Element Fleet Management Corp.

Management Discussion and Analysis

June 30, 2022

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the financial condition and results of operations of Element Fleet Management Corp. (the "Company", "we" or "Element") as at and for the three- and six-month periods ended June 30, 2022 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes as at and for the three- and six-month periods ended June 30, 2022 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2021 filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise specified and all numbers are in thousands, unless otherwise specified or for per share amounts or percentages or ratios. References to "Q2 2022", "this quarter", or "the quarter" are to the quarter ended June 30, 2022 and references to "Q1 2022" and "Q2 2021" are to the quarters ended March 31, 2022 and June 30, 2021, respectively. 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 10, 2022. CERTAIN STATEMENTS IN THIS MD&A, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS AND MAY CONTAIN FORWARD-LOOKING INFORMATION. SUCH STATEMENTS ARE BASED UPON ELEMENT'S AND ITS MANAGEMENT'S CURRENT INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THESE STATEMENTS MAY INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING THE OPERATIONS, BUSINESS, FINANCIAL CONDITION, EXPECTED FINANCIAL RESULTS, PERFORMANCE, PROSPECTS, OPPORTUNITIES, PRIORITIES, TARGETS, GOALS, ONGOING OBJECTIVES, STRATEGIES AND OUTLOOK OF ELEMENT. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS THAT ARE PREDICTIVE IN NATURE, AND DEPEND UPON OR REFER TO FUTURE EVENTS OR CONDITIONS. IN SOME CASES, WORDS SUCH AS "PLAN", "EXPECT", "INTEND", "BELIEVE", "ANTICIPATE", "ESTIMATE", "TARGET", "PROJECT", "FORECAST", "MAY", "IMPROVE", "WILL", "POTENTIAL", "PROPOSED" AND OTHER SIMILAR WORDS, OR STATEMENTS THAT CERTAIN EVENTS OR CONDITIONS "MAY" OR "WILL" OCCUR ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND FORWARD-LOOKING INFORMATION. FORWARD-LOOKING STATEMENTS (INCLUDING THOSE REGARDING FINANCIAL OUTLOOK) ARE PROVIDED FOR THE PURPOSES OF ASSISTING THE READER IN UNDERSTANDING ELEMENT AND ITS BUSINESS, OPERATIONS, RISKS, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS AS AT AND FOR THE PERIODS ENDED ON CERTAIN DATES AND TO PRESENT INFORMATION ABOUT MANAGEMENT'S CURRENT EXPECTATIONS AND PLANS RELATING TO THE FUTURE AND THE READER IS CAUTIONED THAT SUCH STATEMENTS MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS OR INFORMATION. UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS, AS THERE CAN BE NO ASSURANCE THAT THE PLANS, INTENTIONS OR EXPECTATIONS UPON WHICH THEY ARE BASED WILL OCCUR. BY ITS NATURE, FORWARD-LOOKING INFORMATION INVOLVES NUMEROUS ASSUMPTIONS, KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES, BOTH GENERAL AND SPECIFIC, THAT CONTRIBUTE TO THE POSSIBILITY THAT THE EXPECTATIONS, PREDICTIONS, FORECASTS, PROJECTIONS, CONCLUSIONS OR OTHER FORWARD-LOOKING STATEMENTS WILL NOT OCCUR OR PROVE ACCURATE, THAT ASSUMPTIONS MAY NOT BE CORRECT AND THAT OBJECTIVES, STRATEGIC GOALS AND PRIORITIES WILL NOT BE ACHIEVED. SUCH FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A SPEAK ONLY AS OF THE DATE OF THIS MD&A. THE FORWARD-LOOKING INFORMATION AND STATEMENTS CONTAINED IN THIS MD&A REFLECT SEVERAL MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS OF ELEMENT INCLUDING, WITHOUT LIMITATION: THE IMPACT OF THE COVID-19 PANDEMIC ON INDUSTRY AND MARKET CONDITIONS; THAT ELEMENT WILL CONDUCT ITS OPERATIONS IN A MANNER CONSISTENT WITH ITS EXPECTATIONS AND, WHERE APPLICABLE, CONSISTENT WITH PAST PRACTICE; ACCEPTABLE NEGOTIATIONS WITH THIRD PARTIES; THE CONTINUANCE OF EXISTING (AND IN CERTAIN CIRCUMSTANCES, THE IMPLEMENTATION OF PROPOSED) TAX AND REGULATORY REGIMES; CERTAIN COST ASSUMPTIONS; THE CONTINUED AVAILABILITY OF ADEQUATE DEBT AND/OR EQUITY FINANCING AND CASH FLOW TO FUND ITS CAPITAL AND OPERATING REQUIREMENTS AS NEEDED; THE EXTENT OF ITS ASSETS AND LIABILITIES; THE COMPANY'S NET FINANCING REVENUE YIELD ON AVERAGE NET EARNING ASSETS; GROWTH IN LEASE RECEIVABLES AND SERVICE INCOME; EXPECTATIONS REGARDING SYNDICATION; RATE OF COST INFLATION; APPLICABLE FOREIGN EXCHANGE RATES AND APPLICABLE INCOME TAX RATES; THE COMPANY'S FUNDING MIX; THE IMPACT OF VEHICLE MANUFACTURERS' ABILITY TO DELIVER VEHICLES; AND THE RESET RATES FOR THE COMPANY'S OUTSTANDING PREFERRED SHARES. ELEMENT BELIEVES THE MATERIAL FACTORS, EXPECTATIONS AND ASSUMPTIONS REFLECTED IN THE FORWARD-LOOKING INFORMATION AND STATEMENTS ARE REASONABLE BUT NO ASSURANCE CAN BE GIVEN THAT THESE FACTORS, EXPECTATIONS AND ASSUMPTIONS WILL PROVE TO BE CORRECT.

THE COVID-19 PANDEMIC HAS CAST ADDITIONAL UNCERTAINTY ON ELEMENT'S INTERNAL EXPECTATIONS, ESTIMATES, PROJECTIONS, ASSUMPTIONS AND BELIEFS. THERE CAN BE NO ASSURANCE THAT THEY WILL

CONTINUE TO BE VALID. GIVEN THE CONTINUED UNCERTAINTY WITH RESPECT TO THE IMPACT AND DURATION OF THE COVID-19 PANDEMIC, IT IS PREMATURE TO MAKE FURTHER ASSUMPTIONS ABOUT THESE MATTERS. THE DURATION, EXTENT AND SEVERITY OF THE IMPACT THE COVID-19 PANDEMIC, INCLUDING MEASURES TO PREVENT ITS SPREAD, WILL HAVE ON ELEMENT'S BUSINESS REMAINS UNCERTAIN AND DIFFICULT TO PREDICT AT THIS TIME.

FORWARD-LOOKING STATEMENTS AND INFORMATION IN THIS MD&A INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO: THE IMPACT THAT THE COVID-19 PANDEMIC MAY HAVE ON ELEMENT'S FINANCIAL CONDITION, OPERATING RESULTS AND CASH FLOWS; THE IMPACT THAT MANUFACTURERS' PRODUCTION DELAYS WILL HAVE ON ELEMENT'S BUSINESS; ELEMENT'S REVENUES, EXPENSES, RUN-RATE AND OPERATIONS, FUTURE CASH FLOWS, FINANCIAL CONDITION, OPERATING PERFORMANCE, FINANCIAL RATIOS, PROJECTED ASSET BASE AND CAPITAL STRUCTURE; ELEMENT'S ABILITY TO RENEW OR REFINANCE CREDIT AND SECURITIZATION FACILITIES; ELEMENT'S STRATEGY TO IMPROVE AND OPTIMIZE THE CLIENT EXPERIENCE AND CLIENT ACQUISITION AND RETENTION; ELEMENT'S EXPECTATIONS REGARDING SYNDICATION; ELEMENT'S ANTICIPATED CASH NEEDS, CAPITAL REQUIREMENTS AND ITS NEEDS FOR ADDITIONAL FINANCING; ELEMENT'S FUTURE GROWTH PLANS; ELEMENT'S EXPECTATIONS REGARDING ITS ORIGINATION VOLUMES; ELEMENT'S ANTICIPATED DELINQUENCY RATES AND CREDIT LOSSES; ELEMENT'S ABILITY TO ATTRACT AND RETAIN PERSONNEL; ELEMENT'S PRESENT INTENTION TO PAY REGULAR DIVIDENDS ON ITS COMMON SHARES AND PREFERRED SHARES; ELEMENT'S TECHNOLOGY AND DATA, AND EXPECTED USES AND BENEFITS; ELEMENT'S COMPETITIVE POSITION AND ITS EXPECTATIONS REGARDING COMPETITION; ANTICIPATED TRENDS AND CHALLENGES IN ELEMENT'S BUSINESS AND THE MARKETS IN WHICH IT OPERATES; THE EVOLUTION OF ELEMENT'S BUSINESS AND THE FLEET MANAGEMENT INDUSTRY; ELEMENT'S GROWTH PROSPECTS AND THE OBJECTIVES, VISION AND STRATEGIES OF ELEMENT; ELEMENT'S OPERATIONS AND ABILITY TO DRIVE OPERATIONAL EFFICIENCIES; ELEMENT'S EXPECTATIONS REGARDING ITS ASSETS; ELEMENT'S BUSINESS STRATEGY; ELEMENT'S EXPECTATION REGARDING THE AVAILABILITY OF FUNDS FROM OPERATIONS, CASH FLOW GENERATION AND CAPITAL ALLOCATION; ELEMENT'S STRATEGIC ASSESSMENT OF CURRENT AND FUTURE ASSETS; ELEMENT'S BUSINESS OUTLOOK AND OTHER EXPECTATIONS REGARDING FINANCING OR OPERATING PERFORMANCE METRICS; THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE METRICS; THE FUTURE FINANCIAL REPORTING OF ELEMENT; ELEMENT'S FUTURE ASSETS AND THE DEMAND FOR ELEMENT'S SERVICES; ELEMENT'S BORROWING BASE; THE EXTENT, NATURE AND IMPACT OF ANY VALUE DRIVER TO CREATE, AND THE ABILITY TO GENERATE, PRE-TAX RUN-RATE OPERATING INCOME; ELEMENT'S ABILITY TO INCREASE TOTAL SHAREHOLDER RETURN; ELEMENT'S DIVIDEND POLICY AND THE PAYMENT OF FUTURE DIVIDENDS; ELEMENT'S PROPOSED SHARE PURCHASES, INCLUDING THE NUMBER OF COMMON SHARES TO BE REPURCHASED, THE TIMING THEREOF AND TSX ACCEPTANCE OF ANY RENEWAL OF THE NORMAL COURSE ISSUER BID; AND ELEMENT'S ABILITY TO PRE-FUND REDEMPTION OF ITS OUTSTANDING CONVERTIBLE DEBENTURES UPON THEIR MATURITY. THE READER IS CAUTIONED TO CONSIDER THESE AND OTHER FACTORS, UNCERTAINTIES AND POTENTIAL EVENTS CAREFULLY AND NOT TO PUT UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. INFORMATION CONTAINED IN FORWARD-LOOKING STATEMENTS IS BASED UPON CERTAIN MATERIAL ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION, INCLUDING MANAGEMENT'S PERCEPTIONS OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS, AS WELL AS OTHER CONSIDERATIONS THAT ARE BELIEVED TO BE APPROPRIATE IN THE CIRCUMSTANCES. ALTHOUGH ELEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. ELEMENT CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER ELEMENT NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS AND INFORMATION.

SOME OF THE RISKS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND ELEMENT'S CONTROL, WHICH COULD CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS AND INFORMATION CONTAINED IN THIS MD&A, INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER THE HEADING "RISK MANAGEMENT" HEREIN AND UNDER THE HEADING "RISK FACTORS" IN ELEMENT'S ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2021. READERS ARE CAUTIONED THAT SUCH RISK FACTORS ARE NOT EXHAUSTIVE. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT. OTHER THAN AS SPECIFICALLY REQUIRED BY APPLICABLE CANADIAN LAW, ELEMENT UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE ON WHICH SUCH STATEMENT IS MADE, OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR RESULTS, OR OTHERWISE.

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Company & Business Overview

Element Fleet Management Corp. is the largest pure-play automotive fleet manager in the world. Our business is exclusively focused on business-to-business services for corporates, governments and not-for-profits that operate large fleets of vehicles. Element has over 1.4 million vehicles under management and is the market leader everywhere we operate: the U.S., Canada, Mexico, and Australia and New Zealand (ANZ).

The fleet management industry took shape over 70 years ago and has consistently demonstrated stability and resilience throughout the business cycle. The industry is characterized by high barriers to entry, rational competition and long-term client relationships.

Element specializes in large and often complex fleets. We benefit from a blue-chip client base, significant advantages of scale and expertise, and the financial strength to support the achievement of our own and our clients' business objectives. Element's purpose is to ensure that our clients' vehicles and their drivers are safer, smarter and more productive.

Fleet vehicles are essential to our clients' ability to generate and sustain revenue or, in the case of governments and not-for-profits, fulfill their obligations to stakeholders. Regardless, fleet vehicles have significant associated costs.

Element's value proposition is the material reduction of our clients' total cost of fleet operations ("TCO") and the elimination of related administrative burden. We deliver this value to clients through service solutions that span the fleet lifecycle, from vehicle acquisition and financing to maintenance, repair and remarketing. In plain English, "we make the complex simple for our clients" – a proposition that is becoming increasingly compelling as operators seek to evaluate the addition of electric vehicles ("EVs") to their fleets. Our comprehensive and fully integrated EV offering, *Arc by Element,* is detailed herein.

From September 2018 through December 2020, we successfully executed a three-pronged strategy to transform Element and position the business for sustainable growth. We solidified the Company's core operating platform and client relationships, strengthened and deleveraged the balance sheet and divested of all non-core assets.

We completed the transformation having effected hundreds of changes to the organization resulting in a more consistent, superior client experience; greater operational efficiency and scalability; a materially strengthened financial position and maturing capital structure; diversified funding sources (including approximately $2.1 billion of committed, undrawn liquidity at June 30, 2022); and meaningfully improved profitability.

