enercare™

Enercare Inc. Management's Discussion and Analysis of Financial Condition and Results of Operations

Second Quarter ended June 30, 2017

Dated August 4, 2017

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The condensed interim consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended June 30, 2017. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian dollars.

Enercare operates its businesses in three segments: Enercare Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services, Service Experts – provision of sales, installation, maintenance, repair and rental of HVAC systems and rental water heater products through Enercare's Service Experts subsidiaries, and Sub-metering – provision of Sub-metering equipment and billing services.

Certain definitions of key financial and operating terms used in this MD&A are located at the end of this MD&A under "Glossary of Terms".

FORWARD-LOOKING INFORMATION

This MD&A, dated August 4, 2017, contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") that involve various risks and uncertainties and should be read in conjunction with Enercare's 2016 audited consolidated financial statements. Additional information in respect of Enercare, including the AIF, can be found on SEDAR at www.sedar.com.

Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Enercare, including Enercare's business operations, business strategy and financial condition. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare and are based on information currently available to Enercare and/or assumptions that Enercare believes are reasonable. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the failure to realize the anticipated benefits of the SE Transaction, strategic initiatives and tax efficiencies;
- the risk that the pilot and subsequent roll out of rental HVAC offerings in 5 states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; and
- the risks and uncertainties described under *"Risk Factors"* in this MD&A.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the financial and operating attributes of Enercare and Service Experts as at the date hereof and the anticipated future performance of Enercare and Service Experts;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rate of the 2016 Term Loan, foreign exchange rates and commodity prices; and
- the number of Shares outstanding remaining constant.

There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies from the SE Transaction will be realized. There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada and the United States are indicative of future results.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Enercare. All forward-looking information in this MD&A is made as of the date of this MD&A. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, in which case they will only be updated by Enercare where required by law.

Please see the section entitled *"Risk Factors"* in this MD&A for a discussion in respect of the material risks relating to the business and structure of Enercare.

OVERVIEW

Enercare, primarily through acquisition, has become a multi-segment and product company since its origins in 2002 as the Fund, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, Enercare purchased the Ontario home and small commercial services business from DE and effectively reunited the business separated in 2002 with the creation of the Fund. Enercare Solutions, a wholly-owned subsidiary of Enercare, operates the Enercare Home Services business.

On May 11, 2016, Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions, acquired through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC, which owned Service Experts. Enercare purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance, repair and rental of HVAC systems and rental water heater products directly to residential and light commercial customers. There are 90 Service Experts locations in the United States and Canada.

Enercare also owns Enercare Connections Inc. (a successor by amalgamation effective January 1, 2012 to Stratacon Inc. and Enercare Connections Inc.). ECI provides sub-metering services for electricity, thermal, gas and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada. On July 15, 2015, ECI purchased and amalgamated with Triacta Power Technologies Inc., a company in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's primary markets are Canada and the U.S.

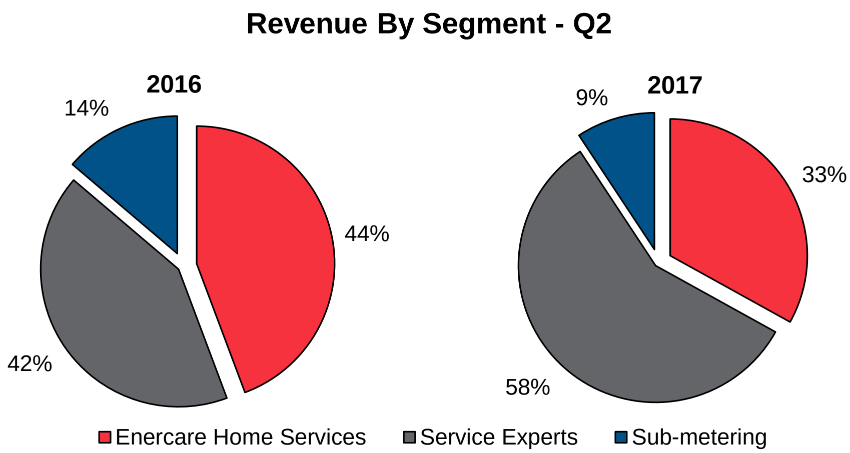
Through its Enercare Home Services, Service Experts and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to North America's growing culture of energy conservation.

Enercare has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. Enercare has investment grade ratings of BBB/ stable from S&P and DBRS, respectively.

Enercare's Shares trade under the symbol "ECI" on the Toronto Stock Exchange. Enercare is a member of the S&P/TSX Composite Index, S&P/TSX Completion Index, S&P/TSX Canadian Consumer Discretionary Index and the S&P/TSX Canadian Dividend Aristocrats Index.

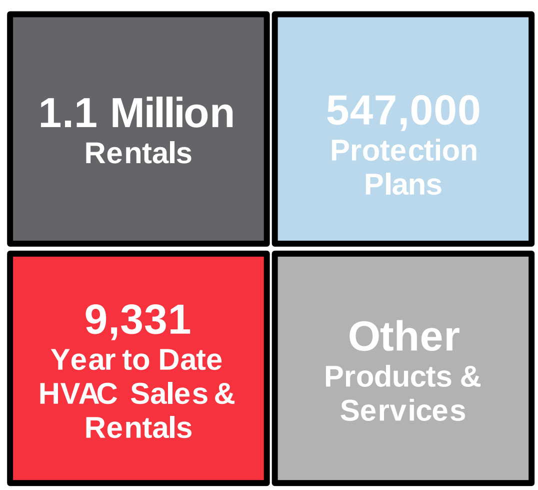
PORTFOLIO SUMMARY

Enercare's primary businesses are comprised of Enercare Home Services, Service Experts and Sub-metering. As seen by the graph below, the Enercare Home Services business accounted for 33% of the overall revenue during the second quarter of 2017, compared to 44% during the same period in 2016, due to the acquisition of the Service Experts business on May 11, 2016. The primary business activities within each of the Enercare Home Services, Service Experts and Sub-metering segments are discussed below.

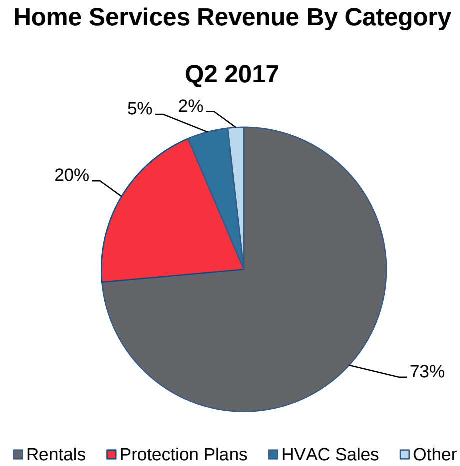


Enercare Home Services Business

There are four main business activities within Enercare Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning and chargeable services). The following diagram shows the breakdown of customer contracts for each such activity as at the end of the second quarter of 2017.

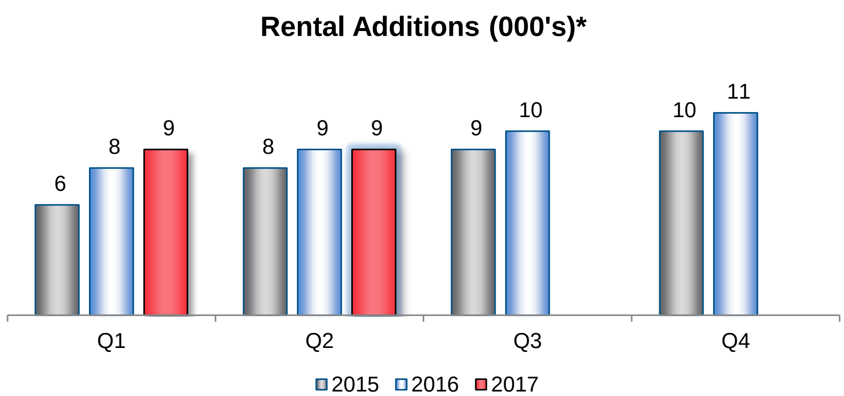


Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.



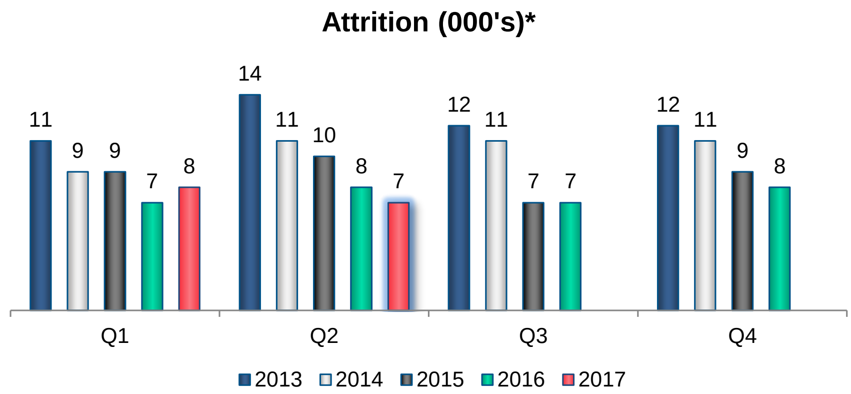
Rentals

Enercare Home Services is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through its field technicians. New products, such as rental HVAC (discussed further below in the section entitled "HVAC Sales and Rentals"), have contributed significantly to increasing total originations. As seen in the graph below, additions were 8,900 units in the second quarter of 2017, an increase of 3%, compared to the same period in 2016.



* Rental additions presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

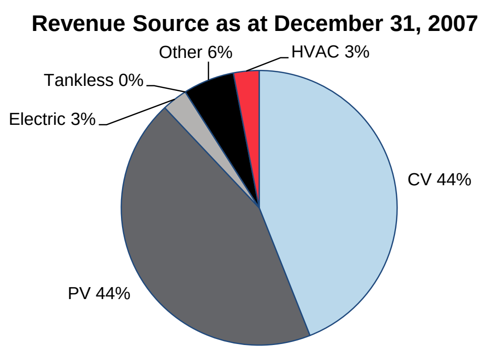
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the "same day service campaign") and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 7,300 units in the second quarter of 2017 and 15,000 units year to date remained comparable with that of the prior periods in 2016, which had Attrition of 7,200 and 14,700, respectively. The chart below illustrates Attrition trends since 2013.

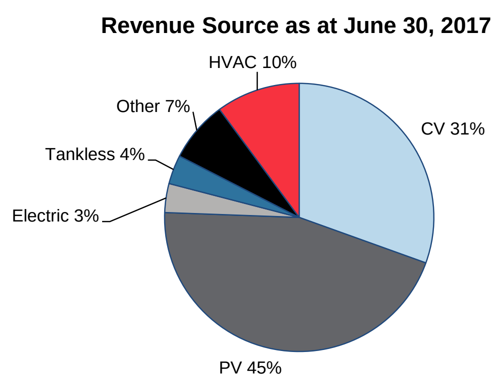


* Attrition units presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

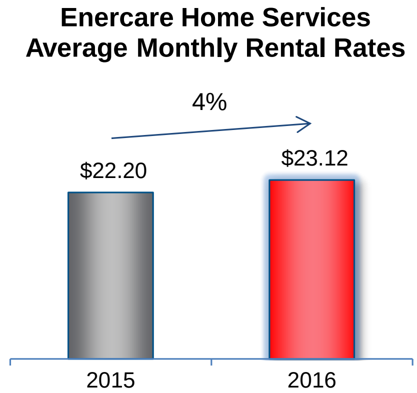
Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 14,000 units in total, the first eight consecutive quarters of net unit growth for Enercare Home Services in over a decade.

In recent years, changes in water heater technology and consumer trends have led to an increase in the origination of higher value products. One of Enercare Home Services' growth platforms has been to focus on single family and multi-residential HVAC rental units. Although the results have a small impact on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the product mix nine years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless rental units, all of which provide a higher revenue than conventional vent ("CV") units.





Enercare Home Services is also able to grow revenue through rental rate increases each year. In January 2016, Enercare Home Services increased its weighted average rental rate by 2.74%. This, in combination with product mix changes and the focus on adding rental HVACs, led to an increase in the average rental price per unit of 4% for 2016 as compared to 2015. In January 2017, Enercare Home Services increased its weighted average rental rate by 3.10%.



