenue for Q2 2018 was $2.9 million, a decrease of 77.9% compared to Q2 2017, and an increase of 27.6% compared to Q1 2018. The decrease from Q2 2017 was mainly due to the reduction in the Non-Core portfolio from asset sales and run-off, and to the changes arising with the adoption of IFRS 9 wherein the accounting for the investment in ECAF I Holdings Ltd. ("ECAF") changed to the fair value through profit and loss methodology. The increase compared to Q1 2018 was mainly due to higher revenue on the loans to the 19th Capital joint venture, as more proceeds were forborne, and higher recoveries in the heavy truck portfolio.

Adjusted operating expenses of $1.2 million for Q2 2018 are a corporate expense allocation of approximately 50 bps on average earning assets and other investments.

Adjusted operating income from Non-Core operations for Q2 2018 was $2.4 million, a decrease of $19.0 million or 88.7% over the amount reported for Q2 2017 and an increase of $0.7 million or 44.4% over the amount reported during the immediately preceding quarter. The decrease over Q2 2017 and the small increase over Q1 2018 were due to the factors discussed above.

For the six-month period ended June 30, 2018, net revenue was $6.5 million, a decline of 86.8% compared to the comparative period in prior year. Overall, adjusted operating income was $4.1 million for the six-month period ended June 30, 2018, compared to $46.5 million in the comparative period in prior year. The decrease was mainly attributed to the impact of IFRS 9 and non-recurring fee income in the prior year.

Consolidated Financial Position

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

(in $000's for stated values)	**June 30, 2018** **$**	March 31, 2018 $	December 31, 2017 $
Assets			
Fleet Management finance assets			
Finance receivables	**12,596,977**	12,214,444	11,904,630
Equipment under operating leases	**1,654,130**	1,667,987	1,599,423
Fleet Management finance assets	**14,251,107**	13,882,431	13,504,053
Non-Core finance receivables	**819,813**	817,677	863,503
Total finance assets	**15,070,920**	14,700,108	14,367,556
Non-Core other investments (1)	**141,539**	116,055	122,285
Non-Core investment in joint venture	**—**	—	10,000
Other assets			
Fleet Management	**1,078,719**	1,088,507	980,184
Non-core	**85,877**	84,271	60,956
Total other assets	**1,164,596**	1,172,778	1,041,140
Goodwill and intangible assets	**2,100,529**	2,071,371	2,028,652
Total assets	**18,477,584**	18,060,312	17,569,633
Liabilities			
Fleet Management debt			
Secured borrowings	**12,536,136**	12,254,118	11,720,852
Convertible debentures	**492,249**	385,584	510,272
Total Fleet Management debt	**13,028,385**	12,639,702	12,231,124
Non-Core debt			
Secured borrowings	**476,753**	469,728	587,021
Convertible debentures	**394,261**	495,589	365,645
Total Non-Core debt	**871,014**	965,317	952,666
Total debt	**13,899,399**	13,605,019	13,183,790
Other liabilities	**700,616**	652,827	645,760
Total liabilities	**14,600,015**	14,257,846	13,829,550
Shareholders' equity	**3,877,569**	3,802,466	3,740,083
Total liabilities and shareholders' equity	**18,477,584**	18,060,312	17,569,633

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

Total assets and liabilities increased by 5.2% and 5.6%, respectively, over December 31, 2017, mainly as a result of the increase in the US dollar compared to the Canadian dollar. The Company was also exposed to other currencies that all appreciated against the Canadian dollar during the period. The net impact of these currency variations flows as Other Comprehensive Income through Shareholders' Equity.

Fleet Management - Finance Asset Details

The Fleet Management business generated originations of $1,714.1 million during the second quarter, compared to originations of $1,471.5 million in the preceding quarter and $1,908.3 million in the second quarter of 2017. As at June 30, 2018, total Net Earning Assets were $12,860.9 million ($11,206.8 million of Net investment in finance receivables and $1,654.1 million of Equipment under operating leases, net) reflecting sequential growth of 2.7% and year-over-year growth of 3.7%.