Beginning in 2018 in Mexico and 2020 in the U.S., Canada and ANZ, our successful transformation efforts empowered Element's commercial teams to focus on the aggressive pursuit of profitable, organic revenue growth. Our global growth strategy leverages the Company's market leadership to (i) exceed the industry average 98% client retention rate, (ii) increase client profitability and service penetration ("share of wallet"), (iii) win new clients from other fleet managers by improving our salesforce effectiveness, and (iv) convert self-managed fleets into Element clients. We are also pursuing opportunities to add more "mega fleets"[1] to our client roster.

The last four years have given our people the skills and confidence to recognize and capitalize on a myriad of opportunities while managing complicated, deeply nuanced business issues. These capabilities were on full display as our organization deftly adapted to operating through the COVID-19 pandemic while maintaining sharp focus on our strategic growth priorities:

- Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate;
- Advance a capital-light*er* business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity; and
- Given the expected high single- to low double-digit annual free cash flow per share growth rate, predictably return excess equity to investors by way of growing common dividends and share buybacks.

[1] A very large client or prospect with complex needs, being provided or requiring a high number of services that (a) generate significant annual net revenue and (b) necessitate the development of custom service delivery capabilities beyond Element's standard operations.

Financial Highlights

Select Q2 2022 Results

Earnings per share	After-tax adjusted operating income per share[2]	Free cash flow per share[3]
$ 0.26	$ 0.29	$ 0.37
Net revenue growth	**Pre-tax income margin[3]**	**Adjusted operating margin[2]**
13.4 %	51.9 %	57.6 %
Average vehicles under management	**Return on common equity[2]**	**Pre-tax return on common equity[3]**
1,484,000	11.3 %	16.8 %

Income Summary

(in $000's for stated values, except per share amounts)		**For the three-month period ended June 30, 2022**
Servicing income, net	**$**	**150,037**
Net financing revenue		**123,252**
Syndication revenue, net		**14,844**
Net revenue		**288,133**
Adjusted operating expenses		***122,186***
Total operating expenses		**128,347**
Total other expenses		**10,280**
Pre-tax income		**149,506**
Earnings per share [basic]		**0.26**
Adjusted operating income before taxes		***165,947***
After-tax adjusted operating income per share [basic]	***$***	***0.29***

[2] Please refer to the Descriptions of Non-GAAP Measures section for a description of this non-GAAP measure.
[3] Please refer to the Glossary of Terms section for a description of this non-GAAP measure.

Achievements and Initiatives in the Period

Global Balanced Scorecard

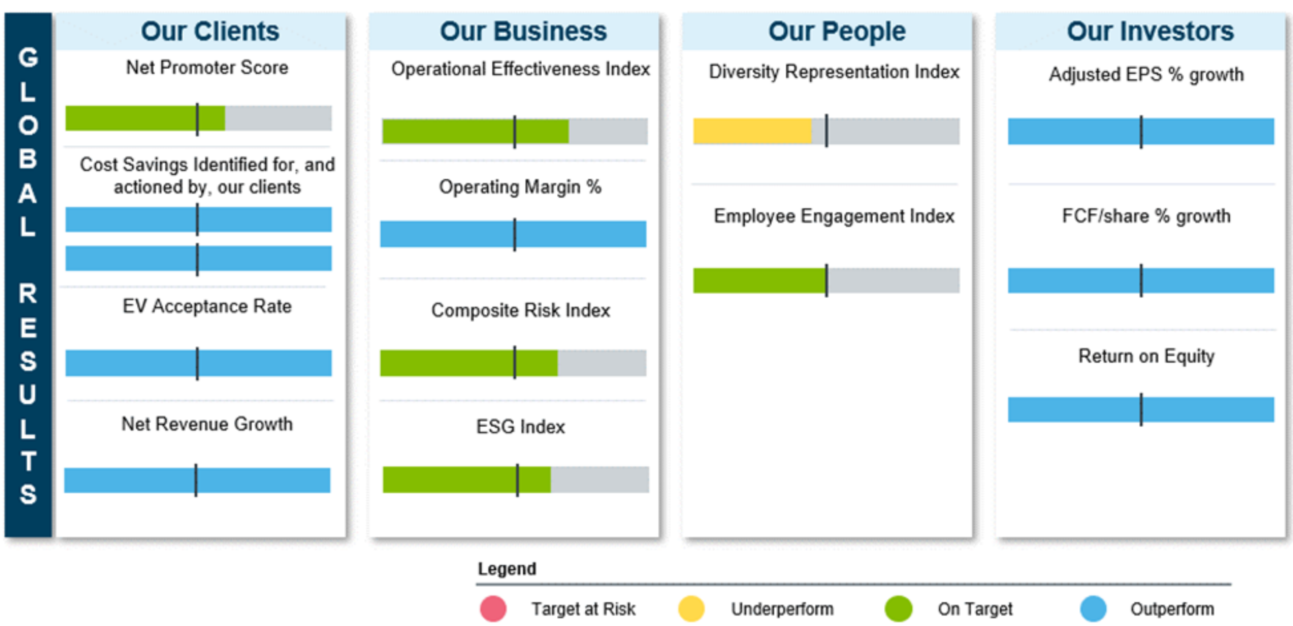
Element uses a balanced scorecard strategy and performance management system, which forges tighter alignment and focus throughout the Company, resulting in the rapid advancement of our strategic objectives. The balanced scorecard frames the business in four dimensions, representing Element's chief stakeholders: our clients, business, people and investors.

Our 2022 Global Balanced Scorecard ("Global BSC") is largely consistent with 2021 as the facts and assumptions that underpin our strategy continue to hold true, and – when coupled with the results we have achieved to date – validate the continuation of our strategic objectives and direction.

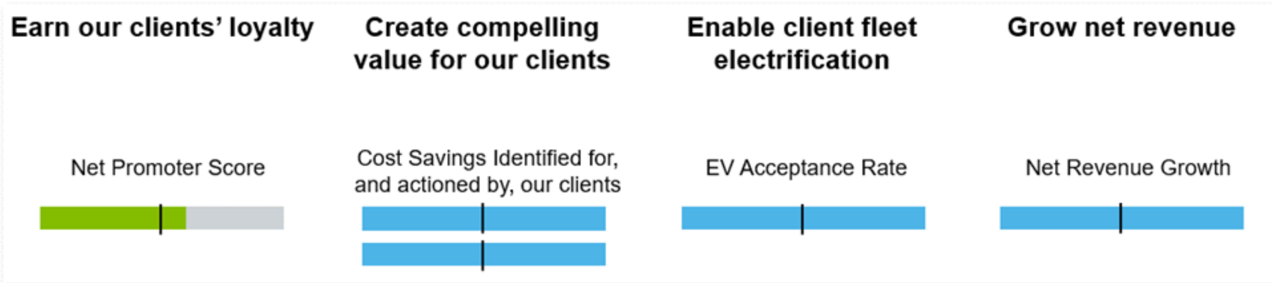
Included for 2022 is one new strategic objective and three new metrics (as compared to our 2021 Global Balanced Scorecard). These alterations to the Global BSC support our direction and overall ambitions:

- New strategic objective: Enable client fleet electrification
    - Accompanying new metric: EV acceptance rate
- New metrics:
    - Operating margin (replacing Operational efficiency index)
    - Free cash flow per share (replacing Free cash flow)

Element's Q2 Global BSC results were as follows:



Our Clients



Earning our clients' loyalty

We consider Net Promoter Scores ("NPS") to be invaluable indicators of the consistency and effectiveness with which we deliver Element's superior client experience. Our continued focus on consistency and effectiveness yielded strong NPS results through Q2 2022.

Our Global NPS is an average of the current and prior three quarters' NPS from each of our operating geographies, weighted to account for differences in business size.

Global NPS for the last twelve months ("LTM") ended June 30, 2022 was 36, which is a 12-point increase over June 30, 2021 and represents continued momentum in delivering a consistent superior client experience.

Year-over-year NPS improvements were clear and consistent across the organization, led by 19- and 23-point gains in the U.S.+Canada and our Strategic Relationships Business Unit ("SRBU") respectively; a 6-point increase in ANZ; and Mexico maintaining an elite NPS of over 50.

Client feedback regarding the ease of doing business remains at an all-time high, demonstrating our continued ability to "make the complex simple for our clients".

Creating compelling value for our clients

Our global Strategic Consulting Services ("SCS") team provides significant value to clients by proactively identifying challenges and opportunities specific to each client's fleet and sharing responsive solutions and strategies directly with the client. In Q2, our SCS team identified over $430 million of cost saving opportunities for clients. Opportunities to save approximately $117 million in value were "actioned" by our clients within the quarter.

In these unprecedented times, our clients continue to move towards more sustainable fleet practices, many with aggressive corporate sustainability goals in place. The SCS team spent a significant amount of Q2 continuing to educate clients about the electric vehicle ("EV") landscape, performing feasibility analyses to initiate early rollout / pilot planning, and providing guidance on overall approaches to transitioning from internal combustion engine-powered (ICE) vehicles to EVs, while also addressing client concerns around range and infrastructure.

Last quarter, SCS launched an exciting EV tool to create further value for our clients. The EV tool helps clients identify optimal ICE vehicles to begin transitioning to EVs based on several objective criteria that are critical to the success of an EV in the field. The EV tool takes into account factors such as vehicle type, proximity to infrastructure, miles traveled daily compared with expected vehicle range, and geography. The tool also includes budget projections and helps clients map a course to their sustainability goals. The implementation of the EV tool has been a great success in Q2, and we are in the process of enhancing the tool to allow for more scalability across our client base.

In Q2, we continued to improve our annual Business Review process with clients by adding additional insights on vehicle replacement. We are able to compare recommended replacement parameters and the client's current vehicle inventory with OEM vehicle availability and order bank timing. When we know an OEM order bank will be open and for how long it will be open - which is, at times, only for a day - we can quickly identify clients who have the greatest ordering needs by make and model and execute efficiently in response.

We also pre-launched our refreshed Xcelerate Intelligence platform with a select group of clients in the quarter. The Intelligence platform allows a client to access a greater breadth of information and data insights compiled by our SCS team specifically for that client. Early feedback has been very positive as the platform provides clients with direct access to information such as costs, billing breakdowns and inventory statuses that were not previously available within Xcelerate on an on-demand basis.

Enabling client fleet electrification

We continue to see growing client interest in and demand for EVs. Element has never been better positioned to support our clients and lead our industry through the gradual electrification of automotive fleets.

Arc by Element – our comprehensive, integrated end-to-end EV offering – brings our EV services to market under a single banner, ensuring consistency for our global clients and reinforcing the program's seamless nature across our geographies.

Arc by Element builds on the success of our colleagues at Custom Fleet in New Zealand, who innovated and brought to market an end-to-end EV fleet management product called EV+ years ago; a best-in-class offering by global standards that remains the only one of its kind in ANZ today. The rebranding of EV+ to the *Arc by Element* name is now complete.

Last year, we built out the *Arc by Element* product and pre-launch initiatives, which included the expansion of core Element offerings (*eg*. maintenance, collision, titling & registration, tolls & violations, etc.) to accommodate EVs at scale (while maintaining or enhancing the caliber of our ICE vehicle service capabilities). *Arc by Element* also encompasses new services related to road mapping and planning, charging infrastructure, pilot and rollout support, incentive identification and capture, and turnkey solutions for home and public charging of EVs. We are actively working with dozens of clients in planning discussions and early rollout / pilot engagements to leverage these new services and pressure test this new end-to-end offering. Client interest continues to increase and we are close to doubling our 2022 targets YTD for EV pilots / early rollouts as well as tripling the number of connected chargers deployed across our EV portfolio. These pilots include a variety of use cases across multiple OEMs. While much of the focus in 2021 was on the passenger vehicle models available as EVs then, we have seen the focus broaden to include "service"-type vehicles like electric vans and pick-up trucks this year and heavier duty vehicles in Mexico. Element is ensuring that the process from vehicle and charger order to installation is handled seamlessly. We have also developed strong capabilities to support incentive identification at state and local levels, which can reduce the cost of vehicle electrification.

Our numerous service-and-supply network growth partnerships exemplify Element's commitment to support our clients and lead our industry through the gradual electrification of automotive fleets. Our partnerships allow us to better execute on a wide range of EV services such as: the installation and support of EV chargers at individual and multi-family homes; a consolidated billing system for charging and fueling across client fleets; and managed charging solutions to support depot-based electrified fleets across North America.

Australia and New Zealand

In New Zealand (where it all started) our business continues to increase capability in the government fleet sector. Custom Fleet was appointed to a national Government panel last year to provide consultancy services for agencies looking to transition their fleet to electric vehicles. Last quarter, Custom Fleet was formally retained for phase II of the panel, which includes the provision of charging infrastructure. This has positioned us to provide further end-to-end transitions for clients and prospects from New Zealand government agencies. The Custom Fleet team in New Zealand has continued to deploy charging infrastructure for our clients and has tripled the number of connected chargers in our portfolio in the last 24 months. Custom Fleet also completed two EV transitions for government agencies in Q2 alone.