Protection Plans

Enercare Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing and appliances. There are two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly, quarterly or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate.

As announced in the first quarter of 2015, Enercare Home Services launched an extended protection plan program on heating and air conditioning sales. Prior to the launch of this program, these types of plans were outsourced to a third party extended warranty provider. These plans not only allow Enercare Home Services to retain the customer relationship, but also provide for on-going maintenance, whereas the outsourced arrangement covered only limited parts and labour. These plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 82% of residential HVAC unit sales included an extended protection plan.

Enercare Home Services' protection plan performance improved during the second quarter of 2017. Protection plan additions of approximately 18,000 plans remained consistent with the same period in 2016, while protection plan attrition of approximately 17,000 plans in the second quarter and 32,000 year to date each improved by 6%, compared to the same periods in 2016, despite the loss of approximately 2,000 and 4,000 (2016 – 2,000 and 4,000) protection plans in the second quarter and year to date, respectively, as a result of them being replaced by rentals as part of the Enercare Home Services growth strategy. Overall and despite the loss of plans to rentals, Enercare Home Services' protection plan base increased by 1,000 and 5,000 plans during the second quarter of 2017 and year to date, respectively.

In the second quarter of 2017, HVAC unit originations continued to be more through rentals than sales. As a result, the opportunities for protection plan sales were fewer as rentals already include a service component. The execution of our HVAC rental strategy is a key component of the long-term growth of the business, as we continue to grow our recurring revenue base, including service offerings that allow us to provide a valuable experience for customers while positioning ourselves for future cross selling opportunities.

The following table illustrates the protection plan contract continuity for the three months ended June 30, 2017 and 2016.

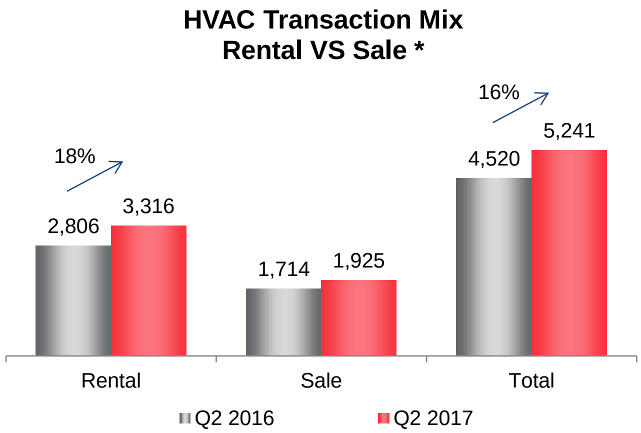
	Three months ended June 30,	
Protection Plan Unit Continuity (000's)	**2017**	2016
Contracts - start of the period	**546**	543
Portfolio additions	**18**	18
Protection plan attrition	**(17)**	(18)
Contracts - end of the period	**547**	543
% change in units during the period	**0.2%**	-%

HVAC Sales and Rentals

A customer can acquire an HVAC asset through a sale, comprised of an outright purchase or through financing. Typically, most HVAC sales occur during the heating and cooling seasons of the year.

As part of Enercare Home Services' strategy to grow its recurring revenue customer base, Enercare Home Services re-launched its HVAC rental program in 2013. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, as opposed to a one-time in year gain on margin. However, rental HVAC creates a long-term customer revenue stream and the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale. Enercare Home Services estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis over the life of the asset.

A second quarter comparison between 2017 and 2016 is outlined in the chart below.



* HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales.

During the second quarter of 2017, Enercare Home Services rented 3,316 new units, an increase of 18% over the same period in 2016, and sold approximately 1,925 units, for a total of 5,241 HVAC units, compared to 4,520 units in the second quarter of 2016, an increase of 16%. HVAC sales and rentals during the second quarter of 2017 increased significantly despite a return to more seasonal temperatures, as measured by heating degree days[1]. During the second quarter of 2017 there were 18% fewer heating degree days and 36% fewer cooling degree days compared to the same period in 2016. These less favorable weather conditions compared to the same period in 2016 were offset by increased marketing and promotional offers coupled with customers taking advantage of Ontario air conditioning rebate offers prior to their expiry at the end of the second quarter of 2017.

[1] Heating/cooling degree days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base temperature, in this case 18°C. If the temperature is equal to 18°C, then the number will be zero. Values above or below the base of 18°C are used primarily to estimate the heating and cooling requirements of buildings. Temperatures below 18°C result in higher heating degree days (lower cooling degree days), while those above 18°C result in lower heating degree days (higher cooling degree days).

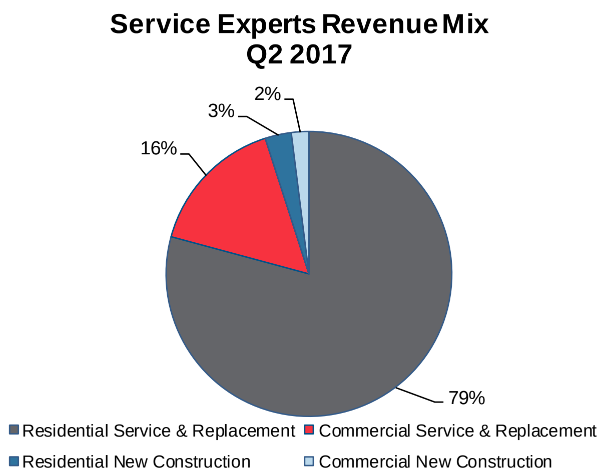
The strategy to convert HVAC sales into rentals has resulted in increases to recurring revenue. Nevertheless, Enercare continues to be financially impacted by this strategy in the short-term. For example, had all 3,316 new HVAC rental additions in the second quarter of 2017 been sales as opposed to rentals, revenues and EBITDA during 2017 would have increased by approximately $10,300 and $4,300, respectively. These estimates take into account the impact of lost one-time sales revenues from corporate sales and royalty revenues earned on franchisee sales, both net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC rental additions been sales as opposed to rentals.

Other

The Other category includes ancillary services such as duct cleaning, plumbing work and other non-contracted chargeable services provided by Enercare Home Services.

Service Experts Business

Enercare expanded into the U.S. marketplace through its acquisition of Service Experts in May 2016. Service Experts is a leading provider of HVAC equipment and servicing to residential and light commercial customers and operates in 29 states in the United States and three provinces in Canada with a total of 90 centers.



As illustrated in the chart above, residential service and replacement made up 79% of revenues, while commercial service and replacement made up 16%. Commercial service and replacement is comprised of both services to commercial customers at Service Experts' local centers as well as commercial services to its national account customers that are managed through Service Experts' national accounts group. The major business activities within both the residential and commercial businesses consist of HVAC and water heater sales, servicing and rentals and maintenance contracts.

HVAC and Water Heater Sales, Servicing and Rentals

HVAC and water heater sales and servicing includes service and replacement, which consists of demand, tune-up and HVAC unit replacements and upgrades, commercial HVAC service and replacement, and HVAC installations in commercial and residential new construction. Water heater sales and rentals consist primarily of on-demand residential water heater unit replacements and upgrades.

HVAC repair and replacement activities comprise the majority of the Service Experts business and are considered essential services to both residential and commercial customers. This revenue stream has minimal exposure to new construction and in recent years has been positively affected by the housing stock growth and significant pent-up demand from residential recession-era replacement deferrals in the United States. Additionally, Service Experts has focused on various growth initiatives, including expanding outbound calling and online marketing to increase the number of customer contacts which convert to booked calls and ultimately result in a larger recurring customer base.

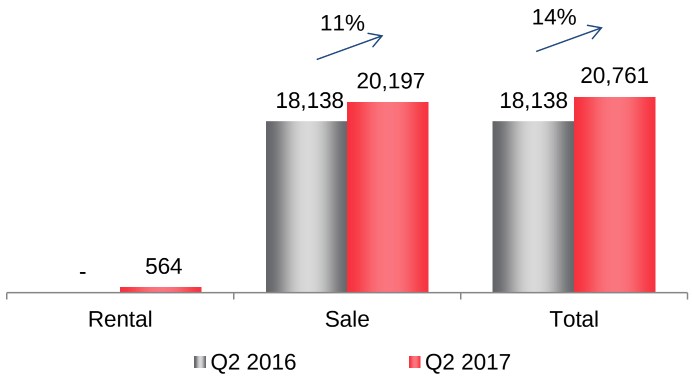
As part of Service Experts' strategy to grow its recurring revenues, in October 2016, Service Experts introduced a rental program for HVAC and water heater products in Canada. The program rollout was completed at all 15 locations in Canada in February 2017, and while the program is still in the very early stages, the initial results have shown a rental mix during the first half of 2017 of approximately 13% (ranging from 6% to 30% depending on the center) in Ontario and 7% (ranging from 3% to 11% depending on the center) in Western Canada, where the rental model is a new concept. The successful introduction of the rental model in Canada is part of Enercare's plan to integrate rentals throughout Service Experts' residential heating and cooling business over the next two years to create recurring revenue.

During the first quarter of 2017, Service Experts launched its HVAC rental program with a pilot in two U.S. states and subsequently rolled out to two additional states in late March and one in early May. The U.S. rental program is similar to the existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years. Enercare anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S. The preliminary rental mix of total HVAC origination in the United States during the first half of 2017 was approximately 3% (ranging from 0.5% to 8% depending on the center). While the initial results in a number of these U.S. centers are encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes.

During the second quarter of 2017, Service Experts sold approximately 20,197 HVAC and water heater units, an increase of 11% over the same period in 2016, and rented approximately 564 new units for a total of 20,761 HVAC and water heater unit installations, an increase of 14% compared to the same period in 2016. The increase in total HVAC and water heater unit installations was despite weather conditions experienced across the United States[2] in the second quarter being comparable to that experienced in the same period in 2016. Service Experts' sales and rentals in Eastern Canada were also similarly impacted by the same weather trends experienced by the Enercare Home Services segment, while Western Canada also experienced weather patterns that were similar to the same period in 2016. Higher revenues were primarily driven by Service Experts marketing and other initiatives to increase volumes and shift sales towards higher value products, which have contributed to improvements in the average selling prices of installed units. Additionally, had the 353 HVAC and 211 water heater rental additions during the second quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,654 and $1,130, respectively. These estimates take into account the impact of lost one-time sales revenues, net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC and water heater rental additions been sales as opposed to rentals. A comparison of HVAC and water heater sales and rentals for the second quarter of 2017 and 2016 is outlined in the chart below.

[2] Weather trends from Weather Trends International.

Service Experts Transaction Mix
Rental VS Sale *



* Historical HVAC and water heater sales information is provided as an illustration of the improvement in Service Experts' HVAC and water heater sales. Enercare was not party to Service Experts' HVAC and water heater sales before the closing of the SE Transaction on May 11, 2016.

Maintenance Contracts

Maintenance contracts generally consist of annual or semi-annual maintenance contracts predominantly to a recurring customer base. These maintenance plans not only generate recurring revenue but also promote the development of customer loyalty and provide the opportunity for cross-marketing of Service Experts' other products and services to such customers.

Service Experts currently has two types of maintenance contracts in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform diagnostics over HVAC equipment, while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance contracts covering approximately 217,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts have remained stable for Service Experts. The following table illustrates the maintenance contracts continuity for the three months ended June 30, 2017.

Maintenance Contract Unit Continuity **	**For the three months ended June 30,**	
(000's)	**2017**	**2016**
Contracts - start of period	**217**	218
Portfolio additions	**30**	12
Portfolio attrition	**(30)**	(12)
Contracts - end of period	**217**	218
% change in units during the period	**-%**	-%

** Enercare was not party to Service Experts' maintenance contracts before the closing of the SE Transaction on May 11, 2016. Results for the three months ended June 30, 2016 represent the period from May 11 to June 30, 2016.