Finance Receivables

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

(in $000's for stated values, except ratios)	**June 30, 2018** **$**	March 31, 2018 $	December 31, 2017 $
Net investment in finance receivables	**11,206,756**	10,855,212	10,629,514
Impaired receivables - at net realizable value	**8,226**	1,288	3,949
	11,214,982	10,856,500	10,633,463
Unamortized origination costs and subsidies	**(104,720)**	(103,840)	(105,022)
Net finance receivables	**11,110,262**	10,752,660	10,528,441
Prepaid lease payments and Security deposits	**(53,426)**	(65,586)	(67,526)
Interim funding	**599,251**	660,449	587,217
Fleet management service receivables	**751,030**	676,861	660,227
Other	**197,439**	197,887	200,575
	12,604,556	12,222,271	11,908,934
Allowance for credit losses	**7,579**	7,827	4,304
Total finance receivables	**12,596,977**	12,214,444	11,904,630
Ratios			
Allowance for credit losses as a percentage of finance receivables	**0.06%**	0.06%	0.04%

Fleet Management finance receivables as at June 30, 2018 increased by 3.1% compared to March 31, 2018 and increased by 5.8% compared to December 31, 2017, primarily from the US dollar appreciation compared to the Canadian dollar.

Allowance for credit losses

The Company adopted IFRS 9 on January 1, 2018 and increased the allowance for credit losses as a result of the transition to the expected credit loss model. The impact of this change was recognized through opening retained earnings. Please refer to section titled "Changes in Accounting Policies" of this MD&A for more details on the impact of the adoption. As a result, the Company's Fleet Management allowance for credit losses was $7.6 million as at June 30, 2018, an increase over the $4.3 million reported at December 31, 2017. The allowance for credit losses as a percentage of finance receivables as at June 30, 2018 was 0.06%, an increase from 0.04% as at December 31, 2017.

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

Fleet Management delinquencies

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
Current	**11,091,948**	**99.84**	10,749,199	99.97	10,527,065	99.99
31 to 60 days	**6,068**	**0.05**	1,277	0.01	335	—
61 to 90 days	**2,788**	**0.03**	723	0.01	(1,843)	(0.02)
91 to 120 days	**1,232**	**0.01**	173	—	(1,065)	(0.01)
Impaired receivables	**8,226**	**0.07**	1,288	0.01	3,949	0.04
Total	**11,110,262**	**100.00**	10,752,660	100.00	10,528,441	100.00

The increase in 31 to 60 day receivables was due to administrative matters on customers' part that delayed payment. The increase in impaired receivables was primarily related to one customer that entered bankruptcy protection, and a related credit; no loss is expected on these amounts.

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

	Six-month period ended June 30, 2018	Year ended December 31, 2017
(in $000's for stated values, except ratios)	**$**	$
Allowance for credit losses, beginning of period	**4,304**	6,081
IFRS 9 Adjustment	**3,028**	—
Provision for (recovery of) credit losses	**734**	(921)
Charge-offs, net of recoveries	**(1,044)**	(611)
Impact of foreign exchange rates	**557**	(245)
Allowance for credit losses, end of period	**7,579**	4,304
Allowance for credit losses as a percentage of finance receivables	**0.06%**	0.04%

Fleet Management allowance for credit losses of $7.6 million as at June 30, 2018 represented 0.06% of the finance receivables outstanding, an increase from the 0.04% reported at December 31, 2017. The increase in provision for credit losses was due to adoption of IFRS 9 as previously noted. It is important to note that the adoption of IFRS 9 does not directly impact the net charge-off rate of the Company's finance receivables which is driven by customers' credit profile and behaviour.

Fleet Management Equipment Under Operating Leases

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

(in $000's for stated values)	**June 30, 2018**	March 31, 2018	December 31, 2017
	$	$	$
Equipment under operating leases, net			
Fleet Vehicles	**1,654,130**	1,667,987	1,599,423
	1,654,130	1,667,987	1,599,423

Fleet Management Portfolio Distribution

Fleet Management Geographic Portfolio Segmentation

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
United States	**9,446,268**	**74.0**	9,122,587	73.4	8,913,991	73.5
Canada	**1,316,014**	**10.3**	1,292,281	10.4	1,319,230	10.9
Australia	**1,092,292**	**8.6**	1,088,922	8.8	1,050,041	8.7
New Zealand	**471,938**	**3.7**	495,286	4.0	466,546	3.8
Mexico	**437,880**	**3.4**	421,571	3.4	378,058	3.1
Total	**12,764,392**	**100.0**	12,420,647	100.0	12,127,866	100.0
Allocated as:						
Net finance receivables	**11,110,262**	**87.0**	10,752,660	86.6	10,528,443	86.8
Equipment under operating leases, net	**1,654,130**	**13.0**	1,667,987	13.4	1,599,423	13.2
Total	**12,764,392**	**100.0**	12,420,647	100.0	12,127,866	100.0

Fleet Management Asset Class Portfolio Distribution

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
Vehicles	**12,187,774**	**95.5**	11,845,966	95.4	11,586,471	95.5
Highway Tractors and Trailers	**296,358**	**2.3**	291,629	2.3	266,248	2.2
Other	**280,260**	**2.2**	283,052	2.3	275,147	2.3
	12,764,392	**100.0**	12,420,647	100.0	12,127,866	100.0