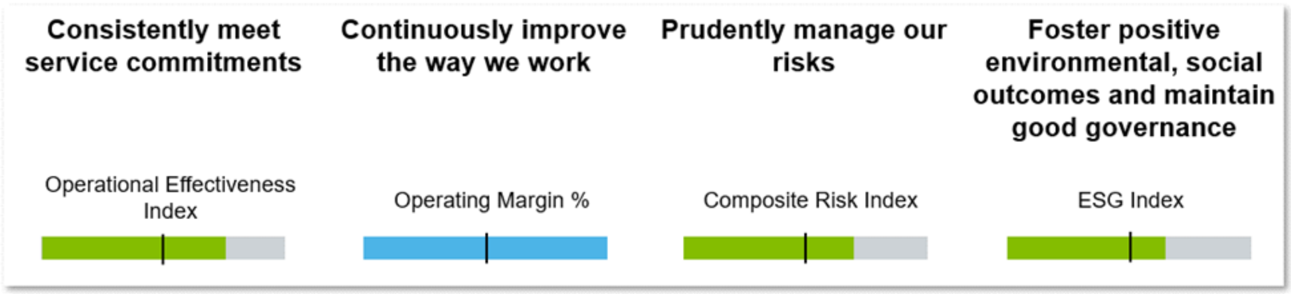
The New Zealand Clean Car Rebate came into effect at the beginning of Q2. As a result, battery electric vehicle (BEV) and plug-in hybrid electric vehicle (PHEV) orders increased dramatically in the quarter: we received over 9 times the volume of same that we received in Q2 of last year. Interest in EVs is also starting to ramp up in Australia with the election of a new Labor government. The expected introduction of tax concessions targeting business fleets is anticipated to drive demand.

Mexico

In Mexico, we currently have over 25 clients with EVs in their fleet and have deployed pilot programs with multiple incremental clients. As part of our EV expansion, we placed a 120-vehicle electric heavy truck order in Q2 with Build Your Dreams Motors Mexico (“BYD”), a EV OEM, on behalf of one of Mexico’s top freight carriers, and a separate 30-vehicle electric truck order on behalf of the country’s largest dairy producer. These EV projects present significant growth opportunities, as the BYD trucks have the greatest towing capacity in Latin America, and the truck orders placed for the country’s largest dairy producer will be the first refrigerated trucks in this region.

We have recently focused on providing fleets to shipping and distribution carriers in Mexico and, as a result, our penetration in the local EV market has increased substantially in a very short period. Our Mexico team also partnered with Mexico’s National Institute of Electricity and Clean Energy in Q2 to host a workshop with relevant decision makers in the insurance industry to advocate for reduced EV insurance costs and further promote the transition from ICE vehicles to EVs.

Our Business



Consistently meeting service commitments

Over the course of the last 24+ months of global pandemic conditions and, more recently, OEM production delays, our clients have gained a new level of appreciation for Element's consistent, superior service experience. Our investment in technology and our continuous improvement mindset have enabled us to deliver this client experience, and those same attributes are reflected in our Global BSC Operational Effectiveness Index score.

Specifically, in Q2 our remarketing service team has been working with clients to capitalize on the strong used vehicle market. Key initiatives in the first half of the year have included leveraging both live and digital sales channels as well as launching additional product offerings to enhance the client experience.

We have seen over 10% year-over-year growth in our third-party sales channels where we sell assets on behalf of other organizations and non-lease clients. This growth has been generated from an increase in new clients, referrals from our Alliance partners, and organizations selling aged inventory.

We have also launched several new programs to enhance the value that we can bring to our clients. The first is an Employee Purchase Program that was implemented in Q2, which allows employees of our clients (both drivers and non-drivers) to view and purchase vehicles that are planned to be remarketed. Our clients value this because employees are typically willing to pay a slight premium for a vehicle that they know has been well maintained by their organization.

Another program that we implemented in Q2 in conjunction with our supplier partners is Find-A-Car, which allows us to find used vehicles for our clients to lease. We are leveraging our relationships in the industry to support our clients in an environment where accessing both new and used vehicles is challenging. We have also executed on our Advanced Purchase Program in Q2, which is a product designed to help clients meet financial milestones by advancing the equity in their assets planned for remarketing. These new innovations demonstrate how Element's expertise in remarketing drives exceptional value for our clients.

Continuously improving the way we work

The Continuous Improvement Group continues to expand project focus, training, and automation as we drive our commitment to a continuous improvement culture at Element.

In Q2, the Continuous Improvement Group continued to make progress against three key priorities:

- Maintaining a team of dedicated resources to drive Continuous Improvement at Element;
- Implementing a scoring model to evaluate where and how Continuous Improvement team members are deployed on projects across Element (including Custom Fleet); and
- Developing automation solutions.

Our CI Skills and Mindset Program continues to develop Lean Six Sigma skills in the organization, with our 7th Yellow Belt Cohort having launched in the quarter. The program encourages and trains employees to identify innovative cost- and time-saving opportunities for clients as well as improve the overall client experience.

In Q2, we developed and implemented 8 additional new automation solutions by leveraging Robotic Process Automation “bots” and other light-touch tools. Our total library of automations now contains 133 solutions accounting for over 490,000 transactions processed and 14,000 hours saved for our employees in Q2 2022 alone. These automation solutions decrease cycle times, provide increased accuracy leading to a superior employee and client experience, and make our business more scalable.

In Mexico, we launched two new tools in Q2 that will further increase efficiency for our Mexican clients. The Truck Ordering tool automates and enhances controls and collaboration between the commercial, risk and legal components when initiating truck orders, thereby reducing manual labour and minimizing capture errors. The Supplier’s Portal tool allows our product suppliers to interact with Element sourcing and accounts payable processes, to automate self-service functions for visibility and foster efficient invoicing and payment.

Xcelerate Ordering

We have successfully migrated over 330 Element clients to our state-of-the-art North American Vehicle Ordering (“NAVO”) platform. The platform provides a consistent, superior experience for clients and suppliers and delivers approximately $2 million of annual operating cost savings for Element through the reduction of manual processing requirements and automation of order transmission.

Despite OEM production delay challenges, clients are actively placing orders through the NAVO platform, and the volume has continued to ramp up aggressively in the first half of 2022 as OEM order banks begin to open up for the 2023 model year.

Nearly ninety percent of NAVO orders were placed directly by our clients without the need for Element assistance. Interactive help and support tools within the platform continue to provide meaningful guidance throughout the ordering process. Feedback received to date confirms the NAVO platform is more user-friendly and easier to navigate for clients than predecessor systems, with a better flow of information.

Digital platforms such as NAVO are replacing disparate applications, automating and streamlining our business processes to create a more consistent client experience, and bolstering the scalability of our operating platform.

IT Enhancements in Syndication

In the first half of 2022, we updated our syndication platform by building a fully automated suite for Canadian syndications. In Q2, we launched our syndications web application system, which allows us to quickly view available inventory and set up our various accounts in order to ultimately syndicate assets where economically advantageous to Element. Our accounting team uses the application to streamline syndication reporting and track any gains on sale from our trades.

Prudently managing our risks

In 2021, we introduced Element’s first Enterprise Composite Risk Index (“ECRI”) based on our key risk universe, translated into Risk Appetite Statements (“RAS”) with applicable metrics and thresholds. The ECRI has contributed to a deeper understanding of our risk universe and of the interconnectivity of risks, helping us to build a stronger awareness within the organization.

In the first half of 2022, we refreshed our risk universe based on the current environment, added required RAS and reviewed our existing metrics and thresholds based on our learnings of the past year. We have also cascaded the ECRI down into the organization from the global level.

The ECRI was on target as reported on our Global BSC this quarter.

Fostering positive environmental and social outcomes and maintaining good governance

Since 2020, when we began developing and subsequently launched our formal ESG strategy, we have worked with our executive team and the internal 'owners' of each of the four pillars of the strategy to understand what work is already underway, what we want to accomplish and how we can best measure success. The result is a focused and actionable ESG strategy that we believe is the right one for Element and all our stakeholders, and that we can build on for years to come.

The strategy is based on four key pillars:

- Sustainability: Our core objective is to reduce greenhouse gas emissions, focusing on expanding our EV offerings and offering consulting services to help our clients optimize the efficiency of their fleets.

- Diversity, Equity & Inclusion ("DE&I"): We are committed to doing more – to being an organization wherein mutual respect and mutual trust are absolute and where each of us is respected and has an equal opportunity to thrive.

- Satisfaction & Safety: We have set meaningful targets for Satisfaction & Safety for our clients and employees. Our goals include fostering higher enrollment in safety programs, reducing accidents by clients, maintaining a best-in-class global employee engagement score and further increasing our Global NPS. (Please see "Earning our clients' loyalty" above for a discussion of our outperformance against target on our Global NPS.)

- Governance: We will continue to evolve our board composition and our ESG reporting to maintain the high standing we have become known and recognized for.

Building off our successes in 2021 (when we placed in the 85th percentile of companies assessed by EcoVadis), in Q2 2022, we:

- Were accepted as a member of the United Nations Global Compact, reinforcing our commitment to building a sustainable future and advancing societal goals;

- Donated $125,000 to the Sinai Health Foundation, fulfilling an eight-year $1 million pledge in support of patient care and research needs;

- Joined the Accelerate ZEV Alliance, whereby we will participate in workshops around infrastructure, investment and fleet adoption with the overall aim to support the development of all aspects of the ZEV supply chain within Canada;

- Established governing bodies to support and accelerate our ESG efforts, including an executive ESG steering committee, ESG Leadership committee, as well as working teams to make progress on key initiatives, including our Greenhouse Gas (GHG) emissions in alignment with GHG protocol; and

- Commenced the transition of our internal fleet in ANZ with the aim to be fully electric by Q4 2022.

All these initiatives are advancing Element's ESG agenda and, in many cases, will help us track our ESG performance to build a robust baseline on which we can aim to improve in subsequent years. Our Second annual ESG report details progress on our ESG strategy, goals and commitments first outlined in our inaugural report while mapping out our goals for the remainder of 2022 and beyond.

Supplier Diversity

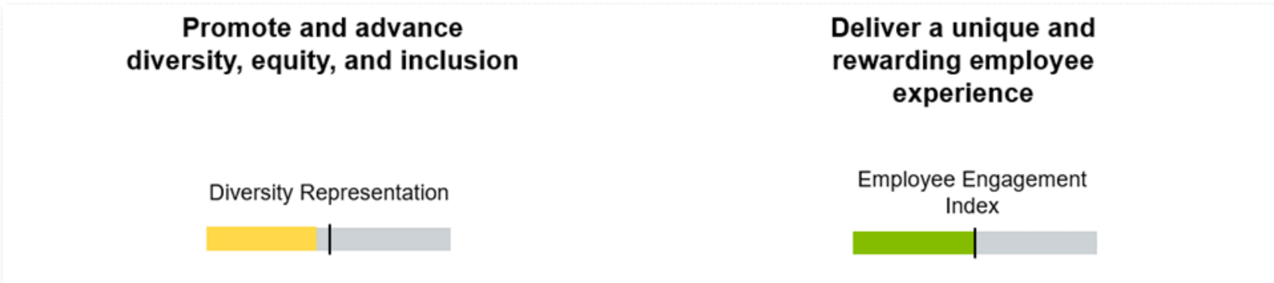
We have a long and well-established track record of fostering supplier diversity, dating back to the early 1990s at Element's predecessor companies. Our ongoing supplier diversity initiatives are something Element is very proud of and are increasingly important to our clients. In Q2 we published our Supplier Diversity Program overview, which is available on our website.The purpose of our Supplier Diversity Program is to provide opportunities for diverse suppliers that satisfy our procurement and contractual requirements; and support our clients in achieving their own supplier diversity spend goals.

Notably in Q2, we continued to expand our reach and deepen our relationships with minority-owned businesses in Canada. Element became a business member of the Canadian Council for Aboriginal Business ("CCAB"). The CCAB's mandate is to build relationships toward a prosperous Indigenous economy and better future for all Canadians.

We track diversity spend and offer clients customized tracking solutions to ensure their diversity commitments applicable to their fleet operations are understood, organized and can be accurately reported. Moreover, our SCS team applies a "client diversity spend requirements" lens to all our proactive advisory work, offering actionable insights to clients that will improve their practices in this area.

Element is a member of the National Minority Supplier Development Council in the U.S., the Canadian Aboriginal and Minority Supplier Council, Disability:IN Minnesota, the Women's Business Enterprise National Council in the U.S., and most recently the CCAB in Canada.

Our People



Our momentum as a strong team rallying around growth continued in the second quarter, with many of our teams finally experiencing our offices in person. Our people, motivated by a successful start to the year, delivered for our clients and for each other, consistently rising to meet challenges while engaging with each other and Element in meaningful ways.

Engaging in meaningful ways

In June, we launched Element Engage, a new event series where our people came together at our offices in the U.S., Canada and Mexico, connecting with each other, and our leaders, to share insights on their experiences at Element. Over 1,000 of our people attended, giving us candid feedback on what is working well and where we can do better. These sessions helped identify key themes, most notably that our people feel good about our business and where we're heading, that our commitment to Diversity Equity and Inclusion (DE&I) is a source of pride and that our people felt confident thanks to our agile pivot during the pandemic. Our people also told us we have an opportunity to address heavy workloads and they identified new continuous improvement opportunities to explore.

This wealth of feedback is being actioned both immediately (where we can make quick changes) and for the longer-term. We have committed to reporting back to our people on a regular basis on the actions we're taking and will continue to gather their feedback throughout the year.

Learning, development, and celebration

We kicked off a successful Career Month in May, encouraging our people to take charge of their own development. Employees showcased their accomplishments, top skills and career aspirations by completing newly introduced Career Profiles in Workday, were encouraged to explore curated career-focused content on Learn@Element and have dedicated one-on-one career discussions with their managers.

Another successful development initiative in the quarter, our Balanced Scorecard Pay-for-Performance (P4P) roadshows, saw over 700 employees joining online sessions to better understand the connection between pay and performance.

In June, we also shared the same premiere mobile safety solution we provide to our clients, DriverCare CoPilot, for free to our people in Canada and the U.S. This offering not only gives our teams the opportunity to learn about a client offering first-hand but can make a real difference to the driving safety of our Element families.

Finally, we had the honour of marking a tremendous milestone for our team in Mexico of 100,000 vehicles under management. The team celebrated this accomplishment with employee events in Mexico and messages of congratulations shared across Element.

Fostering a more inclusive workplace

Through our Diversity Equity and Inclusion (DE&I) strategy, we continue to focus on awareness, education and action to foster a more inclusive workplace. During the second quarter, employees were encouraged to voluntarily share their demographic information to inform our DE&I initiatives through our annual “Count me in” campaign. Our people also received training on unconscious bias as well as persons with disabilities (AODA) through our annual Element Foundations compliance training. And, more than 35 of our employees are benefiting from the professional development of the McKinsey Asian, Black and Hispanic Leadership Academies.

