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

Third Quarter ended September 30, 2017

Dated November 13, 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 September 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 November 13, 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 7 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. There can also be no assurance as to any potential outcome of the Bureau's inquiry and the effect on Enercare's business.

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 92 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.

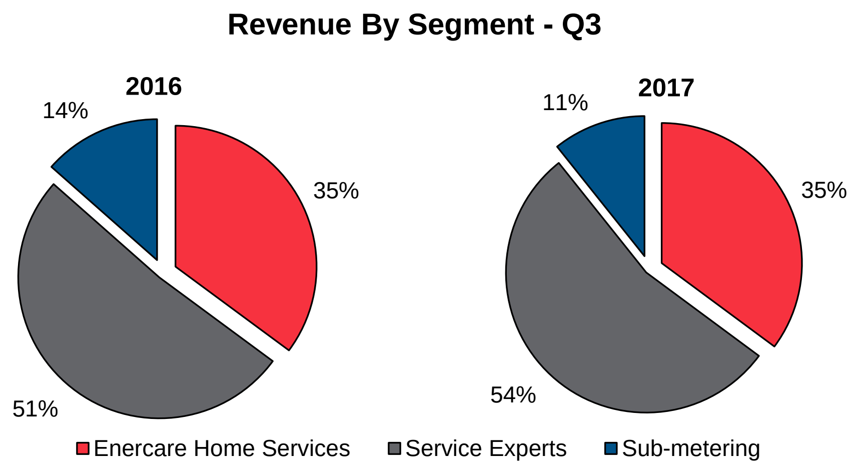
Through its Enercare Home Services, Service Experts and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to North America's growing culture of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

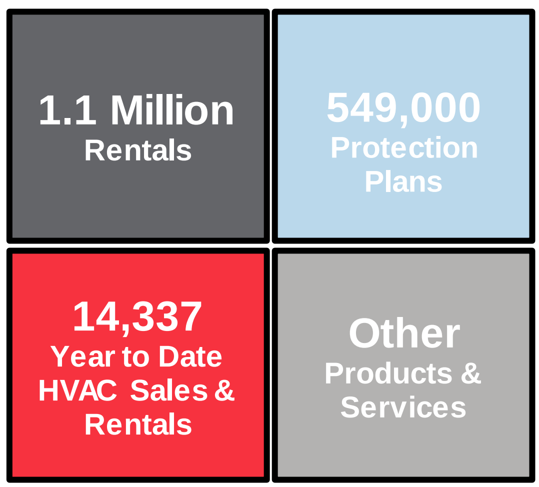
PORTFOLIO SUMMARY

Enercare's primary businesses are comprised of Enercare Home Services, Service Experts and Sub-metering. The graph below shows the breakdown of revenues for each of the primary businesses. The primary business activities within each of the Enercare Home Services, Service Experts and Sub-metering segments are discussed below.



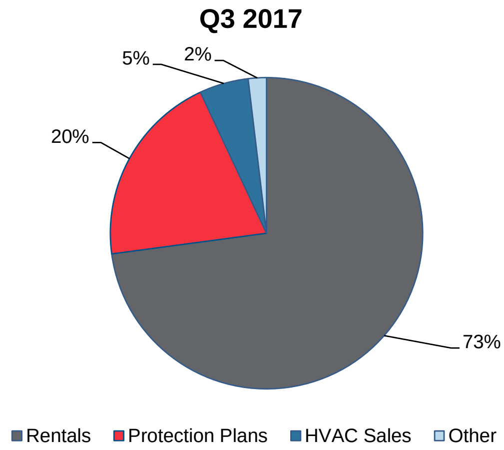
Enercare Home Services Business

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 third 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.