Non-Core - Finance Asset Details
Non-Core Finance Receivables

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

(in $000's for stated values)	June 30, 2018 $	March 31, 2018 $	December 31, 2017 $
Net investment in finance receivables	**873,964**	872,235	851,966
Impaired receivables - at net realizable value	**5,705**	4,483	4,716
	879,669	876,718	856,682
Unamortized origination costs and subsidies	**—**	—	—
Net finance receivables	**879,669**	876,718	856,682
Prepaid lease payments and Security deposits	**—**	4,405	3,126
Other	**8,927**	4,033	3,695
	888,596	885,156	886,168
Allowance for credit losses	**68,783**	—	—
Total finance receivables	**819,813**	817,677	863,503

Total Non-Core finance receivables have increased by 0.3% compared to March 31, 2018 and decreased by 5.1% compared to December 31, 2017. Net finance receivables have grown from December 31, 2017 as foreign exchange gains offset the run-off of the non-core portfolio. The establishment of an Allowance for credit losses resulted from the adoption of IFRS 9 (see details below). As with the Fleet Management portfolio, the adoption of IFRS 9 does not directly impact the net charge-off rate of the Non-Core assets, and none were recorded in the period.

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

Non-core delinquencies

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
Current	**870,753**	**98.99**	865,130	98.68	846,726	98.84
31 to 60 days	**1,605**	**0.18**	2,837	0.32	1,722	0.20
61 to 90 days	**895**	**0.10**	3,118	0.36	2,093	0.24
91 to 120 days	**711**	**0.08**	1,150	0.13	1,425	0.17
Impaired receivables	**5,705**	**0.65**	4,483	0.51	4,716	0.55
Total	**879,669**	**100.00**	876,718	100.00	856,682	100.00

The delinquencies within the Non-Core portfolio relate to a portfolio acquired in Q1 2017; progress is being made with respect to its delinquencies. Further, the Company maintains a cash holdback/reserve pool funded by the seller to cover losses in this portfolio.

Non-Core credit losses and provisions, as at and for each of the respective periods are as follows:

(in $000's for stated values, except ratios)	**Six-month period ended June 30, 2018** **$**	Year ended December 31, 2017 $
Allowance for credit losses, beginning of period	**—**	—
IFRS 9 Adjustment	**65,826**	—
Provision for credit losses	**(340)**	—
Charge-offs, net of recoveries	**669**	—
Impact of foreign exchange rates	**2,628**	—
Allowance for credit losses, end of period	**68,783**	—
Allowance for credit losses as a percentage of finance receivables	**8.39%**	—%

The majority of IFRS 9 Adjustment pertains to the loans to the 19th Capital joint venture; as at June 30, 2018 this Allowance for credit losses was $68.8 million (December 31, 2017 $nil).

Non-Core Portfolio Distribution

Non-Core Geographic Portfolio Segmentation

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
United States	**865,650**	**98.4**	858,576	97.9	835,343	97.5
New Zealand	**14,019**	**1.6**	18,142	2.1	21,337	2.5
Total	**879,669**	**100.0**	876,718	100.0	856,680	100.0

Non-Core Asset Class Portfolio Distribution

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

	June 30, 2018		March 31, 2018		December 31, 2017	
(in $000's for stated values)	**$**	**%**	$	%	$	%
Vehicles	**3,234**	**0.4**	4,281	0.5	4,592	0.5
Highway Tractors	**862,678**	**98.1**	855,402	97.6	832,380	97.2
Highway Trailers	**4,572**	**0.5**	4,940	0.6	5,569	0.7
Other	**9,185**	**1.0**	12,095	1.3	14,139	1.7
	879,669	**100.0**	876,718	100.0	856,680	100.1

Liquidity & Capital Resources

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

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

Management believes that the liquidity available to the Company of $5,992.7 million at June 30, 2018 coupled with the cash flow generated from the repayment of leases and loans is sufficient to fund the Company's operations throughout 2018, as well as to pay dividends to all preferred and common shareholders. The current common dividend is set at $0.075 per common share per quarter.

The Company's capitalization is calculated as follows:

		As at	
		June 30, 2018	**December 31, 2017**
Secured borrowings		**$ 13,012,889**	**$ 12,307,873**
Convertible debentures		**886,510**	**875,918**
Total debt	**(a)**	**13,899,399**	**13,183,791**
Total shareholders' equity	**(b)**	**3,877,569**	**3,740,083**
		$ 17,776,968	**$ 16,923,874**
Goodwill and intangible assets	**(c)**	**$ 2,100,529**	**2,028,652**
Financial leverage	**(a)/(b)**	**3.58**	**3.52**
Tangible leverage	**(a)/((b)-(c))**	**7.82**	**7.70**

Cash flow and liquidity

Overall, corporate cash has increased from $76.6 million at December 31, 2017 to $125.7 million at June 30, 2018. Please refer to the Company's interim condensed consolidated statements of cash flows in the interim condensed consolidated financial statements.