As DE&I continues to underpin more of our culture, Element’s Business Resource Groups[4] continue their efforts to bring our people together. In Q2, our BRGs:

- Held a BRG fair in which 290 employees attended to learn more about BRGs and how to participate.
- Celebrated National Volunteer Month supporting local community organizations across our region and utilizing our paid volunteer time benefit.
- Focused on supporting employee wellbeing through mindfulness and yoga, celebrated Pride and learned about/observed Juneteenth.

In late Q2, we reassured our people that the benefits we make available to employees are grounded in the philosophy that decisions on healthcare - including reproductive healthcare - are personal, and that equal access to care should be afforded to all of our people. With that in mind, we are committed to providing a variety of resources that help employees with their family’s total well being - which includes access to all reproductive healthcare.

[4] Formerly known as Element "employee networks", Business Resource Groups (BRGs) are employee-led groups that foster an inclusive culture by bringing together employees who have similar backgrounds, experiences, and/or interests and their allies. BRG participation is voluntary and open to employees in all global regions who are interested in and support the objectives of the BRG, regardless of their background.

Our Investors

Grow profitably	Translate operating performance into superior cash returns to shareholders	Earn a fair rate of return on capital
Adjusted EPS % growth	FCF/share % growth	Return on Equity

Revised 2022 guidance

We expect to deliver better full-year 2022 performance than previously guided (and we will provide increased full-year 2023 results guidance alongside next quarter's results).

For 2022, we expect full-year net revenue to grow 10-12% year-over-year, with Element's scalable operating platform magnifying that growth into 13-17% AOI growth on the same basis, implying 54-55% operating margins.

We expect free cash flow per share to grow 21-26% year-over-year to $1.27-1.32 for 2022, and adjusted EPS we similarly expect to grow 22-27% year-over-year, to $1.03-1.07 for 2022.

Both adjusted EPS and FCF per share growth are underpinned by ongoing common share buybacks pursuant to the Company's normal course issuer bid ("NCIB"), the upshot of which is a projected weighted average outstanding common share count of between 390 and 400 million for full-year 2022.

This revised 2022 guidance includes net revenue (and resulting operating income and cash flow) from Element actions being taken this year that are not expected to generate similar levels of net revenue next year or in subsequent years. We provide more details - including 2022 guidance excluding such net revenue (and accompanying operating income and cash flow) - in our Supplementary Information document for the quarter, available on the Company's website.

Profitable revenue growth atop a scalable operating platform

Second quarter net revenue grew 22.4% year-over-year and 10.5% quarter-over-quarter to $288.1 million, led by services revenue growth of 32.6% year-over-year and 13.8% quarter-over-quarter.

Net revenue growth was demonstrably profitable as quarter-over-quarter pre-tax income and AOI growth rates - at 19.2% and 16.2%, respectively - were both materially higher than quarter-over-quarter net revenue growth. Pre-tax income margin expanded to 51.9% and operating margin expanded 281 basis points quarter-over-quarter to 57.6% for Q2.

Element's Q2 EPS were $0.26 and adjusted EPS were $0.29, the latter up 9 cents per share or 45.0% year-over-year and 5 cents or 20.8% quarter-over-quarter.

A capital-lighter business model

Element's sale of fleet assets to third parties - financial buyers with a lower cost of capital - is one of two thrusts of the Company's capital-lighter business model, and advances several aspects of our profitable growth strategy:

- Syndication generates a highly profitable, recurring revenue stream for the Company;

- Syndication accelerates revenue recognition (while improving economics) and increases the velocity of cash flow; and

- Syndication alleviates the need Element would otherwise have (as a growing business) to increase our on-balance-sheet funding and therefore retain equity to manage the resulting pressure on leverage. Instead, syndication has allowed Element to grow while we have significantly lowered the Company's tangible leverage ratio and, at the same time, returned $318.0 million cash to shareholders in the first half of 2022 -- including $150.0 million to Preferred Series I shareholders at quarter-end in the process of redeeming the share series in its entirety.

Element syndicated $791.1 million of assets in the second quarter, generating $14.8 million of revenue or a 1.9% "yield" on assets syndicated.

The second thrust of the Company's capital-lighter business model is services revenue growth, because services revenue has much lower funding needs than net financing revenue: only the net working capital required to procure parts and services for clients.

Second quarter services revenue increased $36.9 million or 32.6% year-over-year and $18.2 million or 13.8% quarter-over-quarter due largely to:

A. The speed at which our teams are converting new client and share of wallet wins into active services being provided to new and existing vehicles under management (penetration);

B. Our clients' increasing use of services (utilization) following from increased vehicle activity levels in general, and - due to the ongoing, unprecedented OEM production delays - the advanced average age of clients' vehicles in particular; and

C. Parts and labour cost inflation across Element's networks of supplier-partners.

Our Supplementary Information document for the quarter contains further details of Q2 services revenue composition and growth.

Advancing the Company's capital-lighter business model enhances ROE: year-over-year at June 30, return on common equity had improved to 11.3% and pre-tax return on common equity had improved 90 basis points to 16.8%.

Growing free cash flow per share and the return of capital to shareholders

Element generated $0.37 of FCF per share in the second quarter; 42.3% or 11 cents per share growth year-over-year and 27.6% or 8 cents growth quarter-over-quarter.

Per share growth is aided by our return of capital to common shareholders through buybacks pursuant to the Company’s NCIB. Combined with the dividend payout, Element returned $62.1 million cash to common shareholders in the second quarter; and $212.1 million to all shareholders including the $150.0 million Preferred Share Series I redemption at quarter-end.

Effect 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 14%, 6%, 10% and 63%, respectively, of our last 12 months' net revenue was generated. Element has established local currency funding structures in each of Australia, New Zealand, Mexico, and the United States. We endeavour to mitigate the impacts of foreign currency value fluctuations in all the countries where we do business. We also institute certain designated hedges that further mitigate the effects of FX exposure. Notwithstanding, our assets, liabilities, and foreign operating results do fluctuate as a result of fluctuations in these currencies against the reporting currency, being the Canadian dollar. We do not hedge pure currency translation risk.

In the following "Quarterly Results of Operations" section, we include tables containing summaries of the Company's results on a constant currency basis. We provide certain further details in our Supplementary Information document (available on the Company's website) regarding results for the relevant periods before the impact of changes in FX (*ie.* in constant currency). The Company calculates constant currency by applying the current period average FX rates to prior results (*eg*. the Q2 2022 average FX rates are used to calculate Q1 2022 and Q2 2021 results "in constant currency"). The current spot rate is used for all balance sheet constant currency calculations. The table immediately below illustrates the FX impact on the reported consolidated financial results for prior periods that are discussed on the following pages:

	For the three-months ended					For the year-ended		
(in $000's for stated values)	**June 30, 2022**	Change from Q1 2022	March 31, 2022	Change from Q2 2021	June 30, 2021	**June 30, 2022**	Change from Q2 2021	June 30, 2021
	$	%	$	%	$	**$**	%	$
Servicing income, net, constant currency	**150,037**	13.3 %	132,450	29.4 %	115,969	**281,879**	22.8 %	229,522
Fx impact	**—**		(608)		(2,784)	**—**		(1,848)
Servicing income, net, as reported	**150,037**	13.8 %	131,842	32.6 %	113,185	**281,879**	23.8 %	227,674
Net financing revenue, constant currency	**123,252**	6.6 %	115,655	11.4 %	110,608	**238,433**	8.7 %	219,376
Fx impact	**—**		(474)		(1,256)	**—**		996
Net financing revenue, as reported	**123,252**	7.0 %	115,181	12.7 %	109,352	**238,433**	8.2 %	220,372
Syndication revenue, constant currency	**14,844**	7.1 %	13,864	11.2 %	13,348	**28,621**	(21.5)%	36,477
Fx impact	**—**		(87)		(483)	**—**		(523)
Syndication revenue, as reported	**14,844**	7.7 %	13,777	15.4 %	12,865	**28,621**	(20.4)%	35,954
Net revenue, constant currency	**288,133**	10.0 %	261,969	20.1 %	239,925	**548,933**	13.1 %	485,375
Fx impact	**—**		(1,169)		(4,523)	**—**		(1,375)
Net revenue, as reported	**288,133**	10.5 %	260,800	22.4 %	235,402	**548,933**	13.4 %	484,000
Salaries, wages and benefits, constant currency	**77,786**	1.5 %	76,640	4.9 %	74,120	**153,998**	4.7 %	147,075
Fx impact	**—**		(428)		(1,466)	**—**		(796)
Salaries, wages and benefits, as reported	**77,786**	2.1 %	76,212	7.1 %	72,654	**153,998**	5.3 %	146,279
General and administrative expenses, constant currency	**28,944**	3.6 %	27,935	9.8 %	26,359	**56,741**	6.4 %	53,341
Fx impact	**—**		(138)		(533)	**—**		(369)
General and administrative expenses, as reported	**28,944**	4.1 %	27,797	12.1 %	25,826	**56,741**	7.1 %	52,972
Depreciation and amortization, constant currency	**15,456**	10.3 %	14,012	45.7 %	10,606	**29,391**	40.0 %	20,994
Fx impact	**—**		(77)		(196)	**—**		(58)
Depreciation and amortization, as reported	**15,456**	10.9 %	13,935	48.5 %	10,410	**29,391**	40.4 %	20,936
Adjusted operating expenses, constant currency	**122,186**	3.0 %	118,587	10.0 %	111,085	**240,130**	8.5 %	221,410
Fx impact	**—**		(643)		(2,195)	**—**		(1,223)
Adjusted operating expenses, as reported	**122,186**	3.6 %	117,944	12.2 %	108,890	**240,130**	9.1 %	220,187
Adjusted operating income, constant currency	**165,947**	15.7 %	143,382	28.8 %	128,840	**308,803**	17.0 %	263,965
Fx impact	**—**		(526)		(2,328)	**—**		(152)
Adjusted operating income, as reported	**165,947**	16.2 %	142,856	31.2 %	126,512	**308,803**	17.1 %	263,813
Provision for taxes applicable to adjusted operating income, constant currency	**42,317**	13.5 %	37,279	27.6 %	33,176	**79,464**	25.7 %	63,216
Fx impact	**—**		(132)		(599)	**—**		1,489
Provision for taxes applicable to adjusted operating income, as reported	**42,317**	13.9 %	37,147	29.9 %	32,577	**79,464**	22.8 %	64,705
After-tax adjusted operating income, constant currency	**123,630**	16.5 %	106,103	29.2 %	95,664	**229,339**	14.2 %	200,749
Fx impact	**—**		(394)		(1,729)	**—**		(1,641)
After-tax adjusted operating income, as reported	**123,630**	17.0 %	105,709	31.6 %	93,935	**229,339**	15.2 %	199,108

Quarterly Results of Operations

(in $000's for stated values, except per share amounts)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2022	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
	$	$	$	**$**	$
Net revenue					
Net interest income and rental revenue	**179,128**	160,648	156,877	**339,776**	322,091
Interest expense	**55,876**	45,467	47,525	**101,343**	101,719
Net financing revenue	**123,252**	115,181	109,352	**238,433**	220,372
Servicing income, net	**150,037**	131,842	113,185	**281,879**	227,674
Syndication revenue, net	**14,844**	13,777	12,865	**28,621**	35,954
Net revenue	**288,133**	260,800	235,402	**548,933**	484,000
Operating expenses					
Salaries, wages and benefits	**77,786**	76,212	72,654	**153,998**	146,279
General and administrative expenses	**28,944**	27,797	25,826	**56,741**	52,972
Depreciation and amortization	**15,456**	13,935	10,410	**29,391**	20,936
Amortization of convertible debenture discount	**950**	933	887	**1,883**	1,759
Share-based compensation	**5,211**	6,163	7,511	**11,374**	12,751
Operating expenses	**128,347**	125,040	117,288	**253,387**	234,697
Other expenses					
Amortization of intangible assets from acquisition	**8,958**	8,909	8,674	**17,867**	17,580
Loss/(Gain) on investments	**1,322**	1,442	(637)	**2,764**	(3,438)
Other expenses	**10,280**	10,351	8,037	**20,631**	14,142
Income before taxes	**149,506**	125,409	110,077	**274,915**	235,161
Provision for income taxes	**38,386**	31,805	29,205	**70,191**	58,760
Net income for the period	**111,120**	93,604	80,872	**204,724**	176,401
Weighted average number of shares outstanding [basic]	**398,242**	401,575	428,646	**399,899**	433,547
Earnings per share [basic]	**0.26**	0.21	0.17	**0.47**	0.37
Dividends declared, per share					
Common share	**0.077500**	0.077500	0.065000	**0.155000**	0.130000
Preferred Shares, Series A	**0.433313**	0.433313	0.433313	**0.866626**	0.866626
Preferred Shares, Series C	**0.388130**	0.388130	0.388130	**0.776260**	0.776626
Preferred Shares, Series E	**0.368938**	0.368938	0.368938	**0.737876**	0.737876
Preferred Shares, Series I	**0.359375**	0.359375	0.359375	**0.718750**	0.718750

Immediately below, we present and offer commentary on certain results quantified by IFRS measures (such as operating expenses) whose counterpart non-GAAP measures (such as adjusted operating expenses) are presented and commented-on further below.

Operating expenses

Operating expenses for the quarter were $128.3 million, up 2.6% or $3.3 million from Q1 2022 ("quarter-over-quarter") and 9.4% or $11.1 million over Q2 2021 ("year-over-year").

Pre-tax income margin

Pre-tax income margin for the quarter was 51.9%, expanding 380 basis points quarter-over-quarter and 510 basis points year-over-year.

Net income

Element earned net income of $111.1 million for the quarter, an increase of $17.5 million or 18.7% from Q1 2022 and $30.2 million or 37.4% over Q2 2021.