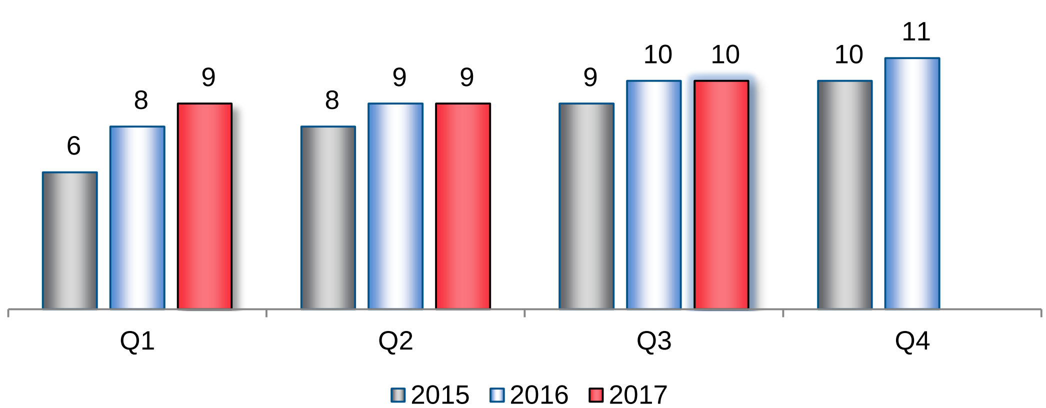
Home Services Revenue By Category



Rentals

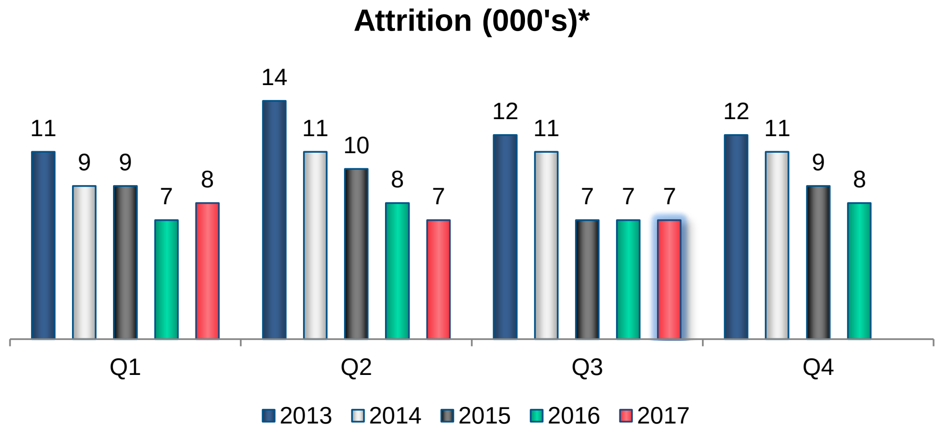
Enercare Home Services is focused on growing its rental portfolio by increasing originations and reducing Attrition. Originations are primarily obtained from the new home builder market and new customers identified through field technicians and dealers. New products, such as rental HVAC (discussed further below in the section entitled “HVAC Sales and Rentals”), have contributed significantly to increasing total originations. As seen in the graph below, additions were 9,800 units in the third quarter of 2017, an increase of 3%, compared to the same period in 2016.

Rental Additions (000's)*



* 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.

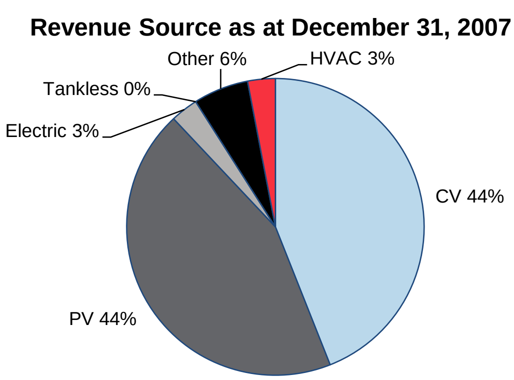
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns. Such initiatives, coupled with enhancements to our customer value proposition (for example, the “same day service campaign”) and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 6,800 units in the third quarter of 2017 and 21,800 units year to date remained comparable with that of the prior periods in 2016, which had Attrition of 6,900 and 21,600, respectively. The chart below illustrates Attrition trends since 2013.

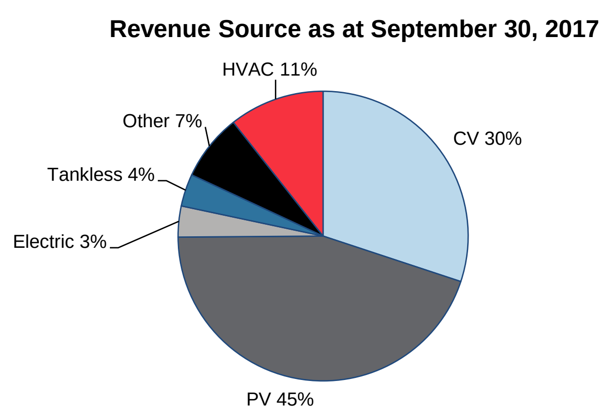


* Attrition units presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the 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.

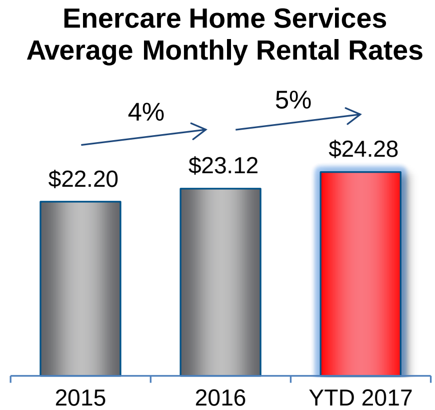
Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 17,000 units in total, the first nine consecutive quarters of net unit growth for Enercare Home Services in over a decade.