During the six-month period ended June 30, 2018, cash used in operating activities from continuing operations was $159.1 million, a decrease of $504.1 million over the $663.2 million used in operating activities during the comparative six-month period ended June 30, 2017. The decrease over the comparative six-month period was primarily due to timing of cash inflow and outflow from investment and repayments of finance receivables and equipment under operating leases, in line with the changes in finance receivables and equipment under operating leases, excluding the impact of changes in foreign exchange rates during the periods.

During the six-month period ended June 30, 2018, cash used in investing activities from continuing operations was $103.2 million compared to $8.6 million provided in the comparative six-month period ended June 30, 2017, a decrease of $111.8 million. The higher utilization during the period was primarily due to increase in restricted funds, due entirely to timing of collections relative to when payments are due to lenders in our asset-backed debt facilities.

Cash provided by financing activities from continuing operations for the six-month period ended June 30, 2018 was $310.6 million, compared to $668.1 million provided in the comparative period ended June 30, 2017, a decrease of $357.5 million. The decrease over the comparative period is due to issuances of preferred shares and secured borrowings in the comparative period.

The table below is a summary adjusted cash flow statement that more closely reflects the key cashflows from operations, presented in a format more applicable to a fleet management company:

	For the six-month periods ended	
	June 30, 2018	June 30, 2017
(in $000's for stated values)	**$**	$
CASH PROVIDED BY ADJUSTED OPERATING ACTIVITIES		
After-tax adjusted operating income	**160,410**	199,778
Cash taxes paid	**(18,211)**	(34,333)
Items not affecting cash		
Income taxes on adjusted operating income	**31,916**	47,712
Amortization, depreciation and provisions and other	**44,096**	24,476
Cash provided by adjusted operating activities	**218,211**	237,633
CASH USED IN ADJUSTED INVESTING ACTIVITIES		
Principal repayments of finance receivables and depreciation of equipment under operating leases	**2,640,270**	2,561,470
Syndications of finance receivables	**189,664**	158,707
Purchase of finance receivables and equipment under operating leases	**(3,185,600)**	(3,584,337)
Others	**(124,048)**	(30,612)
Cash used in adjusted investing activities	**(479,714)**	(894,772)
CASH PROVIDED BY FINANCING ACTIVITIES		
Issuance of share capital from exercise of stock options	**—**	154,711
Issuance of secured borrowings, net	**389,795**	573,374
Dividends paid	**(79,189)**	(58,005)
Cash provided by financing activities	**310,606**	670,080
Net increase in adjusted cash during the period	**49,103**	12,941
Cash, beginning of period	**76,637**	12,638
Cash, end of period	**125,740**	25,579

Debt and contractual repayment obligations

With approximately $6.0 billion in liquidity, we have significant financial resources available to continue funding our projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. In addition, the Company adheres to a strict policy of matching the maturities of owned finance assets and the related debt as closely as possible in order to manage its liquidity position.

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

			As at
	June 30, 2018	March 31, 2018	December 31, 2017
(in $000's for stated values)	**$**	$	$
Cash	**125,740**	86,156	76,637
Term Senior Facility			
Facility amount	**4,597,600**	4,513,250	4,399,150
Utilized against facility	**2,611,108**	3,435,650	3,168,087
	1,986,492	1,077,600	1,231,063
Vehicle Management Asset-Backed Debt			
Facilities	**14,337,172**	12,487,744	12,566,226
Utilized against available facilities	**10,456,674**	9,340,665	9,200,002
	3,880,498	3,147,079	3,366,224
Total available sources of capital	**5,992,730**	4,310,835	4,673,924