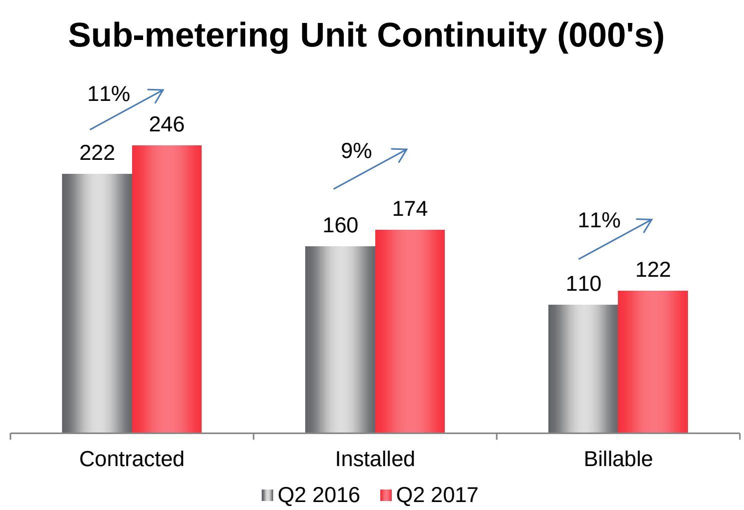
Sub-metering Business

Enercare entered the multi-residential Sub-metering business through two acquisitions made since 2008. There are two main market segments for Sub-metering in the multi-residential market: retro-fit sub-metering and new build construction. Within each market, apartments and condominiums have significantly different revenue streams.

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within the first two quarters following signing. However, typically for a retro-fit installed unit to become Billable, Enercare must wait for tenant turnover to occur. As a result, it can take many years for all units in a retro-fit building to become Billable. In the new build sub-metering market, after a contract is signed, the meters are usually not installed for several years as installation occurs when the building is in its final construction stages. However, in this revenue stream, once the meters are installed they become Billable relatively quickly and revenue is typically at 100% penetration from that point onwards.

On July 15, 2015, Enercare purchased Triacta, a leader in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's installed base includes the U.S., Canada and off-shore markets.

Through acquisition and subsequent growth in contracted units, many of the above-mentioned up-front capital investments have been made. As seen in the graph below, currently there are 246,000 contracted units. Of those contracted units, 174,000 have meters installed and 122,000 of those units are billable. Enercare expects to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units. Over the past four years, Enercare has implemented a number of LEAN and continuous improvement initiatives improving work flow, efficiencies and expanding capacity within Sub-metering. Automation of standard work as well as LEAN tools and practices are now part of the regular operating rigor within Sub-metering. These improvements have contributed to the success experienced in growing contracted units over the past seven quarters. Contracted units increased by approximately 1,000 units in the second quarter of 2017 and 11,000 units year to date, lower by 8,000 units and 6,000 units, respectively, over the same periods in 2016. The 1,000 unit increase in contracted units during the second quarter of 2017 included 4,000 newly contracted units and the removal of 3,000 units in Alberta that were part of a larger multi-services contract with a single customer that provided for heat metering if and when Measurement Canada passed certification requirements for heat metering. As Measurement Canada has not done so and the original customer contract was renewed in June of 2017, it was decided to remove heat metering units from the renewal contract.



SECOND QUARTER 2017 HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Enercare Home Services	**$112,985**	$107,989	**$223,933**	$214,418
Service Experts	**197,052**	102,209	**324,806**	102,209
Sub-metering	**31,706**	33,549	**70,556**	69,669
Investment income	**379**	355	**640**	455
Total revenues	**$342,122**	$244,102	**$619,935**	$386,751
EBITDA	**78,868**	68,660	**129,389**	120,557
Adjusted EBITDA[3]	**84,005**	69,551	**136,383**	123,379
Acquisition Adjusted EBITDA[3]	**84,278**	74,679	**136,760**	132,800
Earnings before income taxes	**29,620**	23,677	**25,898**	34,914
Current tax (expense)	**(6,500)**	(15,259)	**(11,915)**	(27,515)
Deferred income tax (expense)/ recovery	**(2,017)**	7,633	**4,088**	16,847
Net earnings	**$ 21,103**	$ 16,051	**$ 18,071**	$ 24,246
Payout Ratio – Maintenance[4]	**45%**	53%	**61%**	56%
Payout Ratio[4]	**66%**	90%	**111%**	104%

The following highlights compare results for the second quarter of 2017 with the second quarter of 2016.

- Total revenues of $342,122 increased by $98,020, or 40% in the second quarter of 2017, primarily as a result of the SE Transaction. Revenues in the Enercare Home Services business were $112,985, increasing by $4,996 or 5%, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Sub-metering revenues decreased to $31,706 from $33,549, primarily as a result of lower flow through commodity charges partly offset by increases in Billable units.
- EBITDA of $78,868 increased by $10,208 or 15% in the second quarter of 2017, mainly as a result of the full quarter impact of the SE Transaction and related seasonality associated with Service Experts. The increase in EBITDA was despite the approximately $6,165 cumulative impact of the write-down and acceleration of software maintenance expenses related to an enterprise resource planning ("ERP") system that Service Experts had been developing. Had this one-time write-down not occurred, EBITDA would have increased by 24%.
- Enercare Home Services EBITDA during the second quarter of 2017 increased by $3,182 or 5% to $65,135, primarily driven by rental rate increases, asset mix changes and growth in rental HVAC units partly offset by higher SG&A from higher professional fees resulting from a reclassification of acquisition expenses from Enercare Home Services to Service Experts during the second quarter of 2016.
- Service Experts EBITDA of $19,924 during the quarter was $9,765 or 96% higher than that reported for the same period in 2016, primarily because only a portion of Service Experts results for the second quarter of 2016 were included in 2016 compared to the full quarter impact of the SE Transaction in 2017. These results were despite the $6,165 cumulative impact on EBITDA of the system write-down and accelerated maintenance expense. Additionally, had the 353 HVAC and 211 water heater rental additions during the second quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,654 and $1,130, respectively.
- Sub-metering EBITDA during the second quarter of 2017 increased by $321 or 10% to $3,584, primarily driven by higher Billable units, which increased by 20,000 units or 20% compared to the same period in 2016, and lower bad debt resulting from recoveries of receivables for which provisions were previously made.
- Adjusted EBITDA of $84,005 during the second quarter of 2017 was $14,454 higher than the same period in 2016, after removing from EBITDA the impact of the net loss on disposal of equipment and other assets. After removing $273 of acquisition related expenditures primarily associated with the

[3] Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.
[4] Payout Ratio and Payout Ratio – Maintenance are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

acquisition of Hammond Plumbing and Heating Inc. (“Hammond”), Acquisition Adjusted EBITDA was $84,278 in the second quarter of 2017, an increase of $9,599, compared to the same period in 2016, which excluded $5,128 of both acquisition costs related to the SE Transaction and integration costs resulting from the DE Acquisition.

- Net earnings of $21,103 in the second quarter of 2017 was $5,052 or 31% higher than the same period in 2016, reflecting higher EBITDA partly offset by higher amortization, interest and total taxes.
- Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 14,000 units in total, the first eight consecutive quarters of net unit growth for Enercare in over a decade.
- The Payout Ratio – Maintenance, which includes only capital and lease expenditures in respect of exchanged rental and metering equipment as well as company vehicles, was 45% in the second quarter of 2017, compared to 53% in 2016. This resulted from higher Operating Cash Flow[5] primarily from the full quarter impact of the SE Transaction and related seasonality associated with Service Experts combined with higher taxes owed during the second quarter of 2016 resulting from a one-year tax deferral that originated in 2015. Enercare’s Dividend Reinvestment Plan participation rate was approximately 29% at the end of the second quarter of 2017, resulting in cash savings of $7,795 during the quarter. Adjusting the Payout Ratio - Maintenance for the $17,766 cash dividends paid in the second quarter of 2017 compared to the $25,561 dividends declared, would result in a Payout Ratio of 31%. Adjusting the Payout Ratio – Maintenance for $34,799 of cash dividends paid, year to date 2017, compared to $49,991 dividends declared, would result in a Payout Ratio of 42%. The comparable Payout Ratio - Maintenance for the second quarter of 2016 would not be significantly affected as dividends declared approximated dividends paid.

RECENT DEVELOPMENTS

Enercare Partners with Bethlehem Housing and Support Services in Niagara to Provide Families in Need with a Fresh Start

On May 30, 2017, Enercare announced the expansion of its signature corporate social responsibility program, the Enercare Fresh Start Program, with the addition of its third charity partner, Bethlehem Housing and Support Services. Together, the organizations will work to deliver Fresh Start Comfort Packages containing simple necessities and small luxuries that make it easier for families to get back on their feet. Bethlehem Housing and Support Services, in partnership with the community, provides affordable housing and services to support the personal growth of individuals and families. In 2017, up to 22 families and individuals who are transitioning into permanent housing will receive a personalized Enercare Fresh Start package containing essential and comfort items, including linens, hygiene products and children's toys.

Service Experts Acquires Hammond

On May 24, 2017, Service Experts acquired Hammond Plumbing & Heating Inc., a full-service residential and commercial plumbing and heating company, for consideration of $5,300. Service Experts acquired certain assets plus assumed warranty liabilities and paid the purchase price using cash on hand.

The Putting Consumers First Act, 2016

On April 13, 2017, the Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2016 (“Bill 59”) received royal assent. The government stated that Bill 59 is intended to protect consumers against high-pressure tactics used by “aggressive door-to-door sales marketers to sell certain products and services.” As Bill 59 is a framework act, its substance will be contained in regulations passed under it. As a result, the details of the act, including the specific appliances to which Bill 59 will apply and any exceptions to the ban on door-to-door sales, will be found in regulations. On July 5, 2017, the Ministry of

[5] Operating Cash Flow is a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

Government and Consumer Services posted a consultation paper seeking industry and other interested parties' input on the regulations. Submissions are due August 21, 2017.

Among other things, if enacted as introduced and described, Bill 59 is expected to:

- Ban unsolicited door-to-door sales of prescribed appliances such as water heaters, furnaces, air conditioners and water filters;
- Void all contracts resulting from unsolicited door-to-door sales of the prescribed appliances;
- Enable consumers to demand a refund from the supplier up to one year after the payment was made under the void contract; and
- Provide consumers with a 10-day cooling off period to reconsider their decision in respect of consumer-initiated contracts related to prescribed appliances signed in the home.

Enercare presented to the Standing Committee on Social Policy of the Ontario Legislature in respect of Bill 59 on February 28, 2017, and will be making submissions with respect to the regulations under consultation.

The new rules for water heater door-to-door sales that came into effect on April 1, 2015, coupled with various Enercare initiatives to educate consumers and enhance its customer value proposition, have helped to significantly reduce Attrition in its rental water heater business. Enercare believes that Bill 59 will positively impact its rental water heater, HVAC and water treatment systems business.