Q2 2022 net income per share was $0.26; $0.05 per share higher than prior quarter and $0.09 per share higher than Q2 2021.

Adjusted Operating Results as reported

(in $000's for stated values, except per share amounts)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2022	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
	$	$	$	**$**	$
Servicing income, net	**150,037**	131,842	113,185	**281,879**	227,674
Net financing revenue	**123,252**	115,181	109,352	**238,433**	220,372
Syndication revenue, net	**14,844**	13,777	12,865	**28,621**	35,954
Net revenue	**288,133**	260,800	235,402	**548,933**	484,000
Salaries, wages and benefits	**77,786**	76,212	72,654	**153,998**	146,279
General and administrative expenses	**28,944**	27,797	25,826	**56,741**	52,972
Depreciation and amortization	**15,456**	13,935	10,410	**29,391**	20,936
Adjusted operating expenses	**122,186**	117,944	108,890	**240,130**	220,187
Adjusted operating income	**165,947**	142,856	126,512	**308,803**	263,813
Provision for taxes applicable to adjusted operating income	**42,317**	37,147	32,577	**79,464**	64,705
Cumulative preferred share dividends	**8,103**	8,103	8,103	**16,206**	16,206
After-tax adjusted operating income attributable to common shareholders	**115,527**	97,606	85,832	**213,133**	182,902
Weighted average number of shares outstanding [basic]	**398,242**	401,575	428,646	**399,899**	433,547
After-tax adjusted operating income per share [basic]	**0.29**	0.24	0.20	**0.53**	0.42

Adjusted Operating Results in constant currency[5]

(in $000's for stated values)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2022	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
	$	$	$	**$**	$
Servicing income, net	**150,037**	132,450	115,969	**281,879**	229,522
Net financing revenue	**123,252**	115,655	110,608	**238,433**	219,376
Syndication revenue, net	**14,844**	13,864	13,348	**28,621**	36,477
Net revenue	**288,133**	261,969	239,925	**548,933**	485,375
Salaries, wages and benefits	**77,786**	76,640	74,120	**153,998**	147,075
General and administrative expenses	**28,944**	27,935	26,359	**56,741**	53,341
Depreciation and amortization	**15,456**	14,012	10,606	**29,391**	20,994
Adjusted operating expenses	**122,186**	118,587	111,085	**240,130**	221,410
Adjusted operating income	**165,947**	143,382	128,840	**308,803**	263,965
Provision for taxes applicable to adjusted operating income	**42,317**	37,279	33,176	**79,464**	63,216
Cumulative preferred share dividends	**8,103**	8,103	8,103	**16,206**	16,206
After-tax adjusted operating income attributable to common shareholders	**115,527**	98,000	87,561	**213,133**	184,543
Weighted average number of shares outstanding [basic]	**398,242**	401,575	428,646	**399,899**	433,547
After-tax adjusted operating income per share [basic]	**0.29**	0.24	0.20	**0.53**	0.43

Please note: In the following commentary, we restrict citation of constant currency results to the few instances where FX had a noteworthy impact on comparative results.

Net revenue

Q2 net revenue grew $52.7 million or 22.4% year-over-year and $27.3 million or 10.5% quarter-over-quarter, driven primarily by services revenue growth, secondarily by net financing revenue growth, and aided by syndication revenue growth.

[5] Please refer to the Effect of Foreign Currency Exchange Rate Changes section for reconciliations of certain non-GAAP "constant currency" measures to their counterpart IFRS measures as reported.

For the reasons noted below (see "Servicing income, net"), Q2 services revenue grew $36.9 million or 32.6% year-over-year and $18.2 million or 13.8% quarter-over-quarter.

Similarly, for the reasons noted below (see "Net financing revenue"), Q2 net financing revenue grew $13.9 million or 12.7% year-over-year and $8.1 million or 7.0% quarter-over-quarter.

Syndication revenue for the quarter grew $2.0 million year-over-year and $1.1 million quarter-over-quarter, each as discussed below (see "Syndication revenue").

Orders and Originations

Orders

Originations are necessarily preceded by vehicle orders, which are legally binding commitments by our clients to lease or purchase vehicles from Element upon production by the relevant OEM.

Q2 2022 orders contributed $1.4 billion (gross) to our global order backlog, which was approximately $2.8 billion at quarter-end. Client order volumes (and thus our backlog) would have been higher had OEMs opened more model-year 2023 order banks within the quarter.

Originations

Global originations excluding Armada volumes[6] and on a constant currency basis reached a four-year high of $1.75 billion in Q2, growing 26.0% quarter-over-quarter and 59.6% year-over-year. Global originations in total grew $480.7 million or 33.6% quarter-over-quarter and $714.9 million or 59.7% year-over-year to $1.9 billion.

The table below sets out the geographic distribution of these originations for the relevant three-month periods ended.

(in $000's for stated values)	**June 30, 2022**		March 31, 2022		June 30, 2021	
	$	**%**	$	%	$	%
United States and Canada	**1,550,121**	**81.03**	1,084,488	75.71	888,254	74.14
Mexico	**238,459**	**12.46**	230,443	16.09	167,145	13.95
Australia and New Zealand	**124,452**	**6.51**	117,429	8.20	142,703	11.91
Total	**1,913,032**	**100.00**	1,432,360	100.00	1,198,102	100.00

The table below sets out the geographic distribution of Element's originations for the following three-month periods ended, on a constant currency basis:

(in $000's for stated values)	**June 30, 2022**		March 31, 2022		June 30, 2021	
	$	**%**	$	%	$	%
United States and Canada	**1,550,121**	**81.03**	1,090,633	75.50	916,289	74.67
Mexico	**238,459**	**12.46**	237,818	16.46	173,741	14.16
Australia and New Zealand	**124,452**	**6.51**	116,111	8.04	137,085	11.17
Total	**1,913,032**	**100.00**	1,444,562	100.00	1,227,115	100.00

Global originations growth was driven by U.S. and Canadian volume, up 74.5% or $661.9 million year-over-year and 42.9% or $465.6 million quarter-over-quarter to $1.6 billion, driven by (a) the ongoing gradual return of OEM productive capacity (as we forecast), (b) strong originate-to-syndicate volumes from OEM employee programs, (c) a return to more normalized demand levels from our rental car company clients and (d) inflation.

Q2 originations grew 42.7% or $71.3 million year-over-year and 3.5% or $8.0 million quarter-over-quarter to $238.5 million in Mexico. We expect originations in Mexico to moderate somewhat in the second half of this

[6] Armada originations do not turn into leases and thus do not generate net financing or syndication revenue for Element. However, we continue to earn increasing services revenue in respect of Armada's growing fleet.

year as the same supply chain issues affecting the U.S./Canada and ANZ have begun to impact Mexican OEM facilities for the first time.

Originations in ANZ were down 12.8% or $18.3 million year-over-year but quarter-over-quarter volume rose 6.0% or $7.0 million as expected to $124.5 million. We foresee H2 origination volumes in ANZ continuing to grow quarter-over-quarter sequentially.

While we expect Q3 Originations will moderate from strong Q2 levels (consistent with past years) given plant re-tooling for model year 2023 vehicles, we nonetheless expect to finish 2022 having returned to full-year 2019 levels of Originations on a constant currency basis and excluding Armada. This means we expect our full-year 2022 Originations (excluding Armada) to exceed our November 2021 guidance regarding same (which was $5.5 - 5.7 billion for 2022, inclusive of Armada).

Net financing revenue

Q2 net financing revenue grew $13.9 million or 12.7% year-over-year, driven by gains on sale (GOS) in ANZ and Mexico and improvements in "yield" on our net earning assets (NEA). Among other things, yield improvements are driven by savings on the cost of funds, shifts in the geographic mix of NEA (towards ANZ and Mexico), and variances in provisioning. Net financing revenue grew year-over-year despite the material decrease in NEA on the same comparative basis due to syndication volumes and below average originations over the period.

Q2 net financing revenue grew $8.1 million or 7.0% quarter-over-quarter primarily driven by improvements in "yield".

Net financing revenue yield on average net earning assets improved 131 basis points year-over-year and 37 basis points quarter-over-quarter for Q2 2022.

Net financing revenue yield on average net earning assets

	For the three-month periods ended			For the year ended	
(in $000's for stated values)	**June 30, 2022**	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Average net earning assets	**$ 8,110,310**	$ 8,071,446	$ 9,161,155	**$ 8,090,878**	$ 9,655,126
Net interest income and rental revenue	**8.84 %**	7.96 %	6.85 %	**8.40 %**	6.67 %
Interest expense	**2.76 %**	2.25 %	2.08 %	**2.51 %**	2.11 %
Net financing revenue yield on average net earning assets	**6.08 %**	5.71 %	4.77 %	**5.89 %**	4.56 %
Average debt outstanding	**$ 7,951,617**	$ 8,183,306	$ 8,193,170	**$ 8,067,485**	$ 8,985,276
Average cost of debt (Interest expense / average debt)	**2.81 %**	2.22 %	2.32 %	**2.51 %**	2.26 %
Average 1-Month LIBOR rates	**1.00 %**	0.23 %	0.10 %	**0.62 %**	0.11 %

Servicing income, net

Q2 2022 services revenue grew $36.9 million or 32.6% year-over-year and $18.2 million or 13.8% quarter-over-quarter for the following general reasons.

A. The speed at which our implementation teams have proven capable of converting (i) new client and (ii) SoW wins into active services being provided to vehicles under Element's management (penetration);

B. Increased client use (utilization) of vehicle maintenance, accident recovery and other services, largely for the following reasons:

- As a result of unprecedented OEM production delays to date, our clients' fleet vehicles have never been as old (on average) as they currently are;

- As fleets age, regular and preventive maintenance becomes increasingly important in order to avoid vehicle downtime due to substantial (and costly) repairs being required.
    - Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more financially damaging than any additional vehicle maintenance costs.
- Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement; and

C. Fuel, parts and labour cost inflation across our network of supplier-partners.

Specific to Q2 2022, year-over-year growth was driven by maintenance penetration (including share of wallet and new client wins, as well as pricing improvements); utilization of accident, tolls & violations and maintenance services; and inflationary tailwinds on fuel and accident services revenues. Quarter-over-quarter, Services revenue benefited from the same factors that drove year-over-year growth and, specific to quarter-over-quarter results, also remarketing penetration improvements

We also continue to experience increased subscriptions for, and utilization of, a broadening array of Element services by Armada.

Syndication revenue, net

We syndicated $791.1 million of assets in the second quarter -- $180.5 million more than Q2 last year and $130.4 million more than last quarter -- and generated $14.8 million of syndication revenue or a 1.9% "yield" on assets syndicated. Syndication revenue for the quarter was up $2.0 million from Q2 2021 and $1.1 million over last quarter.

Syndication continues to be an economically beneficial, reliable source of recurring, high margin revenue for Element. Syndication increases our velocity of cash flow while facilitating a capital-lighter business model, tangible leverage management, and our ability to predictably return excess equity to shareholders.

Adjusted operating expenses

Adjusted operating expenses of $122.2 million were up 3.6% or $4.2 million over last quarter, driven by a modest step-up in salaries, wages and benefit expenses (as noted here last quarter) reflecting 2022 merit- and pay equity-driven compensation increases. Year-over-year, Q2 adjusted opex was 12.2% or $13.3 million higher, led by 48.0% more Depreciation & Amortization (as previously signaled and discussed), 7.0% salaries, wages and benefits growth and 12.0% year-over-year General & Administrative expense growth.

Adjusted operating income ("AOI") and margins

Element generated $165.9 million of AOI for the quarter, which is $39.4 million or 31.2% year-over-year growth, $23.1 million or 16.2% quarter-over-quarter growth, and equivalent to $0.29 on a per share basis.

AOI growth was driven by net revenue growth -- led by services revenue growth, with strong net financing revenue growth in support -- and comparatively modest adjusted operating expense growth (all as previously discussed herein).

Operating margin for the quarter was 57.6%, which is 385 basis points of expansion year-over-year and 281 basis points quarter-over-quarter -- reinforcing the profitability of net revenue growth atop Element's transformed, scalable operating platform.