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

Summary of Consolidated Quarterly Information

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

(in $ 000's for stated values, except per share amounts)	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net revenue from continuing operations (2)	**219,440**	211,343	229,814	236,284	247,543	238,412	233,546	245,670
Adjusted operating income from continuing operations (1)	**102,564**	89,958	102,676	116,462	124,425	123,065	119,942	126,581
Adjusted operating income from distributed operations (1)	**—**	—	—	—	—	—	—	31,087
Total adjusted operating income (1)	**102,564**	89,958	102,676	116,462	124,425	123,065	119,942	157,668
After-tax adjusted operating income continuing ops (1)	**84,103**	76,230	82,051	91,737	99,753	100,025	99,914	104,978
After-tax adjusted operating income from distributed operations (1)	**—**	—	—	—	—	—	—	27,444
Total after-tax adjusted operating income (1)	**84,103**	76,230	82,051	91,737	99,753	100,025	99,914	132,422
Net income / (loss) from continuing operations	**79,096**	21,759	(1,463)	67,175	37,087	51,845	4,014	35,644
Net income / (loss) from distributed operations	**—**	—	—	—	—	—	171,354	1,225
Total net income / (loss)	**79,096**	21,759	(1,463)	67,175	37,087	51,845	175,368	36,869
Earnings per share from continuing operations, basic	**0.18**	0.03	(0.03)	0.15	0.07	0.11	(0.01)	0.07
Earnings per share from distributed operations, basic	**—**	—	—	—	—	—	0.44	—
Total earnings (loss) per share, basic	**0.18**	0.03	(0.03)	0.15	0.07	0.11	0.43	0.07
Earnings per share from continuing operations, diluted	**0.18**	0.03	(0.03)	0.15	0.07	0.11	(0.01)	0.07
Earnings per share from distributed operations, diluted	**—**	—	—	—	—	—	0.44	—
Total earnings (loss) per share, diluted	**0.18**	0.03	(0.03)	0.15	0.07	0.11	0.43	0.07
Adjusted operating income per share (basic) - from continuing operations (1)	**0.24**	0.21	0.24	0.27	0.29	0.29	0.29	0.30
After-tax adjusted operating income per share (basic) - from continuing operations (1)	**0.19**	0.17	0.19	0.21	0.23	0.24	0.24	0.25
After-tax pro forma diluted adjusted operating income per share - from continuing operations (1)	**0.19**	0.17	0.18	0.20	0.22	0.22	0.22	0.24
Total earning assets - continuing operations	**13,734,850**	13,395,434	13,203,188	13,105,362	13,652,770	13,706,744	13,973,475	13,985,366
Loan and lease originations - continuing operations	**1,714,100**	1,471,500	1,461,257	1,441,839	1,908,496	1,675,841	1,652,023	1,572,615
Allowance for credit losses - continuing operations	**76,362**	75,306	4,304	5,833	5,995	5,978	6,081	8,388
As a % of finance receivables	**0.57**	0.57	0.03	0.05	0.04	0.04	0.05	0.06
Senior revolving credit facility - continuing operations	**2,611,108**	3,435,650	3,168,087	3,163,214	3,758,274	3,494,105	2,978,122	3,002,178
Secured borrowings - continuing operations	**10,401,781**	9,288,195	9,139,786	9,183,920	9,492,215	9,777,661	10,005,413	9,926,109
Convertible debentures - continuing operations	**886,510**	881,173	875,918	870,743	865,647	860,629	855,688	850,822

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) The comparative periods have been reclassified to reflect removing internal expenses related to service delivery from service and other revenue to operating expenses (salaries, wages and benefits, and general and administrative expenses).

Key factors that account for the fluctuation in the Company's quarterly results from continuing operations included the volume of leases and loans that the Company has originated and activated. Variations in the quarterly results from distributed operations were primarily due to the costs associated with, and the gain recognized on the distribution of ECN Capital to shareholders of the Company on October 3, 2016.

Other Disclosures

Related Party Transactions

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

In addition to the related party transactions described above, the Company has provided $807,880 or USD $616,319 in loans to the 19th Capital Group LLC joint venture that have a weighted average fixed interest rate of 5.9% (December 31, 2017 - $775,898 or USD $617,311 with a 5.6% interest rate). During the prior quarter, the Company acquired a performing portfolio from the joint venture as the third party funding for that portfolio matured. The portfolio was acquired at its agreed fair market value of $9,641 and the Joint Venture recorded a loss on the sale.

Risk Management

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

The Strategic Review Could Result in Decisions that May Impact Operations and Valuations

Element is in the process of completing an end-to-end assessment of its business across three concurrent workstreams. For the core Element fleet business, this assessment entails a thorough review of its global operations with a view to identifying opportunities for profitable revenue growth, productivity enhancement and better investment returns. The second workstream involves a strategic assessment of the 19th Capital joint venture including its origin, evolution and current state, and the identification of potential pathways forward. The final workstream encompasses a comprehensive review of our balance sheet, capital structure and finance policies as a backdrop to designing a financing strategy that will provide ready access to cost-efficient capital to support the strategic plans of Element and the 19th Capital joint venture.

The results of the strategic assessment and the resulting strategic plans will be communicated in the early fall of 2018, and could adversely affect current operations or the current valuations or accounting of Element's operations and businesses.