RESULTS OF OPERATIONS

Earnings Statement

Three months ended June 30, 2017 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$105,857**	**$ 14,541**	**$30,518**	**$ -**	**$150,916**
Sales and other services	**7,128**	**182,511**	**1,188**	**-**	**190,827**
Investment income	**368**	**10**	**1**	**-**	**379**
Total revenue	**$113,353**	**$197,062**	**$31,707**	**$ -**	**$342,122**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**22,499**	**-**	**22,499**
Maintenance & servicing costs	**16,721**	**11,281**	**-**	**-**	**28,002**
Sales and other services	**5,248**	**116,366**	**644**	**-**	**122,258**
Total cost of goods sold	**21,969**	**127,647**	**23,143**	**-**	**172,759**
SG&A expenses	**25,897**	**44,840**	**5,019**	**9,791**	**85,547**
Foreign exchange	**88**	**(222)**	**(39)**	**(16)**	**(189)**
Amortization expense	**31,396**	**5,320**	**2,021**	**748**	**39,485**
Net loss on disposal of equipment and other assets	**264**	**4,873**	**-**	**-**	**5,137**
Interest expense:					
Interest expense payable in cash					**9,274**
Make-whole charge on early redemption of debt					**-**
Non-cash interest expense					**489**
Total interest expense					**9,763**
Total expenses					**312,502**
Earnings before income taxes					**29,620**
Current tax (expense)					**(6,500)**
Deferred tax (expense)					**(2,017)**
Net earnings					**$ 21,103**
EBITDA	**$ 65,135**	**$ 19,924**	**$ 3,584**	**$(9,775)**	**$ 78,868**
Adjusted EBITDA	**$ 65,399**	**$ 24,797**	**$ 3,584**	**$(9,775)**	**$ 84,005**
Acquisition Adjusted EBITDA	**$ 65,399**	**$ 25,070**	**$ 3,584**	**$(9,775)**	**$ 84,278**

Three months ended June 30, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$101,719**	**$ 1,745**	**$32,387**	**$ -**	**$135,851**
Sales and other services	**6,270**	**100,464**	**1,162**	**-**	**107,896**
Investment income	**83**	**77**	**3**	**192**	**355**
Total revenue	**$108,072**	**$102,286**	**$33,552**	**$ 192**	**$244,102**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**24,811**	**-**	**24,811**
Maintenance & servicing costs	**16,405**	**1,402**	**-**	**-**	**17,807**
Sales and other services	**5,312**	**61,101**	**579**	**-**	**66,992**
Total cost of goods sold	**21,717**	**62,503**	**25,390**	**-**	**109,610**
SG&A expenses	**23,516**	**29,582**	**4,966**	**6,959**	**65,023**
Foreign exchange	**2**	**(5)**	**(27)**	**(52)**	**(82)**
Amortization expense	**30,145**	**3,336**	**1,653**	**662**	**35,796**
Net loss/(gain) on disposal of equipment and other assets	**884**	**47**	**(40)**	**-**	**891**
Interest expense:					
Interest expense payable in cash					**8,731**
Non-cash interest expense					**456**
Total interest expense					**9,187**
Total expenses					**220,425**
Earnings before income taxes					**23,677**
Current tax (expense)					**(15,259)**
Deferred tax recovery					**7,633**
Net earnings					**$ 16,051**
EBITDA	**$ 61,953**	**$ 10,159**	**$ 3,263**	**$(6,715)**	**$ 68,660**
Adjusted EBITDA	**$ 62,837**	**$ 10,206**	**$ 3,223**	**$(6,715)**	**$ 69,551**
Acquisition Adjusted EBITDA	**$ 60,698**	**$ 16,899**	**$ 3,223**	**$(6,141)**	**$ 74,679**

Six months ended June 30, 2017 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$210,259**	**$ 25,918**	**$67,664**	**$ -**	**$303,841**
Sales and other services	**13,674**	**298,888**	**2,892**	**-**	**315,454**
Investment income	**617**	**20**	**3**	**-**	**640**
Total revenue	**$224,550**	**$324,826**	**$70,559**	**$ -**	**$619,935**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**51,994**	**-**	**51,994**
Maintenance & servicing costs	**32,985**	**20,370**	**-**	**-**	**53,355**
Sales and other services	**10,799**	**193,691**	**1,797**	**-**	**206,287**
Total cost of goods sold	**43,784**	**214,061**	**53,791**	**-**	**311,636**
SG&A expenses	**53,596**	**89,765**	**10,693**	**18,015**	**172,069**
Foreign exchange	**166**	**(225)**	**(78)**	**(16)**	**(153)**
Amortization expense	**62,276**	**10,470**	**3,791**	**1,347**	**77,884**
Net loss on disposal of equipment and other assets	**2,127**	**4,857**	**10**	**-**	**6,994**
Interest expense:					
Interest expense payable in cash					**18,914**
Make-whole charge on early redemption of debt					**5,049**
Non-cash interest expense					**1,644**
Total interest expense					**25,607**
Total expenses					**594,037**
Earnings before income taxes					**25,898**
Current tax (expense)					**(11,915)**
Deferred tax recovery					**4,088**
Net earnings					**$ 18,071**
EBITDA	**$124,877**	**$ 16,368**	**$ 6,143**	**$(17,999)**	**$129,389**
Adjusted EBITDA	**$127,004**	**$ 21,225**	**$ 6,153**	**$(17,999)**	**$136,383**
Acquisition Adjusted EBITDA	**$127,004**	**$ 21,602**	**$ 6,153**	**$(17,999)**	**$136,760**

Six months ended June 30, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$202,050**	**$ 1,745**	**$67,604**	**$ -**	**$271,399**
Sales and other services	**12,368**	**100,464**	**2,065**	**-**	**114,897**
Investment income	**161**	**77**	**25**	**192**	**455**
Total revenue	**$214,579**	**$102,286**	**$69,694**	**$ 192**	**$386,751**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**52,558**	**-**	**52,558**
Maintenance & servicing costs	**32,673**	**1,402**	**-**	**-**	**34,075**
Sales and other services	**10,593**	**61,101**	**943**	**-**	**72,637**
Total cost of goods sold	**43,266**	**62,503**	**53,501**	**-**	**159,270**
SG&A expenses	**49,408**	**29,582**	**9,656**	**15,515**	**104,161**
Foreign exchange	**22**	**(5)**	**(12)**	**(64)**	**(59)**
Amortization expense	**60,181**	**3,336**	**3,275**	**1,311**	**68,103**
Net loss/(gain) on disposal of equipment and other assets	**2,809**	**47**	**(34)**	**-**	**2,822**
Interest expense:					
Interest expense payable in cash					**16,657**
Non-cash interest expense					**883**
Total interest expense					**17,540**
Total expenses					**351,837**
Earnings before income taxes					**34,914**
Current tax (expense)					**(27,515)**
Deferred tax recovery					**16,847**
Net earnings					**$ 24,246**
EBITDA	**$119,074**	**$ 10,159**	**$ 6,583**	**$(15,259)**	**$120,557**
Adjusted EBITDA	**$121,883**	**$ 10,206**	**$ 6,549**	**$(15,259)**	**$123,379**
Acquisition Adjusted EBITDA	**$124,037**	**$ 16,899**	**$ 6,549**	**$(14,685)**	**$132,800**

Average Foreign Exchange

Enercare's results of operations may be affected by the impact of movements in foreign exchange rates from operations whose functional currency is not in Canadian dollars. The results of these foreign operations are translated into Canadian dollars using the average exchange rates shown in the table below for the corresponding periods. Such translations predominantly relate to Service Experts' U.S. operations whose functional currency is U.S. dollars. Where relevant throughout the "Results of Operations" discussion in this MD&A, reference is made to any material impacts resulting from movements in foreign exchange rates on reported amounts.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Average exchange rate (CDN$/US$1.00)	**0.7435**	0.7733	**0.7495**	0.7733

Revenues

Total revenues of $342,122 for the second quarter of 2017 increased by $98,020 or 40% and by $233,184 or 60% to $619,935 year to date compared to the same periods in 2016, primarily as a result of the timing of the SE Transaction, which was completed during the second quarter of 2016.

Enercare Home Services revenues, excluding investment income, of $112,985 for the second quarter of 2017 increased by $4,996 or 5% and by $9,515 to $223,933 year to date, compared to the same periods in 2016, primarily as a result of a rental rate increase implemented in January 2017, changes in asset mix and growth in rental HVAC units. Contracted revenue in Enercare Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to one-time sales and installations of residential furnaces, boilers and air conditioners, as well as plumbing, duct cleaning and other services.

Enercare's strategy to emphasize HVAC rentals over outright sales results in significant increases in recurring revenue at the expense of sales and other services revenue.

Service Experts revenues, excluding investment income, were $197,052 and $324,806 during the second quarter of 2017 and year to date, respectively. Service Experts revenues were lowered by $4,562 for the second quarter of 2017 and $7,960 year to date as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction. These adjustments compare to $7,836 in respect of the same periods in 2016. Changes in foreign exchange rates during the second quarter and year to date 2017 accounted for approximately $6,400 and $8,900, respectively, of the increase in revenues compared to the same periods in 2016. The increase in revenue is primarily due to the timing of the SE Transaction in 2016 coupled with strong origination growth in 2017.

Sub-metering revenues, excluding investment income, were $31,706 during the second quarter of 2017, a decrease of $1,843 or 5%, with year to date revenues increasing $887 or 1% over the same period in 2016, primarily as a result of lower flow-through commodity charges partly offset by higher billable units. Sub-metering revenue includes total flow through commodity charges of $22,499 in the second quarter and $51,994 year to date, decreases of $2,312 or 9% and $564 or 1%, respectively, compared to the same periods in 2016.

In the second half of 2016, Sub-metering negotiated renewals with four large property management companies representing approximately 21,000 metering units. These properties were either at or near the end of their original contracts and the renewals were completed at lower net revenue per meter point due to competitive pressures. This resulted in a reduction in revenue of approximately $450 in the quarter and $900 year to date. The typical term for these renewals is between 10 to 15 years.

Investment income was $379 in the second quarter of 2017 and $640 year to date, increases of $24 and $185, respectively, when compared to the same periods in 2016. The change in year to date investment income was primarily attributable to the investment of the 2017 Notes proceeds for approximately 30 days prior to the redemption of the 2014 Term Loan and the 2012 Notes during the first quarter of 2017.

Cost of Goods Sold

Total cost of goods sold for the second quarter of 2017 was $172,759 and $311,636 year to date, increases of $63,149 or 58% and $152,366 or 96%, respectively, compared to the same periods in 2016, primarily as a result of the timing of the SE Transaction, which was completed in May of 2016.

Enercare Home Services cost of goods sold increased by $252 in the second quarter of 2017, and $518 year to date, compared to the same periods in 2016, increasing by 1% in both of the respective periods as a result of an increased emphasis on cost containment. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to one-time sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold amounted to $127,647 in the second quarter of 2017 and $214,061 year to date. Service Experts cost of goods sold was reduced by $3,506 for the second quarter of 2017 and $6,197 year to date as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $6,313 in the same periods in 2016. Changes in foreign exchange rates during the second quarter and year to date 2017, accounted for approximately $4,000 and $5,700, respectively, of the increase in cost of goods sold compared to the same periods in 2016. The increase in cost of goods sold is primarily due to the timing of the SE Transaction in 2016 combined with increases in originations offset by lower costs per unit resulting from price reductions from suppliers.

Sub-metering cost of goods sold was $23,143 in the second quarter of 2017 and $53,791 year to date, decreasing by $2,247 or 9% and increasing by $290 or 1%, respectively, primarily from fluctuations in pass through commodity charges compared to the same periods in 2016. Sales and other services expenses for Sub-metering relate to Triacta meter sales and the sale and installation of water conservation products in apartments and condominiums.

Selling, General & Administrative Expenses

Total SG&A expenses were $85,547 in the second quarter of 2017 and $172,069 year to date, an increase of $20,524 and $67,908, respectively, compared to the same periods in 2016, primarily as a result of the SE Transaction.

Enercare Home Services SG&A expenses of $25,897 in the second quarter and $53,596 year to date, increased by $2,381 and $4,188, respectively, compared to the same periods in 2016. The $2,381 increase in the second quarter was primarily from increases of approximately $2,500 in professional fees partly offset by lower claims expenses of $100. The increase in professional fees resulted from a reclassification of acquisition expenses from Enercare Home Services to Service Experts during the second quarter of 2016. The $4,188 year to date increase was primarily as a result of increases of approximately $3,000 in higher wages and benefits, driven partly by higher stock-based compensation costs resulting from an increase in Share price, $1,500 in sales and marketing expenses, $1,400 of support costs, $300 in claims and $200 in bad debt expenses partly offset by a reduction in office expenses of $1,900 and professional fees of $400.

Enercare Home Services SG&A expenses included $695 in the second quarter of 2016 and $2,154 year to date of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms and marketing spend related to continued rebranding.

Service Experts SG&A expenses in the second quarter of 2017 amounted to $44,840 and $89,765 year to date. Second quarter SG&A expenses primarily comprised of approximately $24,600 of wages and benefits, $11,800 of sales and marketing costs, $6,100 of office related expenses and $1,600 of professional fees. Year to date SG&A expenses are primarily comprised of approximately $51,200 of wages and benefits, $23,000 of sales and marketing costs, $11,300 of office related expenses and $2,600 of professional fees. Service Experts SG&A expenses in the second quarter included one-time expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the quarter relating to the write-down of an enterprise resource planning system. Service Experts SG&A expenses in the second quarter of 2017 included acquisition related expenditures of $273 and $377 year to date, primarily consisting of professional fees associated with the acquisitions of Hammond and CS Operating LLC ("Church Services"). Changes in foreign exchange rates during the second quarter and year to date 2017 accounted for approximately $1,500 and $2,400, respectively, of the increase in SG&A compared to the same periods in 2016.