Summary of Quarterly Information

The following table sets out selected financial information as reported for each of the eight most recent quarters, the latest of which ended June 30, 2022. This information has been prepared on the same basis as the Company's audited consolidated financial statements, 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 and ratios)	**Q2 2022**	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net revenue	**288,133**	260,800	245,482	244,340	235,402	248,598	247,099	243,252
Adjusted operating income	**165,947**	142,856	122,561	125,626	126,512	137,301	132,058	128,985
After-tax adjusted operating income	**123,630**	105,709	94,372	94,207	93,935	105,173	108,089	107,058
Net income	**111,120**	93,604	94,664	84,941	80,872	95,529	78,362	70,778
Earnings per share, basic	**0.26**	0.21	0.21	0.18	0.17	0.20	0.16	0.14
Earnings per share, diluted	**0.25**	0.21	0.21	0.18	0.17	0.20	0.16	0.14
Adjusted operating income per share, basic	**0.40**	0.34	0.28	0.28	0.28	0.29	0.28	0.27
After-tax adjusted operating income per share, basic	**0.29**	0.24	0.21	0.21	0.20	0.22	0.23	0.22
After-tax pro forma diluted adjusted operating income per share	**0.28**	0.24	0.21	0.20	0.20	0.22	0.22	0.22
Total assets	**13,166,556**	12,817,647	12,973,412	13,105,478	13,483,620	14,033,707	14,991,388	15,711,869
Net earning assets	**7,983,040**	7,947,152	8,203,159	8,687,716	8,890,566	9,426,863	10,465,983	10,750,218
Total debt	**8,322,364**	8,069,321	8,198,035	8,493,546	8,686,606	9,259,492	10,018,603	10,888,398
Loan and lease originations	**1,913,032**	1,432,360	1,194,746	1,314,234	1,198,102	1,286,506	1,386,792	1,279,263
Allowance for credit losses	**9,760**	10,256	10,246	8,613	11,397	13,676	17,718	18,829
As a % of total finance receivables before allowance	**0.13**	0.14	0.14	0.11	0.14	0.16	0.18	0.19
Senior revolving credit facilities	**1,321,024**	1,464,384	1,106,629	1,007,628	1,006,473	1,250,957	1,551,939	1,354,470
Borrowings	**6,859,914**	6,457,020	6,932,334	7,328,076	7,523,502	7,853,095	8,312,397	9,380,815
Convertible debentures	**161,591**	160,321	159,072	157,842	156,631	155,440	154,267	153,113

Financial Position

The following table presents a summary of the Company's comparative financial positions, as at:

(in $000's for stated values)	**June 30, 2022**	March 31, 2022	June 30, 2021
	$	$	$
ASSETS			
Cash	**70,581**	33,206	21,550
Restricted funds	**455,561**	479,845	371,240
Finance receivables	**7,384,175**	7,112,513	8,167,862
Equipment under operating leases	**2,431,788**	2,423,569	2,153,502
Accounts receivable and other current assets	**186,598**	195,170	210,894
Derivative financial instruments	**99,481**	66,703	31,250
Property, equipment and leasehold improvements	**85,157**	87,143	99,591
Intangible assets	**833,078**	820,319	807,875
Deferred tax assets	**383,708**	395,129	425,464
Goodwill	**1,236,429**	1,204,050	1,194,392
	13,166,556	12,817,647	13,483,620
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued liabilities	**1,223,626**	1,104,910	1,138,017
Derivative financial instruments	**69,282**	56,067	38,891
Borrowings	**8,180,938**	7,921,404	8,529,975
Convertible debentures	**161,591**	160,321	156,631
Deferred tax liabilities	**115,641**	105,070	73,634
	9,751,078	9,347,772	9,937,148
Shareholders' equity	**3,415,478**	3,469,875	3,546,472
	13,166,556	12,817,647	13,483,620

Total assets and liabilities increased by $348.9 million and $403.3 million, respectively, from Q1 2022. Year-over-year, the decreases in total assets and liabilities for Q2 2022 were primarily decreases in earning assets and borrowings driven by syndication activity throughout the last twelve months.

Approximately 53% of Element's assets are U.S. dollar-denominated. As a result, changes in the value of our reporting currency, the Canadian dollar ("CAD"), relative to the U.S. dollar, have an impact on our balance sheet. The U.S. dollar strengthened modestly against CAD quarter-over-quarter and year-over-year.

We also have assets and liabilities denominated in Mexican pesos and Australian and New Zealand dollars, although these are smaller tranches of our portfolio. As a result, material changes in the value of the CAD relative to the Mexican peso, Australian dollar, or New Zealand dollar can have an impact on our balance sheet. The peso strengthened against the CAD quarter-over-quarter as measured on a period-end-to-period-end basis.

The net impact of currency variations predominantly flows through to Shareholders' Equity as Other Comprehensive Income.

Portfolio Details

Total finance receivables

The following table breaks down the Company's total finance receivables, which were $0.1 billion lower at June 30, 2022 than at December 31, 2021, driven by syndication activity offset by origination volumes in the quarter.

(in $000's for stated values, except ratios)	**June 30, 2022**	March 31, 2022	December 31, 2021
	$	$	$
Net investment in finance receivables	**5,551,252**	5,523,583	5,905,977
Impaired receivables - at net realizable value	**2,758**	3,251	2,765
	5,554,010	5,526,834	5,908,742
Unamortized origination costs and subsidies	**(51,123)**	(44,204)	(40,729)
Net finance receivables	**5,502,887**	5,482,630	5,868,013
Prepaid lease payments and Security deposits	**(53,775)**	(39,790)	(60,979)
Interim funding	**744,541**	668,207	650,155
Fleet management service receivables	**709,246**	636,435	609,450
Other	**470,871**	362,883	379,882
Continuing involvement asset	**20,165**	12,404	—
	7,393,935	7,122,769	7,446,521
Allowance for credit losses	**9,760**	10,256	10,246
Total finance receivables	**7,384,175**	7,112,513	7,436,275

Allowance for credit losses and charge-offs, net of recoveries

Credit losses and provisions as at and for the six-month period ended June 30, 2022, three-month period ended March 31, 2022 and the year-ended December 31, 2021 are as follows.

	Six-month period ended	Three-months period ended	Twelve-months period ended
	June 30, 2022	March 31, 2022	December 31, 2021
(in $000's for stated values, except ratios)	**$**	$	$
Allowance for credit losses, beginning of period	**10,246**	10,246	17,718
Provision for credit losses	**(432)**	138	(5,535)
Charge-offs, net of recoveries	**(117)**	(84)	(1,639)
Impact of foreign exchange rates	**63**	(44)	(298)
Allowance for credit losses, end of period	**9,760**	10,256	10,246
Charge-offs, net of recoveries, as a % of total finance receivables	**— %**	— %	0.03 %
Allowance for credit losses, as a % of total finance receivables before allowance	**0.13 %**	0.14 %	0.14 %

Element's policy is to assess the probability of default and loss-given-default for all its clients, both at lease inception and throughout the term of the lease. Element makes these assessments by performing risk reviews of specific clients on a periodic basis, reviewing the client's financial condition and ability to service the debt, as well as monitoring the value of the underlying security.

We reviewed inputs to our expected credit loss model throughout the quarter. We also consider forward-looking macroeconomic information in light of a potential recession impacts due to the inflationary environment and COVID-19, such as overall default rates and the impact that potential upward or downward trends in GDP would have on our lease and loan portfolio. As COVID-19 concerns wane, new inflation concerns are coming to the forefront. Considering these potential impacts opposite the favourable evolution of our portfolio and the resilience of our client base resulted in a modest $0.4 million release of our provision for credit losses in the quarter.

Based on the foregoing, our allowance for credit losses declined $0.5 million compared to December 31, 2021.

Impaired receivables

Total impaired receivables were $2.8 million at June 30, 2022, which is an $0.5 million decrease from March 31, 2022 and near the lowest level in the last five years. No material client entered bankruptcy in Q2 2022.

Classifying receivables as impaired

Accounts over 120 days past due are considered impaired and are fully provisioned net of any anticipated recoveries and recorded at their net realizable value. Accounts that are contractually delinquent less than 120 days may nonetheless be assessed as impaired. Individual impairment is assessed by examining contractual delinquency and the client’s financial condition, such as the identification of an approaching bankruptcy or the client being in the process of legal or collateral repossession proceedings with a debtor. Impairments of this nature are provisioned by applying probability-weighted assumptions consistent with industry standards and our experience with respect to the probability of an identified account resulting in a client default. We believe the impaired receivables figure in the table above appropriately reflects the net realizable value of the finance receivables before any allowance for credit losses.

Portfolio Distribution by Geography

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

(in $000’s for stated values)	**June 30, 2022**		March 31, 2022		December 31, 2021	
	$	**%**	$	%	$	%
United States and Canada	**4,765,436**	**60.1**	4,792,659	60.6	5,212,719	63.8
Australia and New Zealand	**1,498,055**	**18.9**	1,588,530	20.1	1,570,941	19.2
Mexico	**1,671,184**	**21.0**	1,525,010	19.3	1,381,535	17.0
Total	**7,934,675**	**100.0**	7,906,199	100.0	8,165,195	100.0
Allocated as:						
Net finance receivables	**5,502,887**	**69.4**	5,482,630	69.3	5,868,013	71.9
Equipment under operating leases, net	**2,431,788**	**30.6**	2,423,569	30.7	2,297,182	28.1
Total	**7,934,675**	**100.0**	7,906,199	100.0	8,165,195	100.0

The table below sets forth the geographical distribution of the Company's assets under management, as at:

(in $000’s for stated values)	**June 30, 2022**		March 31, 2022		December 31, 2021	
	$	**%**	$	%	$	%
United States and Canada	**11,651,773**	**78.3**	11,199,321	78.0	11,205,186	78.1
Australia and New Zealand	**1,497,986**	**10.1**	1,588,134	11.0	1,570,657	11.0
Mexico	**1,722,412**	**11.6**	1,586,789	11.0	1,563,178	10.9
Assets under management	**14,872,171**	**100.0**	14,374,244	100.0	14,339,021	100.0

The geographical distribution of earning assets and assets under management shown in the tables above reflect in part the disproportionate impact of OEM production delays on our business in the U.S. and Canada. When OEM production volumes normalize, the U.S. and Canada should enjoy a similarly disproportionate improvement in assets under management (which may also benefit earning assets, depending on syndication volumes) and related contributions to our global results.

Liquidity

Element's primary sources of liquidity are daily operating cash flows from services, financing/leasing and syndication, and committed credit and debt facilities. Our primary uses of cash are the funding of service receivables, finance receivables and operating leases, and working capital.

Cash Flow

Daily cash flow / liquidity

Our global cash management office assesses and proactively manages Element's liquidity position by ensuring we have controls over all sources and uses of cash flow. The cash management office also conducts ongoing comprehensive stress-tests to identify early indications of any risks to our cash flow and forward funding capacity. Throughout 2021 and to date, the results of those tests have confirmed the stability and sustainability of our cash flow and forward funding capacity.

Learnings from the global cash management office’s work have informed several strategic right-sizings of our funding facilities, beginning in Q4 2020. In aggregate, we have reduced the scale of our committed, undrawn liquidity by approximately $3.7 billion since the end of Q3 2020, which has driven meaningful funding cost savings without compromising our ability to serve clients.

Notwithstanding our dependable operating cash flows and $2.1 billion of committed, undrawn capital at June 30, 2022, we continue our efforts to sustainably enhance our dynamic liquidity management capabilities, including data analysis capacity and forecasting.

Free cash flow

We present Management's view of Element’s free cash flow in our Supplementary Information document available on the Company's website.

The below table illustrates the reconciliation of free cash flow to cash flow from operations:

	For the three-month periods ended			For the six-month period ended	
(in $000's for stated values)	**June 30, 2022**	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
	$	$	$	**$**	$
Free Cash Flow	**147,720**	115,283	112,115	**263,003**	211,398
Amortization of equipment under operating leases	**124,735**	122,550	109,653	**247,285**	221,545
Investment in finance receivables	**(1,736,275)**	(1,260,426)	(986,705)	**(2,996,701)**	(2,148,223)
Repayments of finance receivables	**782,460**	867,476	871,077	**1,649,936**	1,877,207
Investment in equipment under operating leases	**(252,152)**	(287,511)	(220,256)	**(539,663)**	(436,277)
Disposals of equipment under operating leases	**59,799**	72,105	71,680	**131,904**	136,394
Proceeds from syndication financings	**802,204**	671,816	626,307	**1,474,020**	1,664,270
Sustaining capital investments	**14,524**	14,142	10,958	**28,666**	21,287
Preferred share dividends	**8,103**	8,103	8,103	**16,206**	16,206
Other	**126,494**	(73,776)	(36,111)	**52,718**	(76,808)
Cash Flow from Operations	**77,612**	249,762	566,821	**327,374**	1,486,999

Statement of cash flows

Cash provided by operating activities for the six-month period ended June 30, 2022 - as presented in our unaudited interim condensed consolidated financial statements - was $327.4 million, a decrease of $1,159.6 million from the $1,487.0 million provided by operating activities for the six-month period ended June 30, 2021. The decrease was primarily the result of higher investments in finance leases resulting from increased origination volumes in the first half of 2022 compared to the first half of 2021.

Cash used in investing activities for the six-month period ended June 30, 2022 was $31.2 million compared to cash used in investing activities of $40.4 million for the six-month period ended June 30, 2021. The primary driver of the change year-over-year is a decrease in the purchase of intangible assets, including computer software, compared to the prior year.

Cash used in financing activities for the six-month period ended June 30, 2022 was $257.9 million, compared to $1,479.3 million used in financing activities for the six-month period ended June 30, 2021. The year-over-year decrease is primarily due to a decrease in the repayment of borrowings, offset by issuance of senior notes in 2021.

Credit and debt facilities

Maintaining ready access to diversified sources of cost-efficient capital is a strategic imperative for Element.

We had $2.1 billion of contractually committed, undrawn liquidity across our revolving unsecured ($1.1 billion) and vehicle management asset-backed ($1.0 billion) facilities at June 30, 2022. Commitments under these facilities are provided by syndicates of leading Canadian, U.S. and international banks.

These sources of financing were as follows:

As at	June 30, 2022			
(in $000's for stated values)	$	%	$	$
	Facility size	Undrawn amount		Drawn amount
Senior unsecured revolving credit facilities	**2,382,097**	***44.5***	**1,061,073**	**1,321,024**
Senior notes	**1,158,858**	**—**	**—**	**1,158,858**
Term facilities	**375,334**	**—**	**—**	**375,334**
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	**1,548,210**	**—**	**—**	**1,548,210**
Variable funding notes	**4,679,924**	***20.8***	**973,415**	**3,706,509**
Other	**106,421**	**—**	**—**	**106,421**
Total vehicle management asset-backed debt	**6,334,555**	***15.4***	**973,415**	**5,361,140**
Total cash			**70,581**	
Total capital available for continuing operations			**2,105,069**	

As at	March 31, 2022			
(in $000's for stated values)	$	%	$	$
	Facility size	Undrawn amount		Drawn amount
Senior unsecured revolving credit facilities	2,313,814	*36.7*	849,430	1,464,384
Senior notes	1,125,639	—	—	1,125,639
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	1,793,262	—	—	1,793,262
Variable funding notes	4,656,082	*25.8*	1,199,984	3,456,098
Other	123,540	—	—	123,540
Total vehicle management asset-backed debt	6,572,884	*18.3*	1,199,984	5,372,900
Total cash			33,206	
Total capital available for continuing operations			2,082,620	

As at	December 31, 2021			
(in $000's for stated values)	$	%	$	$
	Facility size	Undrawn amount		Drawn amount
Senior unsecured revolving credit facilities	2,349,532	*52.9*	1,242,903	1,106,629
Senior notes	1,143,015	—	—	1,143,015
Vehicle management asset-backed debt facilities				
Revolving term notes in amortization	2,154,974	—	—	2,154,974
Variable funding notes	4,679,271	*22.9*	1,073,472	3,605,799
Other	61,693	—	—	61,693
Total vehicle management asset-backed debt	6,895,938	*15.6*	1,073,472	5,822,466
Total cash			45,271	
Total capital available for continuing operations			2,361,646	

During Q2 2022, the Company issued $150.0 million and $225.3 million (USD $175.0 million) term facilities. Both are set to expire in one year.