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

The Non-Core Portfolio Faces Counter-Party Operational Risk and Increased Concentration Risk. The Non-Core portfolio includes joint venture partners and outsourced servicers that do not form part of the Core Fleet portfolio, which could negatively impact Element Fleet's operational control. This risk may particularly impact Element Fleet's investment in 19th Capital, as the joint venture structure of that investment precludes Element Fleet from making unilateral decisions. As Element is undergoing a strategic review, and as 19th Capital is continuing a realignment of its business, the risk of delayed or compromised decisions could impact future operations of that Non-Core investment. Although Element Fleet monitors the actions and financial condition of these parties, future changes could impact the timing and amounts of cash flows from the Non-Core portfolio.

The Non-Core portfolio also involves increased concentration risk, as Non-Core investments are concentrated in individual entities such as 19th Capital and ECAF Holdings Ltd. While those entities have diversified obligors, the Non-Core investments result in exposure that is less diversified than typical Core Fleet portfolio individual exposures. A decline in the performance of a Non-Core Portfolio investment could lead to direct losses incurred by the Corporation. The Corporation also borrows against certain of its Non-Core portfolio investments. A decline in the performance of a Non-Core Portfolio investment could therefore reduce the Corporation's borrowing capacity or increase its cost of funds, which could be detrimental to Element Fleet's business, financial condition and/or results of operations.

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

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

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

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

Outlook and Economic Conditions

The Company's principal objective is to deliver sustained growth by expanding its customer base and the penetration of services within its customers' fleets, to augment and enhance its fleet service offerings through continued innovation, and to develop attractive new business opportunities in fleet management while maintaining its high underwriting standards. With its experienced management team and staff, significant investments in technology, and substantial scale and access to capital, the Company is well positioned to capitalize on market opportunities in fleet management and the rapidly evolving transportation and mobility sectors.

As noted in the Overview section, Element is in the process of completing an end-to-end assessment of its business across three concurrent workstreams. The results of the strategic assessment and the resulting strategic plans will be communicated in the early fall of 2018.

Normal Course Issuer Bid

On June 8, 2017, the TSX approved the Company's notice of intention to commence a Normal Course Issuer Bid (the "NCIB"). The NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on June 12, 2017 and ending on the earlier of June 11, 2018 and the completion of purchases under the NCIB, up to 38,582,483 common shares of the Company, subject to the normal terms and limitations of such bids. Under this bid during the prior year ended December 31, 2017, 9,014,600 common shares were repurchased for cancellation for $78.9 million at a volume weighted average price of $8.75 per common share, respectively. No repurchases were made in the current quarter.

Critical Accounting Policies and Estimates

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

Recently Adopted Accounting Standards

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

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

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

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

Future Accounting Changes

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

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

Changes in accounting policies

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

Allowance for credit losses

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

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

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

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

Derivatives financial instruments and hedge accounting

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

Financial assets and liabilities

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

Fair value through profit or loss ("FVTPL")

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

Amortized cost

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

Impact of transition to IFRS 9

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

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

Internal Control over Disclosure and Financial Reporting

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

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

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

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

Selected Quarterly Consolidated Financial Information and Financial Ratios

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

	As at and for the three-month periods ended			As at and for the six-month periods ended	
(in $000's for stated values, except ratios and per share amounts)	**June 30, 2018**	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Net revenue	**$ 219,440**	$ 211,343	$ 247,543	**$ 430,783**	$ 485,955
Net income (loss)	**$ 79,096**	$ 21,759	$ 37,087	**$ 100,855**	$ 88,932
Total assets	**$ 18,619,123**	$ 18,060,312	$ 18,834,555	**$ 18,619,123**	$ 18,834,555
Total debt	**$ 13,899,399**	$ 13,605,018	$ 14,116,136	**$ 13,899,399**	$ 14,116,136
Earnings (loss) per share					
Basic	**$ 0.18**	$ 0.03	$ 0.07	**$ 0.21**	$ 0.18
Diluted	**$ 0.18**	$ 0.03	$ 0.07	**$ 0.21**	$ 0.18
Dividends declared, per share					
Common share	**$ 0.07500**	$ 0.07500	$ 0.07500	**$ 0.15000**	$ 0.15000
Preferred Shares, Series A	**$ 0.41250**	$ 0.41250	$ 0.41250	**$ 0.82500**	$ 0.82500
Preferred Shares, Series C	**$ 0.40625**	$ 0.40625	$ 0.40625	**$ 0.81250**	$ 0.81250
Preferred Shares, Series E	**$ 0.40000**	$ 0.40000	$ 0.40000	**$ 0.80000**	$ 0.80000
Preferred Shares, Series G	**$ 0.40625**	$ 0.40625	$ 0.40625	**$ 0.81250**	$ 0.81250
Preferred Shares, Series I	**$ 0.35938**	$ 0.35938	$ —	**$ 0.71875**	$ —