Service Experts SG&A expenses in the second quarter of 2016 and year to date included $6,693 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees. These costs included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services. Certain wage related expenditures, in the amount of $1,948 for the year to date 2017 and $1,838 during the second quarter of 2016, have been reclassified from SG&A expenses to cost of goods sold.

Sub-metering SG&A expenses in the second quarter of 2017 were $5,019 and $10,693 year to date, an increase of $53 and $1,037, respectively, over the same periods in 2016. The $53 increase in the second quarter is primarily the result of approximately $100 of higher wages and benefits, $100 increase in selling expenses and $250 of higher office expenses, partly offset by lower bad debt expenses of $400 resulting from recoveries of receivables for which provisions were previously made. The $1,037 year to date increase was primarily the result of approximately $900 of higher wages and benefits and $100 of increased selling expenses.

Corporate expenses of $9,791 in the second quarter of 2017 and $18,015 year to date increased by $2,832 or 41% and $2,500 or 16%, respectively, compared to the same periods in 2016. The $2,832 increase was primarily as a result of approximately $1,600 in higher office expenses, driven mainly by increases in software license fees, $700 of higher professional fees and $500 of higher selling expenses. The year to date increase of $2,500 was primarily as a result of approximately $1,800 of higher office expenses from increased software licensing costs and building move expenses of $700.

Corporate SG&A expenses in the second quarter of 2016 included $574 and $1,081 year to date of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms.

Amortization Expense

Amortization expense increased by $3,689 or 10% in the second quarter of 2017 and $9,781 or 14% year to date, compared to the same periods in 2016, primarily due to the SE Transaction, an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment and Other Assets

Enercare reported a net loss on disposal of equipment and other assets of $5,137 in the second quarter of 2017 and $6,994 year to date, increases of $4,246 or 478% and $4,172 or 145%, respectively, over the same periods in 2016. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

During the second quarter of 2017, net loss on disposal included a non-recurring write-down of $5,165 of software intangible assets related to an enterprise resource system that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. The year to date net loss on disposal also includes a non-recurring write down of $845 from the first quarter of 2017 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

Interest Expense

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2017**	2016	**2017**	2016
Interest expense payable in cash	**$ 9,274**	$7,613	**$18,914**	$14,242
Interest payable on subscription receipts	**-**	1,109	**-**	2,217
Equity bridge financing fees	**-**	9	**-**	198
Make-whole payment on early redemption of senior debt	**-**	-	**5,049**	-
Non-cash items:				
Notional interest on employee benefit plans	**226**	210	**452**	420
Amortization of financing costs	**263**	246	**1,192**	463
Interest expense	**$ 9,763**	$9,187	**$25,607**	$17,540

Interest expense payable in cash increased by $1,661 to $9,274 in the second quarter of 2017 and by $4,672 to $18,914 year to date, compared to the same periods in 2016. These increases were primarily related to the addition of the 2016 Term Loan related to the financing of the SE Transaction and the issuance of 2017 Notes during the first quarter of 2017, partially offset by the conversion of Convertible Debentures to Shares. A make-whole payment for the early redemption of the 2012 Notes during the first quarter of 2017 resulted in a one-time interest expense of $5,049.

Notional interest of $226 in the second quarter of 2017, $452 year to date, relates to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, 2013 Notes, Convertible Debentures, the 2014 Term Loan, 2016 Term Loan and 2017 Notes.

As part of the SE Transaction, SE Subscription Receipts were issued during the first quarter of 2016 and subsequently exchanged for Shares upon the closing of the SE Transaction on May 11, 2016. While the SE Subscription Receipts remained outstanding, they were classified as debt, resulting in interest expense of $1,109 during the second quarter of 2016 and $2,217 year to date 2016, which were the equivalent to the dividend payments on such SE Subscription Receipts if they had been Shares. Equity bridge financing fees of $9 in the second quarter of 2016 and $198 year to date 2016 were also incurred as part of the SE Transaction.

Income Taxes

Enercare reported current tax expense of $6,500 in the second quarter of 2017 and $11,915 year to date, reductions of $8,759 and $15,600, respectively, over the same periods in 2016. These reductions were primarily from higher taxes owed in the first half of 2016, resulting from a one-year tax deferral originated in 2015, and additional interest expense incurred in the first half of 2017, partly offset by higher taxes owed by Service Experts in 2017. The deferred income tax expense of $2,017 and recovery of $4,088 year to date decreased by $9,650 and $12,759, respectively, over the same periods in 2016, primarily as a result of temporary difference reversals in the Enercare Home Services, Service Experts and Sub-metering businesses.

Net Earnings

Net earnings were $21,103 in the second quarter of 2017 and $18,071 year to date, an increase of $5,052 and decrease of $6,175, respectively, compared to the same periods in 2016, as previously described.

EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA

The following table summarizes comparative quarterly results for the last eight quarters, and reconciles net earnings, an IFRS measure, to EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA.

(000's)	**Q2/17**	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Net earnings/(loss)	**$ 21,103**	$(3,032)	$17,552	$19,332	$16,051	$8,195	$13,725	$13,124
Deferred tax expense/(recovery)	**2,017**	(6,105)	(5,275)	(7,522)	(7,633)	(9,214)	1,069	2,376
Current tax expense	**6,500**	5,415	11,534	15,332	15,259	12,256	2,784	2,169
Amortization expense	**39,485**	38,399	38,892	38,329	35,796	32,307	31,917	31,606
Interest expense	**9,763**	15,844	8,554	8,507	9,187	8,353	6,988	6,955
EBITDA[(a)]	**78,868**	50,521	71,257	73,978	68,660	51,897	56,483	56,230
Add: Net loss/(gain) on disposal	**5,137**	1,857	850	734	891	1,931	(1,455)	1,001
Adjusted EBITDA[(b)]	**84,005**	52,378	72,107	74,712	69,551	53,828	55,028	57,231
Add: Acquisition SG&A	**273**	104	603	4,854	5,128	4,293	3,028	3,946
Acquisition Adjusted EBITDA	**$84,278**	$52,482	$72,710	$79,566	$74,679	$58,121	$58,056	$61,177

(a) Historical EBITDA has been conformed to the current presentation which includes investment income and other income.

(b) Historical Adjusted EBITDA has been conformed to the current presentation which includes investment income and other income and excludes net loss on disposal.

The variances over the last eight quarters are primarily due to the following:

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters, as well as the SE Transaction results commencing in the second quarter of 2016. Net earnings are also impacted by the seasonality associated with Service Experts business, which tends to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where Service Experts operates and weather patterns.
2. Increasing current taxes from higher taxable income. During 2015, current taxes reflect the impact of a one year tax deferral available through a subsidiary of Enercare Solutions which was not available in 2016 and accordingly, resulted in higher current tax expenses during 2016.
3. During the first quarter of 2017, additional interest expense was incurred as a result of the early redemption of the 2012 Notes, which included a make-whole payment of $5,049. During the first and second quarters of 2016, additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan, bridge financing and the treatment of SE Subscription Receipts for accounting purposes.
4. Amortization and net loss on disposal of equipment and other assets are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Increases in amortization of capital assets and intangibles relate primarily to increased additions and changes in mix to higher percentage of sub-metering assets which have a shorter useful life. Commencing in the second quarter of 2016, amortization reflects increases from the amortization of capital assets and intangibles following the SE Transaction.
5. During the second quarter of 2017, net loss on disposal included a non-recurring write-down of $5,165 of software intangible assets related to an enterprise resource system that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. During the first quarter of 2017, net loss on disposal included a non-recurring write down of $845 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home

Services business. In the fourth quarter of 2015, net (gain)/loss on disposal reflects a $2,484 gain on disposal of sub-metering equipment resulting from a customer that exercised its buy-out option.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

Enercare amended its payout ratio calculation in 2013. As a transition to the new calculation, Enercare has chosen to show both the historical calculation, Payout Ratio and our new calculation, Payout Ratio - Maintenance. Historically, Enercare included both the Rentals capital associated with maintaining (other than Sub-metering and acquisitions) the current customer base (exchanges) as well as the capital associated with acquiring new customers. With the significant improvement in Attrition over the last five years, combined with the success of transitioning Rentals customers into higher revenue generating rental products, Enercare has started to grow revenue beyond annual rate increases. As a result, Enercare changed the calculation to remove the capital required to acquire new Rentals customers. Enercare believes that the new calculation better reflects the on-going cash requirements to maintain the revenue from the current Rentals customer base.

In 2016, Enercare further changed its definition of Payout Ratio and Payout Ratio – Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases). Historical figures have been restated to reflect the current definition.

Payout Ratio - Maintenance Presentation

Payout Ratio - Maintenance - (000's)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Cash provided/(used in) by operating activities	**$92,827**	$ (501)	**$77,711**	$39,218
Net change in non-cash working capital	**(25,629)**	46,318	**20,789**	40,384
Operating Cash Flow[6]	**67,198**	45,817	**98,500**	79,602
Capital and vehicle lease expenditures: (excluding growth capital, additions and acquisitions)				
Rentals exchanges	**(8,772)**	(9,267)	**(18,743)**	(18,227)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(2,280)**	(1,327)	**(4,073)**	(1,902)
Sub-metering maintenance capital	**(121)**	(168)	**(265)**	(320)
Proceeds on disposal of equipment – warranty	**935**	572	**1,408**	1,187
Net capital and vehicle lease expenditures	**(10,238)**	(10,190)	**(21,673)**	(19,262)
Early redemption of 2012 Notes net of tax	**(461)**	-	**5,049**	-
Acquisition related expenditures	**273**	6,054	**377**	11,644
Total reductions	**(10,426)**	(4,136)	**(16,247)**	(7,618)
Distributable Cash – Maintenance[6]	**56,772**	41,681	**82,253**	71,984
Dividends declared	**(25,561)**	(22,135)	**(49,991)**	(40,595)
Net cash retained	**$ 31,211**	$ 19,546	**$ 32,262**	$ 31,389
Payout Ratio – Maintenance	**45%**	53%	**61%**	56%

The Payout Ratio - Maintenance, which is calculated based upon capital and vehicle lease expenditures associated with company vehicles and the exchange of rental assets for existing customers and excludes capital expenditures associated with obtaining new customers, decreased to 45% in the second quarter of 2017 and increased to 61% year to date, compared to 53% and 56%, respectively, in the same periods in 2016.

The decrease in the second quarter was primarily due to higher Operating Cash Flow as a result of the full quarter impact of the SE Transaction and related seasonality associated with the Service Experts business, offset by higher net capital and vehicle lease expenditures and higher dividends declared resulting from the increase in the number of Shares outstanding.

[6] Operating Cash Flow and Distributable Cash - Maintenance are a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

The $5,049 on account of the early redemption of the 2012 Notes net of tax represents the aggregate of a make-whole payment incurred in the first quarter of 2017 of approximately $5,049 and overlapping interest expense of $913, less investment income of $194 and the first and second quarter tax timing difference of ($258) and ($461), respectively. The tax consequences of the make-whole payment will be recognized over the period to November 30, 2017. The make-whole payment was reflected as interest expense in the first quarter of 2017 and consequently directly impacted cash provided by operating activities.

Acquisition related expenditures during the second quarter of 2017 were $273 and $377 year to date, primarily consisting of costs related to the Hammond acquisition.

Acquisition and integration related expenditures associated with the SE Transaction during the second quarter and year to date of 2016 were $4,785 and $8,916, respectively, primarily consisting of professional fees associated with the entering into of the Merger Agreement and post integration activities, and interest on the SE Subscription Receipts.

Integration and business transformation costs related to the DE Acquisition were $1,269 and $2,728 during the second quarter and year to date of 2016, respectively. These costs were primarily driven by information technology integration activities and marketing spend related to rebranding.

These amounts have been adjusted in the Payout Ratio to better reflect recurring Distributable Cash.