On March 23, 2021, Element issued U.S. $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing were used for working capital and general corporate purposes.

These issuances align with our strategic priorities to continue to strengthen Element's investment-grade balance sheet and diversify our access to cost-efficient capital.

In Q4 2021, Element (i) further right-sized certain of our senior credit facilities with a reduction of U.S. $500 million, (ii) successfully extended our maturity dates and (iii) enhanced financing terms on same. These actions will reduce our cost of funds (or "interest expense" as reported) over time, thereby further optimizing our net financing revenue and advancing our strategic growth priorities.

We believe the $2.1 billion of liquidity available to the Company as at June 30, 2022 coupled with our durable operating cash flow is sufficient to fund Element's business throughout 2022, as well as to pay dividends at current rates to all preferred and common shareholders.

Capital Resources

Capitalization

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

The Company's capitalization is calculated as follows:

As at	**June 30, 2022**	March 31, 2022	December 31, 2021
(in $000's)	**$**	$	$
Cash	**70,581**	33,206	45,271
Unsecured debt			
Senior credit facilities	**1,321,024**	1,464,384	1,106,629
4.250% Convertible Debentures due 2024	**161,591**	160,321	159,072
3.850% Senior Notes due 2025	**515,048**	500,284	508,007
1.600% Senior Notes due 2024	**643,810**	625,355	635,008
Term facilities	**375,334**	—	—
Vehicle Management Asset-Backed Debt			
Revolving term notes in amortization	**1,548,210**	1,793,262	2,154,974
Variable funding notes	**3,706,509**	3,456,098	3,605,799
Other	**106,421**	123,540	61,693
Deferred financing costs	**(20,172)**	(23,045)	(27,023)
Continuing involvement liability	**20,165**	12,404	—
Hedge accounting fair value adjustments	**(35,411)**	(30,878)	(6,124)
Total debt	**8,342,529**	8,081,725	8,198,035
Shareholders' equity			
Common share capital	**2,897,314**	2,912,972	2,951,596
Preferred share capital	**365,113**	511,869	511,869
Other	**153,051**	45,034	(12,516)
Total Shareholders' Equity	**3,415,478**	3,469,875	3,450,949
Total Capitalization	**11,758,007**	11,551,600	11,648,984

Growing profitability, free cash flow and syndication all contribute to the de-leveraging of Element's balance sheet. With our redemption of $150.0 million of Series I preferred shares in full on June 30, 2022, we have cumulatively eliminated or replaced well over $1 billion of high-cost hybrid instruments from Element's capital structure since April 2019, simplifying and strengthening the Company's investment-grade balance sheet.

On March 23, 2021, Element issued U.S. $750 million of term notes, at an initial weighted average interest rate of 0.51%, under our Chesapeake Funding II LLC vehicle management asset-backed debt facility. The proceeds received at the time of closing were used to pay down variable funding notes outstanding.

On April 6, 2021, Element completed its issuance of U.S. $500 million, 1.60% senior unsecured investment-grade notes due April 6, 2024. The proceeds received at the time of closing were used for working capital and general corporate purposes.

Normal Course Issuer Bids

On November 4, 2020, the TSX approved Element's notice of intention to commence a normal course issuer bid (the "2020 NCIB"). The 2020 NCIB allowed the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 10, 2020 and ending on the earlier of November 9, 2021 and the completion of purchases under the 2020 NCIB, up to 43,929,594 common shares of Element, subject to the normal terms and limitations of such bids. As of November 10, 2021, under the 2020 NCIB, 34,420,833 common shares had been repurchased for cancellation for an aggregate amount of approximately $474.5 million at a volume weighted average price of $13.78 per common share.

On November 10, 2021, the TSX approved Element's notice of intention to renew its normal course issuer bid (the "2021 NCIB"). The 2021 NCIB allows the Company to repurchase on the open market (or as otherwise permitted), at its discretion during the period commencing on November 15, 2021 and ending on the earlier of November 14, 2022 and the completion of purchases under the 2021 NCIB, up to 40,968,811 common shares, 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. As of June 30, 2022, under the 2021 NCIB, 13,634,400 common shares had been repurchased for cancellation for an aggregate amount of approximately $174.3 million at a volume weighted average price of $12.79 per common share.

Element applies trade date accounting in determining the date on which the share repurchase is reflected in the consolidated financial statements. Trade date accounting is the date on which the Company commits itself to purchase the shares.

Leverage

We view both financial and tangible leverage as indicators of the strength of Element's financial position. At June 30, 2022, our financial leverage ratio was 2.44:1 and tangible leverage ratio was 6.18:1.

The Company's financial and tangible leverage is calculated as follows:

As at		**June 30, 2022**	December 31, 2021
(in $000's, except ratios)		**$**	$
Borrowings		**8,180,938**	8,038,963
Convertible debentures		**161,591**	159,072
Less: Continuing involvement liability		**(20,165)**	—
Total debt	**(a)**	**8,322,364**	**8,198,035**
Total shareholders' equity	**(b)**	**3,415,478**	3,450,949
		11,737,842	11,648,984
Goodwill and intangible assets	**(c)**	**2,069,507**	2,050,999
Financial leverage	**(a)/(b)**	**2.44**	2.38
Tangible leverage	**(a)/[(b)-(c)]**	**6.18**	5.86

The Company was in compliance with all financial and reporting covenants with all of its lenders at June 30, 2022.

Credit ratings

Our ability to access financing on a cost-efficient basis is largely dependent on maintaining strong investment-grade credit ratings. Credit ratings and outlooks assigned by rating agencies reflect their views and methodologies. The credit ratings are subject to change based on several factors, including but not limited to our financial strength, competitive position, liquidity and other factors not entirely within our control.

Credit Ratings[1] as at June 30, 2022

Rating agency	Issuer rating	Outlook
DBRS, Inc.	BBB (high)	Stable
Fitch Ratings	BBB+	Stable
Kroll Bond Rating Agency	A-	Stable
S&P Global Ratings	BBB	Stable

(1) Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are determined by the rating agencies based on criteria established from time to time by them and are subject to revision or withdrawal at any time by the rating organization.

In September 2021, Fitch Ratings affirmed its stable outlook and BBB+ investment-grade rating of Element, and in October 2021 credit rating agencies DBRS, Inc., Kroll Bond Rating Agency and Standard & Poor's affirmed their stable outlook and investment-grade ratings for Element: BBB (high), A- and BBB, respectively.

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 primary risks have not changed materially from those described in the "Risk Management" section of the Company's 2021 Annual MD&A.

While our universe of known risks has remained largely unchanged, our ability to identify and assess risks has improved significantly through Transformation. Further, the organization's ability to effectively manage these risks has grown through increased awareness and monitoring, as evidenced by our strong ECRI performance.

Based on our progress in managing risk, we have matured our views related to tangible leverage risk. In 2019, optimized tangible leverage of 5.5x-6.0x reflected higher spreads for debt funding and cost of equity premiums associated with elevated operating risks. Today, with a meaningfully strengthened operating platform and de-risked balance sheet, optimized tangible leverage has shifted marginally higher as a result of reduced debt funding spreads and cost of equity premiums. Accordingly, we will be managing FX-normalized tangible leverage of 6.0x-6.75x, with a target of 6.5x, ensuring we are well within rating agency thresholds for negative ratings pressure.

Economic Conditions and Outlook

Economic Conditions

Inflation

As hypothesized, inflation is proving to be additive to Element's profitable revenue growth. Net financing revenue benefits from rising vehicle prices, as does syndication revenue when we choose to transact on those leases. Services revenue benefits from inflation as the cost of maintaining, repairing and fueling vehicles result in higher fee bases.

More importantly, rising vehicle operating costs drive greater demand for our services, because clients (and prospective clients) want to control and optimize the total cost to own and operate their fleets.

While inflation could have a broader negative macroeconomic impact that adversely affects our clients and markets generally, in the near- to intermediate-term inflation is proving beneficial to Element overall.

Rising interest rates

Interest rate movements are inconsequential to Element's business model. We match-fund our leases on interest rate type (fixed vs. floating) and duration, and originate at deliberate interest margins/spreads that are preserved for the life of the asset on our balance sheet. A declining interest rate environment is equally benign for our business.

Pandemic-Related Conditions

As expected, automotive OEM production volumes are gradually improving and we believe they will continue to do so. However, volumes remain low by historical standards, and we expect that to remain the case through the balance of 2022 and the first half of 2023.

This will result in the continued deferral of a portion of our growing revenues, operating income and cash flow, as would-be originations remain in our global order backlog awaiting new vehicles.

With expectations of OEM production capacity back to 100% in 2023, we can reasonably expect our excess order backlogs to begin to recede next year.

On the services side of our business, revenue is growing significantly and our clients' consumption levels have surpassed pre-pandemic levels for a combination of reasons:

A. The speed at which our implementation teams have proven capable of converting (i) new client and (ii) SoW wins into active services being provided to vehicles under Element's management (penetration);

B. Increased client use of vehicle maintenance, accident recovery and other services (utilization), largely for the following reasons:

   - As a result of unprecedented OEM production delays to date, our clients' fleet vehicles have never been as old (on average) as they currently are;

   - As fleets age, regular and preventive maintenance becomes increasingly important in order to avoid vehicle downtime due to substantial (and costly) repairs being required.

     - Given the essential nature of fleet vehicles to our clients' businesses, vehicle downtime is far more financially damaging than any additional vehicle maintenance costs.

   - Older vehicles also tend to require more expensive maintenance procedures, such as drivetrain repair or replacement; and

C. Fuel, parts and labour cost inflation across our network of supplier-partners.

<u>Outlook</u>

Please see our revised full-year 2022 results guidance in this quarter's Supplementary Information document, available on our website.

The global COVID-19 pandemic demonstrated that automotive fleet vehicles remain essential to our clients' ability to generate and sustain revenue – or, in the case of governments and public service clients, fulfill their obligations to stakeholders. What's more automotive fleets continue to have significant (and growing) associated operating costs.

Client value proposition

We believe the essential nature of our clients' fleets and their significant associated costs will continue to be the case for the foreseeable future. As a result, we are confident Element's value proposition – materially reducing our clients' total cost of fleet operations and eliminating related administrative burden – remains and will continue to remain highly relevant.

Our clients enjoy:

- the ability to materially reduce their total cost of fleet operations over time. Element has one of the deepest datasets in the automotive industry, based on which we identified over $430 million of cost saving opportunities for clients in Q2 2022. Opportunities to save approximately $117 million in value were "actioned" by our clients within the quarter; and

- ready access to cost-efficient capital, diversifying clients' sources of financing.

Electric vehicles

We believe the complexity and risk of gradually transitioning mission-critical automotive fleets from ICE-powered vehicles to EVs will increase demand for outsourced fleet management services and expertise, and this belief is bearing itself out. As the fleet solutions market leader everywhere we operate, Element is strategically well-positioned to support our clients and lead our industry through the gradual electrification of automotive fleets over the next decade.

We recently announced *Arc by Element* – our comprehensive, integrated end-to-end EV offering. Building on our success in all the markets we serve, we are excited to bring this full service EV offering to our clients under a single banner, ensuring consistency for our global clients and developing our offering to be seamless across our geographies.

Strategic priorities

Having completed Element's Transformation program on December 31, 2020, and initiated an organization-wide pivot towards our current and committed focus on growth, we find Element well positioned to execute on our strategic priorities:

i. Aggressively pursue organic growth in all our geographies and demonstrate the scalability of Element's transformed operating platform by growing annual operating income in excess of the annual net revenue growth rate.

    - In 2022, we anticipate net revenue growth of 10-12% and an expanded operating margin (54-55%) from that of 2021 (52-53%).

ii. Advance a capital-lighter business model by growing services revenue and strategically syndicating fleet assets, which enhances return on equity.

    - In 2022, we believe scaled growth in AOI and fewer shares outstanding as a consequence of our NCIB should result in approximately 22-27% growth in adjusted EPS.

iii. Given the expected 21-26% year-over-year growth of free cash flow per share in 2022 and beyond, our objective is to predictably return excess equity to shareholders by way of growing common dividends and share buybacks.

    - On November 10, 2021, we announced a 19% increase to Element's common dividend, from $0.26 to $0.31 annually per share, effective immediately and therefore reflected in the common dividend paid in respect of Q4 2021 on January 14, 2022.

    - As a result of this increase combined with our Q2 2022 results, our common dividend represents approximately 25% of the Company's last twelve months' free cash flow per share, which is at the bottom of the 25% to 35% payout range we plan to maintain going forward.

    - On November 10, 2021, the TSX approved our notice of intention to renew our NCIB, allowing us to continue returning cash to shareholders by way of buybacks well into 2022.

    - We also fully redeemed Element's Series I preferred share class in June 2022, returning $150 million to our investors in those securities.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are made with reference to the unaudited interim condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2022. A summary of the Company's significant accounting policies is presented in note 2 to the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements and the accompanying notes for the three- and six-month periods ended June 30, 2022 have been prepared in conformity with accounting polices disclosed in the consolidated financial statements and the accompanying notes for the year ended December 31, 2021, except as discussed 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, 2021 MD&A.

Syndication

The Company periodically syndicates certain finance lease receivables, either through transferring ownership of the syndicated lease receivables to the third-party investor or through the transfer of an interest in interest bearing notes to third-party investors with the finance lease receivables as a security against the issued note, as well as all contractual rights to future cash flow, interest rate risk, credit risk and tax benefits, if applicable, related to the syndicated lease receivables. In the event the lessee terminates its lease agreement prior to the lease term, the Company is required to pay the third-party investor the foregone interest it would have earned if there was no early lease termination. For each syndication transaction, the Company evaluates the extent to which the risks and rewards of ownership have been transferred.