IFRS to Non-IFRS Reconciliations

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

		As at and for the three-month periods ended			As at and for the six-month periods ended	
(in $000's for stated values)		**June 30, 2018**	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Reported and adjusted income measures						
Net income (loss)	A	**79,096**	21,759	37,087	**100,855**	88,932
Adjustments:						
Amortization of debenture synthetic discount		**3,480**	3,424	3,260	**6,904**	6,466
Share-based compensation		**5,191**	4,547	3,589	**9,738**	9,625
Amortization of intangible assets from acquisitions		**11,936**	11,871	14,773	**23,807**	29,594
Transaction, integration and separation costs		**1,306**	40,811	31,315	**42,117**	67,361
Provision (recovery) of income taxes		**(3,046)**	(2,758)	(6,474)	**(5,804)**	(5,607)
Share of loss from and provision in equity accounted investments		**4,601**	10,304	40,875	**14,905**	51,119
Before-tax adjusted operating income	B	**102,564**	89,958	124,425	**192,522**	247,490
Provision for taxes applicable to adjusted operating income	C	**18,461**	13,728	24,672	**32,189**	47,712
After-tax adjusted operating income	D=B-C	**84,103**	76,230	99,753	**160,333**	199,778
Cumulative preferred share dividends during the period	Y	**11,068**	11,068	10,253	**22,136**	19,165
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**73,035**	65,162	89,500	**138,197**	180,613
Selected statement of financial position amounts						
Finance receivables, before allowance for credit losses	E	**13,493,152**	13,107,427	13,886,785	**13,493,152**	13,886,785
Allowance for credit losses	F	**76,362**	75,306	5,995	**76,362**	5,995
Earning assets						
Net investment in finance receivable	G	**12,080,720**	11,727,447	11,967,750	**12,080,720**	11,967,750
Equipment under operating leases	H	**1,654,130**	1,667,987	1,523,396	**1,654,130**	1,523,396
Other earning assets	H1	**—**	—	161,624	**—**	161,624
Total earning assets	I=G+H +H1	**13,734,850**	13,395,434	13,652,770	**13,734,850**	13,652,770
Average earning assets, net	J	**13,515,352**	13,156,884	13,759,954	**13,339,754**	13,654,759
Goodwill and intangible assets	K	**2,100,529**	2,071,371	2,094,729	**2,100,529**	2,094,729
Average goodwill and intangible assets	L	**2,077,205**	2,038,391	2,152,114	**2,055,855**	2,146,160
Secured borrowings	M	**13,012,889**	12,723,845	13,250,489	**13,012,889**	13,250,489
Unsecured convertible debentures	N	**886,510**	881,173	865,647	**886,510**	865,647
Total debt	O=M+N	**13,899,399**	13,605,018	14,116,136	**13,899,399**	14,116,136
Average debt	P	**13,696,839**	13,227,602	14,210,569	**13,506,720**	13,980,697
Total shareholders' equity	Q	**3,877,569**	3,802,466	4,012,902	**3,877,569**	4,012,902
Preferred shares	R	**680,412**	680,736	680,736	**680,412**	680,736
Common shareholders' equity	S=Q-R	**3,197,157**	3,121,730	3,332,166	**3,197,157**	3,332,166
Average common shareholders' equity	T	**3,128,845**	3,114,061	3,462,996	**3,083,880**	3,431,993
Average total shareholders' equity	U	**3,809,256**	3,794,472	4,069,933	**3,764,292**	4,007,524