Enercare's Dividend Reinvestment Plan participation rate was approximately 29% at the end of the second quarter of 2017, resulting in cash savings of $7,795 during the quarter and $15,192 year to date. Adjusting the Payout Ratio – Maintenance for the $17,766 cash dividends paid in the second quarter of 2017 compared to the $25,561 dividends declared, would result in a Payout Ratio – Maintenance of 31%. Adjusting the Payout Ratio – Maintenance for $34,799 cash dividends paid year to date 2017 compared to $49,991 dividends declared would result in a Payout Ratio – Maintenance of 42%. The comparable Payout Ratio – Maintenance for the second quarter of 2016 would not be affected as dividends declared approximated dividends paid.

Enercare intends to finance its recurring capital expenditures with cash flow from operations, cash on hand and available credit.

Payout Ratio (000's)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Cash provided by operating activities	**$92,827**	$ (501)	**$77,711**	$ 39,218
Net change in non-cash working capital	**(25,629)**	46,318	**20,789**	40,384
Operating Cash Flow[7]	**67,198**	45,817	**98,500**	79,602
Capital and vehicle lease expenditures: (excluding growth capital and acquisitions)				
HVAC rental additions	**(12,027)**	(10,229)	**(23,094)**	(19,563)
Water heater rental and other additions	**(9,362)**	(8,606)	**(19,697)**	(16,539)
Rentals exchanges	**(8,772)**	(9,267)	**(18,743)**	(18,227)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(2,280)**	(1,327)	**(4,073)**	(1,902)
Sub-metering maintenance capital	**(121)**	(168)	**(265)**	(320)
Subtotal	**(32,562)**	(29,597)	**(65,872)**	(56,551)
Total proceeds on disposal of rental equipment	**3,990**	2,415	**6,819**	4,358
Net capital and vehicle lease expenditures	**(28,572)**	(27,182)	**(59,053)**	(52,193)
Early redemption of 2012 Notes net of tax	**(461)**	-	**5,049**	-
Acquisition integration and business transformation related expenditures	**273**	6,054	**377**	11,644
Total reductions	**(28,760)**	(21,128)	**(53,627)**	(40,549)
Distributable Cash[7]	**38,438**	24,689	**44,873**	39,053
Dividends declared	**(25,561)**	(22,135)	**(49,991)**	(40,595)
Net cash retained	**$12,877**	$ 2,554	**$(5,118)**	$ (1,542)
Payout Ratio	**66%**	90%	**111%**	104%

The Payout Ratio, after capital and vehicle lease expenditures (excluding growth capital for Sub-metering and acquisitions), decreased to 66% in the second quarter of 2017 and was consistent at 111% on a year to date basis compared to 90% and 104%, respectively, over the same periods in 2016. The decrease in the second quarter of 2016 was primarily from higher Operating Cash Flow, as a result of the full quarter impact of the SE Transaction and related seasonality associated with the Service Experts business, partly offset by higher dividends declared resulting from the increase in the number of shares outstanding and the 10% dividend increase announced at the end of the first quarter of 2016. Net capital expenditure increases primarily related to increased rental additions and the introduction of the rental program by Service Experts.

[7] Operating Cash Flow and Distributable Cash are a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Cash flow provided by operating activities	**$92,827**	$ (501)	**$77,711**	$39,218
Net change in non-cash working capital	**(25,629)**	46,318	**20,789**	40,384
Operating Cash Flow	**67,198**	45,817	**98,500**	79,602
Capital expenditures (excluding growth capital and acquisition	**(30,476)**	(28,270)	**(62,230)**	(54,650)
Proceeds on disposal of equipment	**3,990**	2,415	**6,819**	4,358
Net capital expenditures	**(26,486)**	(25,855)	**(55,411)**	(50,292)
Acquisition – Service Experts	**-**	(375,163)	**-**	(375,163)
Acquisition – Church Services	**-**	-	**(1,144)**	-
Acquisition – Hammond	**(5,300)**	-	**(5,300)**	-
Growth capital	**(17,560)**	(14,011)	**(25,631)**	(20,208)
Cash used in investing activities	**(49,346)**	(415,029)	**(87,486)**	(445,663)
Dividends paid	**(17,766)**	(20,298)	**(34,799)**	(38,756)
Other financing activities	**8,658**	446,313	**60,333**	445,208
Cash (used in)/provided by financing activities	**(9,108)**	426,015	**25,534**	406,452
Cash and equivalents – end of period	**$ 52,829**	$ 28,472	**$ 52,829**	$ 28,472

Operating Cash Flow of $67,198 in the second quarter of 2017 increased by $21,381 and by $18,898 to $98,500 year to date, compared to the same periods in 2016, primarily due to the impact of the SE Transaction and the seasonality in the Service Experts business as described under "Outlook" in this MD&A.

Net capital expenditures of $26,486 in the second quarter of 2017 increased by $631 and by $5,119 to $55,411 year to date, compared to the same periods in 2016, due to increased HVAC and water heater rentals and changes in asset mix. The acquisition amounts of $1,144 and $5,300 represent the purchase consideration for the acquisition of Church Services during the first quarter of 2017 and the acquisition of Hammond during the second quarter of 2017. Growth capital investments of $17,560 during the second quarter and $25,631 year to date increased by $3,549 and $5,423 when compared to the same periods in 2016. These increases in growth capital expenditures were primarily due to expenditures on upgrades and optimization of the information technology systems. Dividends paid reflect cash dividend payments on outstanding Shares, excluding Shares issued under Enercare's Dividend Reinvestment Plan.

Other financing activities primarily reflect the scheduled repayments of Stratacon Debt, repayments of obligations under finance leases, as well as proceeds and repayments related to the revolving credit facility. During 2017, other financing activities also reflected proceeds from the issuance of the 2017 Notes, the redemption of the 2012 Notes and the repayment of the 2014 Term Loan.

Of the available credit of $200,000 under the 2014 Revolver, $40,000 was drawn as at June 30, 2017. Enercare is subject to a number of covenants and has the ability to incur additional senior debt as described in "Liquidity and Capital Resources – Cash from Financing" in this MD&A.

Management believes that Enercare has sufficient cash flow, cash on hand and available credit to meet its 2017 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

Capital Expenditures

Capital expenditures typically have a significant impact on liquidity and are best understood with reference to the unit continuity analysis below.

Installed Asset Unit Continuity (000's) Three months ended June 30,				**2017**				2016
Segment	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Units - start of period	**1,137**	**1**	**168**	**1,306**	1,129	-	159	1,288
Portfolio additions *	**9**	**-**	**6**	**15**	9	-	1	10
Acquisitions	**-**	**-**	**-**	**-**	-	-	-	-
Attrition *	**(7)**	**-**	**-**	**(7)**	(8)	-	-	(8)
Units - end of period	**1,139**	**1**	**174**	**1,314**	1,130	-	160	1,290
Asset exchanges – units retired and replaced	**12**	**-**	**-**	**12**	11	-	-	11
% change in units during the period				**0.6%**				0.2%
% of units from start of period:				**-**				-
Portfolio additions (net of acquisitions)				**1.1%**				0.8%
Attrition				**(0.5%)**				(0.6%)
Units retired and replaced				**0.9%**				0.9%
Billable units	**1,139**	**1**	**122**	**1,262**	1,130	-	110	1,240
Contracted units	**-**	**-**	**246**	**246**	-	-	222	222

Installed Asset Unit Continuity (000's) Six months ended June 30,				**2017**				2016
Segment	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Units - start of period	**1,136**	**-**	**165**	**1,301**	1,128	-	155	1,283
Portfolio additions *	**18**	**1**	**9**	**28**	17	-	5	22
Acquisitions	**-**	**-**	**-**	**-**	-	-	-	-
Attrition *	**(15)**	**-**	**-**	**(15)**	(15)	-	-	(15)
Units - end of period	**1,139**	**1**	**174**	**1,314**	1,130	-	160	1,290
Asset exchanges – units retired and replaced	**22**	**-**	**-**	**22**	23	-	-	23
% change in units during the period				**1.0%**				0.5%
% of units from start of period:				**-**				-
Portfolio additions (net of acquisitions)				**2.2%**				1.7%
Attrition				**(1.2%)**				(1.2%)
Units retired and replaced				**1.7%**				1.8%
Billable units	**1,139**	**1**	**122**	**1,262**	1,130	-	110	1,240
Contracted units	**-**	**-**	**246**	**-**	-	-	222	222

* Enercare Home Services and Service Experts portfolio additions and attrition units presented have been rounded in thousands of units. To ensure consistency with rounded year to date and period end balances the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units which may be discussed in this MD&A.

In the second quarter of 2017, the portions of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, were $25,076 and $52,092 year to date, decreasing by $94 and increasing by $1,441, respectively, compared to the same periods in 2016, primarily as a result of increased HVAC and water heater rentals and exchanges.

In the Enercare Home Services business, Attrition of approximately 7,300 units in the second quarter of 2017 and 15,000 units year to date remained comparable to the same periods in 2016. Enercare has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with Bill 55 as well as enhancements to our customer value proposition (for example, the "same day service campaign"), have helped to significantly reduce Attrition in recent years.

In the Service Experts business, 564 water heater and HVAC rental additions were installed during the second quarter of 2017 and 1,015 year to date, for a total of 1,199 installed units since the introduction of its rental programs.

Installations in the Sub-metering business were approximately 6,000 units in the second quarter of 2017 and 9,000 units year to date, increases of 5,000 units and 4,000 units, respectively, compared to the same periods in 2016. In 2016, the shift in contracted sales to a higher proportion of new construction condominiums led to a lower number of installed units as these units are only completed when the entire building has been completed. An increase in new construction completions during the second quarter of 2017 resulted in an increase in installed units during the quarter compared to the same period in 2016. This delay in recognition can cause some significant swings in the installed unit count on a yearly basis. Sub-metering capital expenditures related to metering equipment during the second quarter of 2017 were $2,651 and $5,934 year to date, approximately $1,086 higher and $903 lower, respectively, compared to the same periods in 2016 on account of the timing and costs of projects underway.

For the Enercare Home Services units, changes in Billable units reflect the asset activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 122,000 increased by 12,000 units in the second quarter of 2017 compared to the same period in 2016, primarily due to additional installations and increased billing penetration in the rental apartment market.

Sub-metering sales activity was approximately 1,000 units in the second quarter of 2017 and 11,000 units year to date, lower by 8,000 units and 6,000 units, respectively, over the same periods in 2016. The 1,000 unit increase in contracted unit additions during the second quarter of 2017 included 4,000 newly contracted units and the removal of 3,000 units in Alberta that were part of a larger multi-services contract with a single customer that provided for heat metering if and when Measurement Canada passed certification requirements for heat metering. As Measurement Canada has not done so and the original customer contract was renewed in June of 2017, it was decided to remove heat metering units from the renewal contract.

Cash from Financing

Financing activities for Enercare may reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, Enercare's offering of SE Subscription Receipts, and to a much lesser extent financing of the Sub-metering business. During the second quarter of 2017, Enercare drew an additional $10,000 on the 2014 Revolver and recorded $2,729 of financing repayments primarily related to obligations under finance leases, the scheduled repayment of the Stratacon Debt and the purchase of treasury Shares in respect of the employee share purchase plan. These financing repayments excluded dividends to shareholders.

	Six months ended June 30,	
Capitalization (000's)	**2017**	2016
Cash and cash equivalents	**$ 52,829**	$ 28,472
Net investment in working capital	**(35,601)**	(41,345)
Cash, net of working capital	**17,228**	(12,873)
Total debt	**1,020,989**	954,173
Shareholders' equity	**594,304**	602,885
Total capitalization – book value	**$1,615,293**	$1,557,058

Typically, Enercare maintains cash balances and available credit to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions.

At June 30, 2017, total debt was comprised of the 2013 Notes, the 2014 Revolver, the 2016 Term Loan, the 2017 Notes and the Stratacon Debt.

Enercare is subject to a number of covenant requirements as described in the AIF and below. The following discussion outlines the principal covenants.