When substantially all the risks and rewards of ownership have been transferred, the Company derecognizes the lease receivables. When the Company has neither transferred nor retained substantially all the risk and rewards of ownership, a continuing involvement asset and associated liability are recognized to the extent of the Company’s maximum continuing involvement. Element's continuing involvement is the amount of syndication fees earned that would be required to be returned to third-party investors if all vehicle leases, not meeting full derecognition criteria, are terminated as of the balance sheet date. The Company accounts for the likelihood of such early terminations separately from its continuing involvement.

When a syndication either qualifies for derecognition or is transferred with continuing involvement, the resulting gain from the syndication is recorded in the consolidated statements of operations in Syndication revenue, net, and the Company recognizes its estimated obligation for early lease terminations as a liability.

The Company continues to perform certain administrative tasks related to the lease receivables after assets are syndicated including billing and cash collections and remits such cash collections directly to the third-party investor. As a result, the Company retains the management fee billed to its clients to cover charges for the performance of these tasks in the majority of syndications.

The Company will continue to provide fleet management services (including accident management services, maintenance services, and fuel cards) regardless of whether or not the lease receivable is syndicated.

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 Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; and (c) entities controlled by key management personnel.

Recently Adopted Accounting Standards

Interest Rate Benchmark Reform

The Company adopted amendments ("Amendments") to IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments), applicable from November 1, 2019. These Amendments modify certain hedge accounting requirements to provide relief from the effect of uncertainty caused by interbank offered rate ("IBOR") reform ("the IBOR Reform") prior to the transition to alternative interest rates. The adoption of the Amendments had no impact to our unaudited interim condensed consolidated financial statements.

The Company adopted Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 ("Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments include additional disclosure requirements for financial instruments that have yet to transition to an alternative interest rate at the end of the reporting period.

The Company will cease to apply the Amendments and Phase 2 Amendments as IBOR based cash flows transition to new alternative interest rates or when the hedging relationships to which the relief is applied to are discontinued.

Effective December 31, 2021, the publication of LIBOR settings has ceased for the 1-week and 2-month US LIBOR setting. The overnight, one-month, three-month, six-month and 12-month US LIBOR settings is expected to be terminated on June 30, 2023. To manage the IBOR transition, the Company has established a cross functional initiative with dedicated work streams to evaluate and address the key areas of impact on the Company's leases, services, systems, documents, processes, models, funding and liquidity planning, risk management frameworks, and financial reporting with the intention of managing the impact through appropriate mitigating actions. The Company is progressing on its transition plan and incorporating market developments as they arise.

The following table shows the Company's exposure at June 30, 2022 to IBOR subject to reform that have yet to transition to Secured Overnight Financing Rates. These exposures will remain outstanding as of June 30, 2023 until IBOR ceases and will therefore transition in the future:

	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Notional/Principal amount[1]
	$	$	$
USD LIBOR (1 month)	1,283,778	—	2,974,064
USD LIBOR (3 month)	728,891	—	—
	2,012,669	—	2,974,064

1. Excludes interest rate contracts and non-derivative instruments which reference rates to multi-rate jurisdictions, including the Australian Bank Bill Swap Rates ("BBSW"), New Zealand Bank Bill Rates ("BBR") and MXN-TIIE-Banxico ("MXIBTIIE").

On May 16, 2022, Refinitiv Benchmark Services (UK) Ltd. (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company has determined that its exposure to CDOR is immaterial.

Future Accounting Changes

All applicable accounting standards effective for periods beginning on or after January 1, 2022 have been adopted by the Company.

Internal Control over Disclosure and Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining 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 for establishing and maintaining 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 on-going 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.

IFRS to Non-GAAP Reconciliations

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

		As at and for the three-month periods ended			As at and for the six-month ended	
(in $000's for stated values)		**June 30, 2022**	March 31, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Reported and adjusted income measures						
Net income	A	**111,120**	93,604	80,872	**204,724**	176,401
Adjustments:						
Amortization of debenture discount		**950**	933	887	**1,883**	1,759
Share-based compensation		**5,211**	6,163	7,511	**11,374**	12,751
Amortization of intangible assets from acquisitions		**8,958**	8,909	8,674	**17,867**	17,580
Provision for income taxes		**38,386**	31,805	29,205	**70,191**	58,760
Loss/(gain) on investments		**1,322**	1,442	(637)	**2,764**	(3,438)
Before-tax adjusted operating income	B	**165,947**	142,856	126,512	**308,803**	263,813
Provision for taxes applicable to adjusted operating income	C	**42,317**	37,147	32,577	**79,464**	64,705
After-tax adjusted operating income	D=B-C	**123,630**	105,709	93,935	**229,339**	199,108
Cumulative preferred share dividends during the period	Y	**8,103**	8,103	8,103	**16,206**	16,206
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**115,527**	97,606	85,833	**213,133**	182,902
Provision for income taxes		**38,386**	31,805	29,205	**70,191**	58,760
Adjustments:						
Pre-tax income		**5,120**	4,527	4,262	**14,094**	7,433
Foreign tax rate differential and other		**(1,189)**	815	(890)	**8,549**	(1,488)
Provision for taxes applicable to adjusted operating income		**42,317**	37,147	32,577	**92,834**	64,705
Selected statement of financial position amounts						
Total Finance receivables, before allowance for credit losses	E	**7,393,935**	7,122,769	8,179,259	**7,393,935**	8,179,259
Allowance for credit losses	F	**9,760**	10,256	11,397	**9,760**	11,397
Net investment in finance receivable	G	**5,551,252**	5,523,583	6,737,064	**5,551,252**	6,737,064
Equipment under operating leases	H	**2,431,788**	2,423,569	2,153,502	**2,431,788**	2,153,502
Net earning assets	I=G+H	**7,983,040**	7,947,152	8,890,566	**7,983,040**	8,890,566
Average net earning assets	J	**8,110,310**	8,071,446	9,161,155	**8,090,878**	9,655,126
Goodwill and intangible assets	K	**2,069,507**	2,024,369	2,002,267	**2,069,507**	2,002,267
Average goodwill and intangible assets	L	**2,057,124**	2,045,058	1,980,298	**2,051,091**	2,008,536
Borrowings	M	**8,180,938**	7,921,404	8,529,975	**8,180,938**	8,529,975
Unsecured convertible debentures	N	**161,591**	160,321	156,631	**161,591**	156,631
Less: continuing involvement liability	O	**(20,165)**	(12,404)	—	**(20,165)**	—
Total debt	P=M+N-O	**8,322,364**	8,069,321	8,686,606	**8,322,364**	8,686,606
Average debt	Q	**7,951,617**	8,183,306	8,193,170	**8,067,485**	8,985,276
Total shareholders' equity	R	**3,415,478**	3,469,875	3,546,472	**3,415,478**	3,546,472
Preferred shares	S	**365,113**	511,869	511,869	**365,113**	511,869
Common shareholders' equity	T=R-S	**3,050,365**	2,958,006	3,034,603	**3,050,365**	3,034,603
Average common shareholders' equity	U	**3,036,843**	2,935,589	3,063,206	**2,986,216**	3,151,435
Average total shareholders' equity	V	**3,499,793**	3,447,458	3,575,074	**3,473,625**	3,663,304

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

(in $000's for stated values, except ratios and per share amounts)		As at and for the three-month periods ended June 30, 2022	March 31, 2022	June 30, 2021	As at and for the six-month ended June 30, 2022	June 30, 2021
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	P/R	**2.44**	2.33	2.45	**2.44**	2.45
Tangible leverage ratio	P/(R-K)	**6.18**	5.58	5.63	**6.18**	5.63
Average financial leverage ratio	Q/V	**2.27**	2.37	2.29	**2.32**	2.45
Average tangible leverage ratio	Q/(V-L)	**5.51**	5.84	5.14	**5.67**	5.43
Other key operating ratios						
Allowance for credit losses as a % of total finance receivables before allowance	F/E	**0.13 %**	0.14 %	0.14 %	**0.13 %**	0.14 %
Adjusted operating income on average net earning assets	B/J	**8.18 %**	7.08 %	5.52 %	**3.82 %**	5.46 %
After-tax adjusted operating income on average tangible total equity of Element	D/(V-L)	**34.28 %**	30.15 %	23.56 %	**32.24 %**	24.06 %
Per share information						
Number of shares outstanding	W	**397,412**	399,692	421,405	**397,412**	421,405
Weighted average number of shares outstanding [basic]	X	**398,242**	401,575	428,646	**399,899**	433,547
Pro forma diluted average number of shares outstanding	Y	**414,438**	417,817	445,664	**416,089**	450,373
Cumulative preferred share dividends during the period	Z	**8,103**	8,103	8,103	**16,206**	16,206
Other effects of dilution on an adjusted operating income basis	AA	**$ 1,604**	$ 1,590	$ 1,587	**$ 3,194**	$ 3,324
Net income per share [basic]	(A-Z)/X	**$ 0.26**	$ 0.21	$ 0.17	**$ 0.47**	$ 0.37
Net income per share [diluted]		**$ 0.25**	$ 0.21	$ 0.17	**$ 0.46**	$ 0.36
After-tax adjusted operating income per share [basic]	(D1)/X	**$ 0.29**	$ 0.24	$ 0.20	**$ 0.53**	$ 0.42
After-tax pro forma diluted adjusted operating income per share	(D1+AA)/Y	**$ 0.28**	$ 0.24	$ 0.20	**$ 0.52**	$ 0.41

The following table provides a reconciliation of the after-tax adjusted operating income per share and the after-tax pro forma diluted adjusted operating income per share of the operations of the Company for the three-month period ended June 30, 2022:

(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	**165,947**		**0.42**
Less:			
Income taxes related to adjusted operating income	**(42,317)**		**(0.11)**
Preferred share dividends	**(8,103)**		**(0.02)**
After-tax adjusted operating income attributable to common shareholders	**115,527**	**398,242,052**	**0.29**
Dilution items:			
Employee stock option plan	**—**	**1,710,145**	**—**
Convertible debentures (after-tax net interest expense)	**1,604**	**14,485,564**	**(0.01)**
After-tax pro forma diluted adjusted operating income	**117,131**	**414,437,761**	**0.28**

Glossary of Terms

Assets under management

Assets under management are the sum of net earning assets, interim funding, and the value of assets syndicated by Element net of depreciation at the end of 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 excluding the continuing involvement liability, 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 earning assets

Average net earning assets is the sum of the average outstanding finance receivables and average equipment under operating leases. 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 funds 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.

Free cash flow per share

Free cash flow per share is calculated by adjusting before-tax adjusted operating income for certain non-cash and cash revenue and expenses to get total cash from operations. Cash expenses of sustaining capital investments, preferred share dividends and cash taxes paid are subtracted from cash from operations to arrive at free cash flow. Free cash flow is then divided by the weighted average number of outstanding Common Shares for the period noted. Sustaining capital investments are defined by the Company as expenditures management considers necessary to support long-term growth.

Pre-tax income margin

Pre-tax income margin is income before taxes divided by net revenue.

Pre-tax return on common equity

Pre-tax return on common equity ("pROcE") is the sum of before-tax adjusted operating income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Descriptions of Non-GAAP Measures

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and the accounting policies we adopted in accordance with IFRS. These unaudited interim condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at June 30, 2022 and December 31, 2021, the results of operations, comprehensive income and cash flows for the three- and six-month periods-ended June 30, 2022 and June 30, 2021.

Management uses both IFRS and non-GAAP 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, general and administrative expenses, and depreciation and amortization.

Adjusted operating income on average net earning assets

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

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects net income or loss for the period adjusted for the amortization of debenture discount, share-based compensation, amortization of intangible assets from acquisitions, provision for or recovery of income taxes, and loss or income on investments.

Adjusted operating margin

Adjusted operating margin is the adjusted operating income before taxes for the period divided by the net revenue for the period.

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 on average tangible total equity of Element

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

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 added to the adjusted operating income, if they are dilutive.

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.

Allowance for credit losses as a percentage of total finance receivables

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

Average common shareholders' equity

Average common shareholders’ equity is calculated as the monthly average common shareholders’ equity during 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, excluding the continuing involvement liability, and is presented on an annualized basis.

Average debt outstanding

Average debt outstanding is calculated as the sum of monthly average borrowings outstanding under all of the Company’s borrowings facilities, excluding the continuing involvement liability, and the convertible debentures outstanding throughout 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 balance of shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average borrowings, excluding the continuing involvement liability, 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.

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 borrowings, excluding the continuing involvement liability, 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 earning assets

Net earning assets are the sum of the total net investment in finance receivables and total carrying value of the equipment under operating leases at the end of the period.

Net financing revenue yield on average net earning assets

Net financing revenue yield on average net earning assets is calculated as (net interest and rental revenue) divided by (average net earning assets outstanding throughout the period), multiplied by four (i.e. annualized).

Net interest and rental revenue

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

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 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.

Return on common equity

Return on common equity is calculated as the sum of net income, minus preferred share dividends, for each of the current and three preceding quarters; divided by average total equity for the current quarter and same quarter prior year, minus current quarter preferred share capital.

Tangible leverage ratio

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

Tangible leverage ratio excluding non-recourse warehouse credit facility

The tangible leverage ratio has been computed as the sum of borrowings, excluding the continuing involvement liability, and convertible debentures less the non-recourse warehouse credit facility 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 10, 2022, the Company had 394,553,410 Common Shares issued and outstanding. In addition, 4,557,443 options were issued and outstanding under the Company's stock option plan as at August 10, 2022. These convertible securities are convertible into, or exercisable for Common Shares of the Company of which 4,635,241 are exercisable at June 30, 2022 for proceeds to the Company upon exercise of $38.0 million. In addition, the Company had convertible debentures outstanding that are convertible into an aggregate of 14,485,564 Common Shares.

As at August 10, 2022, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C and 5,321,900 Preferred Shares, Series E issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on August 10, 2022.