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended June 30, 2018	March 31, 2018	June 30, 2017	As at and for the six-month periods ended June 30, 2018	June 30, 2017
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	O/Q	**3.58**	3.58	3.52	**3.58**	3.52
Tangible leverage ratio	O/(Q-K)	**7.82**	7.86	7.36	**7.82**	7.36
Average financial leverage ratio	P/U	**3.60**	3.49	3.49	**3.59**	3.49
Average tangible leverage ratio	P/(U-L)	**7.91**	7.53	7.41	**7.91**	7.51
Other key operating ratios						
Allowance for credit losses as a percentage of finance receivables	F/E	**0.57%**	0.57%	0.04%	**0.57%**	0.04%
Adjusted operating income on average earning assets	B/J	**3.04%**	2.73%	3.62%	**2.89%**	3.62%
After-tax adjusted operating income on average tangible total equity of Element Fleet	D/(U-L)	**19.42%**	17.36%	20.81%	**18.77%**	21.47%
Per share information						
Number of shares outstanding	V	**380,356**	380,356	387,763	**380,356**	387,763
Weighted average number of shares outstanding (basic)	W	**380,452**	380,356	388,958	**380,404**	388,338
Pro forma diluted average number of shares outstanding	X	**438,754**	436,966	446,146	**438,706**	445,526
Cumulative preferred share dividends during the period	Y	**$ 11,068**	$ 11,068	$ 10,253	**$ 22,136**	$ 19,165
Other effects of dilution adjusted operating income basis	Z	**$ 9,095**	$ 9,077	$ 9,017	**$ 18,172**	$ 18,023
Net income (loss) per share (basic)	(A-Y)/W	**$ 0.18**	$ 0.03	$ 0.07	**$ 0.21**	$ 0.18
Net income (loss) per share (diluted)		**$ 0.18**	$ 0.03	$ 0.07	**$ 0.21**	$ 0.18
Book value per share	S/V	**$ 8.41**	$ 8.21	$ 8.59	**$ 8.41**	$ 8.59
Before tax adjusted operating income per share (basic)	**(B-Y)/W**	**$ 0.24**	$ 0.21	$ 0.29	**$ 0.45**	$ 0.59
After-tax adjusted operating income per share (basic)	**(D1)/W**	**$ 0.19**	$ 0.17	$ 0.23	**$ 0.36**	$ 0.47
After-tax pro forma diluted adjusted operating income per share	**(D1+Z)/X**	**$ 0.19**	$ 0.17	$ 0.22	**$ 0.36**	$ 0.45

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

(in $000's for stated values, except per share amounts)	Amount $	Weighted average number of shares outstanding applicable	Amount per share $
Adjusted operating income before taxes	102,564		0.27
Less:			
Income taxes related to adjusted operating income	(18,461)		(0.05)
Preferred share dividends	(11,068)		(0.03)
After-tax adjusted operating income attributable to common shareholders	73,035	380,452	0.19
Dilution items:			
Employee stock option plan	—	209	—
Convertible debentures (after-tax net interest expense)	9,095	58,093	—
After-tax pro forma diluted adjusted operating income	82,130	438,754	0.19

Description of Non-IFRS Measures

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

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

Adjusted operating expenses

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

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects Income before income taxes, business acquisition costs, amortization of convertible debenture synthetic discount, share-based compensation, and share of loss from joint venture. Management believes that this measure is the most appropriate operating measure of the Company's performance as it excludes business acquisition costs, synthetic discount amortization, share-based compensation, and share of loss from joint venture which do not relate to maintaining operating activities.

Adjusted operating income on average earning assets

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

After-tax adjusted operating income

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

After-tax adjusted operating income attributable to common shareholders

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

After-tax adjusted operating income per share

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

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

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

After-tax pro forma diluted adjusted operating income per share

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

Allowance for credit losses as a percentage of finance receivables

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

Average cost of borrowing or average cost of debt

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

Average debt advance rate

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

Average debt outstanding

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

Average common shareholders' equity

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

Average financial leverage or average financial leverage ratio

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

Average net investment in ECN Capital

Average net investment in ECN Capital is the average of the quarter end balances of the net assets of ECN Capital during the period.

Average outstanding earning assets or average earning assets

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

Average goodwill and intangible assets

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

Average shareholders' equity

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

Average tangible leverage ratio

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

Common shareholders' equity

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

Earning assets or total earning assets or finance earning assets

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

Finance assets or total finance assets

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

Financial leverage or financial leverage ratio

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

Net interest and rental revenue

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

Net interest and rental revenue margin or NIM

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

Operating expense ratio

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

Other earning assets

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

Other effects of dilution adjusted operating income basis

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

Pro forma diluted average number of shares outstanding

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

Rental revenue, net

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

Tangible leverage ratio

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

Updated Share Information

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

As at August 13, 2018, the Company had 380,355,836 common shares issued and outstanding. In addition, 26,195,139 options were issued and outstanding under the Company's stock option plan as at August 13, 2018. These convertible securities are convertible into, or exercisable for common shares of the Company of which 17,741,164 are exercisable at June 30, 2018 for proceeds to the Company upon exercise of $187.7 million. In addition, the Company had extendible convertible debentures outstanding that are convertible into an aggregate of 56,400,530 common shares.

As at August 13, 2018, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E, 6,900,000 Preferred Shares, Series G and 6,000,000 Preferred Shares, Series I issued and outstanding.

This Management Discussion and Analysis is dated as of the close of business on August 13, 2018.