Debt Financing

As described in the AIF, the 2014 Revolver and 2016 Term Loan each contain terms, representations, warranties, covenants and events of default that are customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to Enercare (and, therefore, in effect, holders of Shares). Events of default under the 2014 Revolver and 2016 Term Loan include a cross-default provision and the occurrence of a change of control of Enercare or Enercare Solutions. Enercare Solutions' obligations under the 2014 Revolver and 2016 Term Loan are guaranteed by all of Enercare Solutions' material direct and indirect subsidiaries.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof.

As described in the AIF, the 2014 Revolver and 2016 Term Loan contain the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.75 to 1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00 to 1.

As described in the AIF, the 2014 Revolver and 2016 Term Loan define "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, and with respect to the DE Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to $23,500 in the aggregate, determined on a consolidated basis, and with respect to the SE Transaction, transaction and integration costs up to $10,300 in the aggregate. The 2014 Revolver and 2016 Term Loan essentially define "Cash Interest Expense" as the aggregate amount of interest and other financing charges payable in cash and expensed by Enercare Solutions with respect to debt (other than subordinated debt between Enercare Solutions and Enercare or any subsidiary of Enercare Solutions or between subsidiaries of Enercare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver as of June 30, 2017. A total of $40,000 was drawn under the 2014 Revolver as at June 30, 2017.

2013 Notes and 2017 Notes – Incurrence Test

The covenants in respect of the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On June 30, 2017, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000's)	**Q2/17**	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Total revenues	**$342,122**	$277,813	$293,246	$315,944	$244,102	$142,649	$141,621	$145,455
Net earnings/(loss)	**21,103**	(3,032)	17,552	19,332	16,051	8,195	13,725	13,124
Dividends declared	**25,561**	24,430	16,102	23,991	22,135	18,460	18,693	19,229
Average Shares outstanding	**104,821**	104,215	103,881	103,839	96,619	87,899	89,770	91,634
Per Share								
Basic net earnings/(loss)	**$ 0.20**	$ (0.03)	$0.17	$0.19	$0.17	$0.09	$0.15	$0.14
Diluted net earnings/(loss)	**$ 0.20**	$ (0.03)	$0.17	$0.19	$0.17	$0.08	$0.15	$0.14
Dividends declared	**$ 0.240**	$ 0.231	$0.155	$0.231	$0.224	$0.21	$0.21	$0.21

In addition to quarterly comments found under "Results of Operations – EBITDA and Adjusted EBITDA", differences in net earnings between quarters reflect the timing of expenses, current tax expense, the temporary difference reversals of deferred income tax and the impact of the SE Transaction in the second quarter of 2016. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the second quarters of 2016 and 2017.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures, purchases under the NCIB and issuances in connection with the SE Transaction in the second quarter of 2016 and pursuant to the Dividend Reinvestment Plan implemented during the fourth quarter of 2016.

The decrease in dividends declared during the fourth quarter of 2016 was a result of the implementation of the Dividend Reinvestment Plan, which resulted in the timing of dividend declarations being changed so that the dividend declaration date and payment date occur within the same month. The number of months in which dividends were paid remained the same as the prior year.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare at June 30, 2017:

Period	Debt		Finance Lease Obligations		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2017	$ 207	$ 17,610	$ 4,825	$ 420	$ 6,507
Due in 2018	125	35,203	9,129	641	8,434
Due in 2019	25	35,199	8,339	414	6,115
Due in 2020	484,567	26,418	6,814	217	4,946
Due in 2021	40,025	19,093	3,985	77	5,684
Thereafter	500,005	20,541	912	7	7,662
Total	$1,024,954	$154,064	$34,004	$1,776	$39,348

As at June 30, 2017, long-term senior contractual obligations of Enercare included debt service on the 2013 Notes bearing interest at 4.60%. The 2017-1 Notes and 2017-2 Notes offered on February 21, 2017 bear interest at 3.38% and 3.99% and are due in February 2022 and February 2024, respectively. Interest on the 2013 Notes is payable semi-annually on February 3 and August 3. The 2014 Term Loan, which was repaid on February 23, 2017, bore interest at a variable rate based upon the applicable prime rate plus 0.25%, which was 2.95% at March 31, 2017. The 2012 Notes, which were redeemed on March 23, 2017, bore interest at 4.30%.

At June 30, 2017, $40,000 was drawn on the 2014 Revolver. The 2014 Revolver bears a standby charge of 0.25% and interest on amounts drawn at a variable rate based upon the applicable banker's acceptance rate plus 1.25%, which was 2.14% at June 30, 2017.

The Stratacon Debt of $414, as at June 30, 2017, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75%. Principal and interest is paid monthly.

The Convertible Debentures matured on June 30, 2017 and Enercare paid the outstanding principal amount of $192 plus accrued and unpaid interest with cash.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof. As at June 30, 2017, the 2016 Term Loan bears interest of 2.20%.

The obligations under finance leases bear floating interest rates that are either 2.5% above the one month banker's acceptance rate, per annum or are equal to the yield of interest rate swaps as quoted in the Federal Reserve system, per annum. Additional obligations under finance leases acquired during the period bear fixed interest rates of 0.97% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, 0.75% above the three months LIBOR rate per annum or are 0.35% above the one month LIBOR rate, per annum. The finance leases mature at dates ranging between July 2017 and March 2024.

Other obligations include long term sponsorship, premises and office equipment. Substantially all of the future expense obligations are the result of naming rights for the Enercare Centre and leased premises.

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At June 30, 2017, there were 105,373,936 Shares (104,154,895 at December 31, 2016) issued and outstanding, and no preferred shares were outstanding. A total of 15,834,600 Shares were issued in exchange for the SE Subscription Receipts on May 11, 2016 in conjunction with the closing of the SE Transaction. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The condensed interim consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the condensed interim consolidated financial statements for the period ended June 30, 2017.

Enercare reports on certain non-IFRS measures that are used by management to evaluate performance of Enercare and meet certain covenant requirements relating to debt financing. Since non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations, and may not be comparable to similar terms and measures provided by other issuers.

Adjusted EBITDA, Acquisition Adjusted EBITDA, Distributable Cash, Distributable Cash–Maintenance, Payout Ratio, Payout Ratio-Maintenance, Operating Cash Flow, and Billable should not be construed as alternatives to net income or earnings per Share determined in accordance with IFRS as indicators of Enercare's performance.

Non-IFRS financial indicators used by Enercare and reported in this MD&A, in addition to the Non-IFRS financial measures, include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

Enercare makes two principal types of investments to grow its installed base of water heaters, sub-meters and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment. It is one metric that can be used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see "Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A).

Acquisition Adjusted EBITDA

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional one-time costs associated with the DE Acquisition, the SE Transaction, the acquisition of Hammond, the acquisition of Church Services and the acquisition of Triacta, including interest expense for accounting purposes on the SE Subscription Receipts and equity bridge financing fees, professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one metric that can be used to determine Enercare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see "Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A).

Distributable Cash and Distributable Cash - Maintenance

In the second quarter of 2016, Enercare changed its definition of Distributable Cash and Distributable Cash - Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases). Historical figures have been restated to reflect the current definition.

Distributable Cash is one measure of the amount of cash generated during a period that is available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders.

Historically, Distributable Cash comprised net earnings of Enercare, plus non-cash items, such as deferred income taxes, amortization, defined benefit plan expense and non-recurring expenses related to the DE Acquisition and transition of OHCS, the SE Transaction and the acquisition of Triacta, less cash items of contributions to define benefit pension plan and deferred customer inducements plus the proceeds on disposal of rental equipment, less rental capital expenditures (excluding growth capital), vehicle additions (reflecting repayments of obligations under finance leases) and other non-recurring income. Capital expenditures outside of Enercare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions and infrastructure assets are considered by management to be growth expenditures and are therefore not deducted in the determination of Distributable Cash.

Distributable Cash per Share is a measure of the amount of Distributable Cash calculated on a per Share basis.

Distributable Cash - Maintenance is the same as the historical Distributable Cash, except that Rentals capital expenditures associated with new customer additions and buyout proceeds on disposal of equipment associated with lost customers are excluded. Growth expenditures for purposes of Distributable Cash - Maintenance definition include capital expenditures such as Rentals new customer equipment additions, Sub-metering equipment, acquisitions and infrastructure assets.

Distributable Cash is reconciled with cash provided by operating activities, an IFRS measure (see “Distributable Cash and Payout Ratios” in this MD&A).

Distributions, Payout Ratio and Payout Ratio - Maintenance

Dividends are declared and paid monthly to shareholders at the discretion of the board of directors of Enercare. Among other things, the directors consider the level of Distributable Cash, the level of previous dividends, and the amount of cash they wish to retain in the company for contingencies and future growth.

The historical Payout Ratio is the percentage of Distributable Cash to dividends (excluding the exercise of the over-allotment option) declared to shareholders during a period and represents the ability of Enercare to pay dividends, finance capital expenditures and add to its cash reserves.

Payout Ratio - Maintenance is similar to the Payout Ratio, except that the ratio is calculated as the percentage of Distributable Cash – Maintenance to dividends declared to shareholders during the period and represents the ability of Enercare to pay dividends, add to its cash reserves and illustrates the proportion of cash required to maintain its existing customer base.

Operating Cash Flow

Operating Cash Flow is the cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of the financial strength of Enercare. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure (see “Liquidity and Capital Resources” in this MD&A).

Billable

Sub-metering Billable units represent assets or services in the case of multiple products, for which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset or service due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable, or where vacancy exceeds 6-months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Measures Regarding Debt Covenants

As at June 30, 2017, Enercare was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes. For a summary of the financial covenants in respect of such debt see “Liquidity and Capital Resources – Debt Financing” in this MD&A.

2014 Revolver and 2016 Term Loan

Under the 2014 Revolver agreement and 2016 Term Loan agreement, Enercare Solutions is subject to three principal financial covenants as described in the section “Liquidity and Capital Resources – Debt Financing” in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on June 30, 2017. There was a total of $40,000 drawn under the 2014 Revolver at June 30, 2017. Enercare Solutions’ obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions’ material subsidiaries, including SEHAC and its subsidiaries.

2013 Notes and 2017 Notes – Incurrence Test

The covenants under the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Enercare makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of these interim financial statements. Management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At June 30, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $42,400 reflecting accrued service periods, compared to $43,600 at June 30, 2016. Unbilled protection plans comprise approximately $25,900 of this balance, compared to $27,100 at June 30, 2016. This balance is predominantly made up of protection plans sold in franchisee service areas, which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At June 30, 2017, the Service Experts segment recorded a revenue accrual of approximately $4,100 reflecting accrued revenue for contracts in progress, compared to $2,200 at June 30, 2016.

At June 30, 2017, the Sub-metering segment recorded a revenue accrual of approximately $9,800, reflecting accrued service periods, compared to $9,200 at June 30, 2016.

Bad Debt Provisions

The Enercare Home Services segment is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. (“EGD”) within its service territory and secondarily when billed by Enercare or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare is guaranteed payment by EGD for 99.51% in 2017 and 2016 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision comprising the Enercare Home Services, Sub-metering and Service Experts segments was approximately $13,400 at June 30, 2017, compared to approximately $11,800 at the end of 2016. Changes in any of the variables or assumptions may result in a materially different amount.

Leases

Management applies judgment in its assessment of Enercare’s arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or when events or circumstances indicate impairment may exist. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billable units, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Employee defined benefit plan balances are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to acquisitions, these interim financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill.

Estimation of Insurance Claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on Enercare's best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at June 30, 2017. There have been no changes to our ICFR during the quarter and year to date ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, Enercare's ICFR.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, Enercare intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2017.

IAS 7, “Statement of cash flows” (“IAS 7”), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning or after January 1, 2017. Enercare has assessed the impact of adopting this amendment on these interim financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash flows and non-cash changes.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare in future periods:

Revenue Recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare has begun to assess the terms and conditions of its inventory of revenue contracts with customers, and continues to evaluate the impact of adopting this standard on the consolidated financial statements, including the assessment of the gross versus net revenue presentation in the Sub-metering business. Quantification of any impact on adopting the new standard is expected in 2017.

Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the entity’s own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements. Quantification of any impact on adopting the new standard is expected in 2017.

Financial Instruments Disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

IFRS 16, “Leases” (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than twelve months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

RISK FACTORS

The risks related to the business and structure of Enercare discussed in the AIF remain unchanged.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect Enercare’s current expectations regarding future results or events and are based on information currently available to management.

Enercare Home Services Segment

- Our main priority for the business in 2017 is to grow EBITDA. In order to grow EBITDA in the Enercare Home Services business, our key priority is to continue to grow the number of rental contracts. We believe that we have the opportunity to continue to grow the number of contract additions in excess of Attrition throughout 2017. Other key priorities for the Enercare Home Services business include growing the protection plan portfolio, enabled by the full launch of the electrical protection plans, investing in the replacement of key infrastructure and IT systems that support our vision for sustainable growth and further enhancing our customer satisfaction levels. We will also continue to build on the innovation of our mobile app with further enhancements to the customer experience throughout the year.
- Our strategy to emphasize HVAC rentals over outright sales in order to create a long-term customer revenue stream and provide valuable cross-selling opportunities continues to be successful. While this strategy has resulted in a significant increase in recurring HVAC rental revenues, we anticipate the negative short-term impact on non-recurring sales and other services revenue to continue throughout 2017.
- Our collective bargaining agreement in respect of Enercare Home Services with UNIFOR Local 975 expired on March 31, 2017. Renegotiations began in March and are continuing.

Service Experts Segment

- Consistent with previous guidance, cost synergies relating to the SE Transaction are estimated to be in the range of $0.05 to $0.08 per Share on an annualized basis by the end of 2017. Enercare estimates that on a year to date basis approximately half of these synergies have already been achieved with savings coming primarily from improved sourcing costs leading to lower cost of goods sold, SG&A and capital expenditures as well as lower current taxes.
- Our key priority for the Service Experts business in 2017 is to grow revenues and EBITDA while continuing to expand the rental programs for HVAC and water heater products in both Canada and the U.S. Service Experts will also continue to explore strategic acquisition opportunities.
- In October 2016, Service Experts introduced a rental program for HVAC products and water heaters in several centers within Canada. This rollout was completed at all 15 locations in Canada in February 2017, and while the program is still in the very early stages, Enercare is encouraged by the initial

results which show an initial rental mix during the first half of 2017 of approximately 13% (ranging from 6% to 30% depending on the center) in Ontario and 7% (ranging from 3% to 11% depending on the center) in Western Canada, where the rental model is a new concept. The successful introduction of our recurring revenue rental model in Canada is part of our plan to integrate rentals throughout Service Experts residential heating and cooling operations over the next two years to create recurring revenue. During the first quarter of 2017, Service Experts extended the rental HVAC offerings through a pilot in two U.S. states and subsequently rolled out to two additional states in late March and one in early May. The U.S. rental program is similar to Enercare's existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the piloted states is 10 years. Enercare anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S. The preliminary rental mix of total HVAC origination in the United States during the first half of 2017 was approximately 3% (ranging from 0.5% to 8% depending on the center). While the initial results in a number of these U.S. centers are encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes.

- The business of Service Experts is subject to greater seasonality than Enercare Home Services as a result of it having fewer recurring revenue sources. Revenue and EBITDA tend to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where Service Experts operates and weather patterns. The heating season (roughly November through February) and cooling season (roughly May through August) are periods when consumers transition their buying patterns from one season to the next. In most of the states that Services Experts operates, cooling equipment as opposed to heating equipment represents a substantial portion of its annual HVAC sales and service revenue. Conversely, in the three provinces that Service Experts operates, heating equipment represents a large portion of its Canadian sales and service revenue. The sales are also impacted by seasonal weather patterns; in periods of extreme heat and cold, installation and demand service revenue tend to increase. This results in higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season and the lowest revenue and substantially reduced EBITDA, relative to other quarters, in the first quarter. Service Experts normally generates a neutral level of profitability in the first quarter of the year and as a result the working capital needs are generally greater in the first quarter, followed by higher operating cash inflows in the second and third quarters.

Sub-metering Segment

- In respect of Sub-metering, our priorities for 2017 will be to continue to grow EBITDA by increasing contract sales. Other key priorities include reducing the capital spend per unit for new installations and introducing new products and services.
- During the first half of 2017, we continued to experience the trend that almost one-half of our contracted units were for thermal, gas or water sub-metering. The majority of all new construction contracts are for both electricity and water sub-metering services, which contributes to lower billing costs over time as multiple products will be invoiced on a single bill.
- Sub-metering sales opportunities continue to be strong and skewed towards multi-commodity products within the new construction and condominium segments. During the first half of 2017, over three-quarters of the newly contracted services have come from new construction condominiums and rental properties. Although the buildings related to these contracts have yet to be constructed and as a result the bulk of the capital and all of the related revenues will occur in 24 to 36 months, once constructed, all units within these buildings will start billing on initial move-in. This is in contrast to retrofit apartment contracts for which installation starts sooner, but billing lags as it is reliant on tenant turnover.
- In a new construction scenario, the typical lead time between the signing of a sub-metering agreement, which happens prior to construction and the on-boarding of metering customers averages three years. With the current backlog, we are expecting higher than average new construction installations in 2018 which will continue in the following years.

- Sub-metering plans to continue to negotiate new contracts with existing clients as they approach the end of their original contracts. Each of these negotiations are unique and competitive pressure will likely result in re-negotiated fees being below those of the original contracts.
- During the first quarter, sub-metering introduced a new commercial service offering through a controlled launch process. This offering compliments our recently launched commercial consolidation billing solution and brings additional features, such as tenant level consumption reporting and client options to purchase the meters. During the second quarter, the first contracts for this service were signed with installations scheduled for the second half of 2017.
- Triacta has been developing the generation 5 PowerHawk metering platform, which is entering laboratory trials. This new platform has a modular architecture, allowing for a single unit to measure multiple types of commodities and utilize a variety of communications protocols. General availability of the product is expected in late 2017.

Corporate

- Enercare has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. During the second half of 2017, in order to improve its customer experience, Enercare will deploy a new interactive voice response system as well as make enhancements to its mobile app. Enhancements to the mobile app will allow customers, not currently with Enercare Home Services, the ability to download the app to purchase products and services. In the third quarter of 2017, Enercare will also launch a human resource management system to automate human resource activities and processes. As well, Enercare plans to implement a customer relationship management system and an ERP system across both the Enercare Home Services and Services Experts businesses, which initiative is currently in the scoping phase. As these and other innovations are rolled out over the next few years, Enercare will continue making additional investments in both capital and SG&A expenditures.
- Consistent with previous guidance, Enercare estimates that it will recognize approximately $23 million to $29 million in current income tax expense for the fiscal year ending December 31, 2017. This estimate assumes corporate tax rates of approximately 26.5% in Canada and 39% in the US. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning and capital expenditures through the capital cost allowance deduction.
- Consistent with previous guidance, Enercare is targeting a range of between $167 million and $192 million in capital investments in 2017, primarily reflecting higher unit costs due to higher end product originations, higher sales volumes and higher corporate spending on platforms for innovation and growth to enable future product offerings, including smart home products for a connected home. The target ranges for some capital expenditure categories have been adjusted in the table below.

Capital Expenditure[1]	Target Range for 2017 as of March 31, 2017	Adjustments	Target Range for 2017 as of June 30, 2017
HVAC rentals	$46M – $52M	($1M)	$45M – $51M
Water heater additions	$35M – $39M	$2M	$37M – $41M
Water heater exchanges	$32M – $36M	$2M	$34M – $38M
Sub-metering growth	$17M – $21M	–	$17M – $21M
In-house financing[2]	$5M – $ 8M	–	$5M – $ 8M
Corporate and building[3]	$32M – $36M	($3M)	$29M – $33M
Total range	$167M – $192M	–	$167M – $192M[4]

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.
(3) Corporate capital includes IT software and hardware, furniture and fixtures and other capital projects. The building relates to a new head office purchased in Q2 of 2016 including renovations continuing into the first half of 2017.
(4) The target range of capital spend for the Enercare Home Services and Service Experts businesses is largely based on the number and type of equipment originated (assumed to be approximately 26,000 water heater and water treatment rental additions, 44,000 water heater exchanges and 14,500 HVAC rental additions) and the mix between rental, sales and financing arrangements similar to actual results experienced in the last 12 months of operations. The target range for capital spend in the Sub-metering business is based on the number and type of metering equipment installed during the year assumed to be approximately 18,000 units.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare dated March 31, 2017.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
BBB	Better Business Bureau.
Bill 55	Stronger Protection for Ontario Consumers Act, 2013.
Bill 59	Putting Consumers First Act (Consumer Protection Statute Amendment Law), 2016.
Billable	Enercare services that are deemed to be billing (see Non-IFRS Financial and Performance Measures – Measures of Financial Performance).
Church Services	CS Operating LLC acquired by Service Experts on February 13, 2017, which provides HVAC and plumbing services in Austin, Texas
Convertible Debentures	6.25% convertible unsecured subordinated debentures of Enercare (formerly the Fund), which mature on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture is convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures).
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
DE Acquisition	The acquisition of the OHCS business of DE by Enercare on October 20, 2014 through EHCS LP.
EBITDA	This measure is comprised of net earnings plus income taxes, interest expense and amortization expense. It is one metric that can be used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Previously EBITDA excluded investment and other income and beginning the first quarter of 2016, the calculation of EBITDA includes investment and other income. Comparatives have been restated accordingly.
ECI	Enercare Connections Inc. (formerly Stratacon, EECI and Triacta).
EECI	Enbridge Electric Connections Inc. (now ECI).
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the DE Acquisition, an indirect wholly-owned subsidiary of Enercare.
EGD	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Home Services	Enercare business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
ESLP	Enercare Solutions Limited Partnership (formerly the Waterheater Operating Limited Partnership).
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
Guarantors	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada Inc., SEHAC and its operating subsidiaries and affiliates.
Hammond	Hammond Plumbing & Heating Inc. acquired by Service Experts on May 24, 2017, which provides residential and commercial plumbing and heating services in Kitchener, Ontario
HVAC	Heating, ventilation and air conditioning.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the IASB.
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
LEAN	Lean is a set of "tools" and an operational discipline that assist in the identification and steady elimination of process waste - as waste is eliminated quality improves while cycle time and cost is reduced.
MD&A	Management's Discussion and Analysis.
Merger Agreement	The agreement dated March 7, 2016 between, among others, Enercare Solutions and Service Experts regarding the SE Transaction.
NCIB	Enercare's normal course issuer bid.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare on October 20, 2014 in the DE Acquisition.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS LP on October 20, 2014.
Rentals	Component of the Enercare Home Services business that provides rental water heaters, furnaces, air conditioners and other HVAC products.
Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Canada	SE Canada Inc.
SE Subscription Receipts	$231,947 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.
SE Transaction	The acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary of Enercare Solutions, pursuant to the Merger Agreement which was completed on May 11, 2016.
SEHAC	SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).
Senior Unsecured Indenture	Means the trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014, the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time.
Service Experts	Enercare business operating under the brand "Service Experts", which provides HVAC products and servicing to residential and light commercial customers, primarily operated by SEHAC and SE Canada.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Shares	Common shares of Enercare.
Stratacon	Stratacon Inc. (now ECI).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Sub-metering	Business division that provides sub-metering equipment and billing services.
Triacta	Triacta Power Technologies Inc., now ECI pursuant to an amalgamation effective July 15, 2015.

Trust	The Consumers' Waterheater Operating Trust.
TSX	Toronto Stock Exchange.
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which was redeemed on March 23, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of Enercare Solutions, which mature on February 3, 2020.
2014 Debt Financing	The debt financing of Enercare Solutions in respect of the DE Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $200,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing. In December of 2016, the revolving credit facility was increased to a maximum amount of $200,000, maintaining the same terms.
2014 Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the 2014 Debt Financing, which was repaid on February 23, 2017.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US $200,000.
2017-1 Notes	The $275,000 of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions, due February 21, 2022.
2017-2 Notes	The $225,000 of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions, due February 21, 2024.
2017 Notes	The Series 2017-1 Notes and Series 2017-2 Notes.