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 of 2016 and 2017, Enercare Home Services increased its weighted average rental rate by 2.74% and 3.10%, respectively, with respect to the rental water heater portfolio. This, in combination with product mix changes and the focus on adding rental HVACs, led to an increase in the average portfolio rental rate of 4% for fiscal 2016 as compared to fiscal 2015 and 5% for year to date 2017 compared to fiscal 2016.



Protection Plans

Enercare Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing, electrical components 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 third quarter of 2017. Protection plan additions of approximately 20,000 plans decreased by 5% from the same period in 2016, but have increased by 8% year to date to 57,000 plans. Protection plan attrition of approximately 18,000 plans in the third quarter and 50,000 year to date improved by 14% and 9%, respectively, compared to the same periods in 2016, despite the loss of approximately 2,400 and 6,400 (2016 – 2,600 and 6,700) protection plans in the third quarter and year to date, respectively, as a result of those plans 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 2,000 and 7,000 plans during the third quarter of 2017 and year to date, respectively.

In the third 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 September 30, 2017 and 2016.

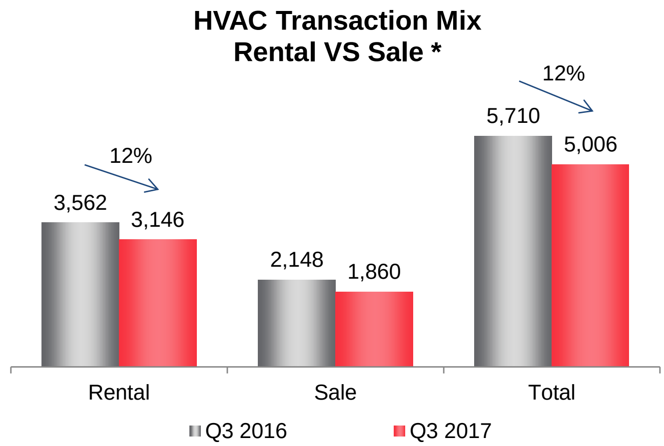
	Three months ended September 30,	
Protection Plan Unit Continuity (000's)	**2017**	2016
Contracts - start of the period	**547**	543
Portfolio additions	**20**	21
Protection plan attrition	**(18)**	(21)
Contracts - end of the period	**549**	543
% change in units during the period	**0.4%**	-%

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 third 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 third quarter of 2017, Enercare Home Services rented 3,146 new units, a decrease of 12% over the same period in 2016, and sold approximately 1,860 units, for a total of 5,006 HVAC units, compared to 5,710 units in the third quarter of 2016, a decrease of 12%. HVAC sales and rentals during the third quarter of 2017 decreased as a result of unfavourably cooler temperatures compared to the same period in 2016, as measured by cooling degree days[1]. During the third quarter of 2017, there were 40% fewer cooling degree days compared to the same period in 2016. Although the significantly cooler weather conditions resulted in softer demand for air conditioning sales and rentals compared to the same period in

[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).

2016, strong sales execution resulted in higher ticket prices and closing rates.

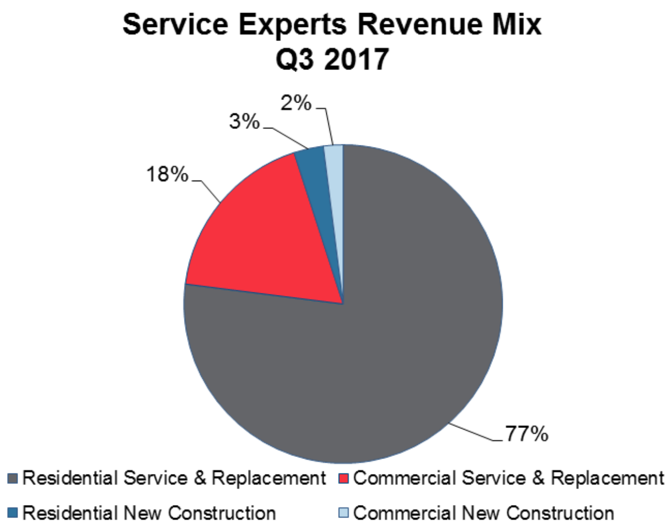
The strategy to convert HVAC sales into rentals has resulted in increases to recurring revenue. Nevertheless, Enercare continues to be financially impacted by this strategy in the short-term. For example, had all 3,146 new HVAC rental additions in the third quarter of 2017 been sales as opposed to rentals, revenues and EBITDA during the quarter would have increased by approximately $9,300 and $3,700, 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 and electrical 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 a total of 92 centers within 29 states in the United States and three provinces in Canada.



As illustrated in the chart above, residential service and replacement made up 77% of revenues, while commercial service and replacement made up 18%. 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.

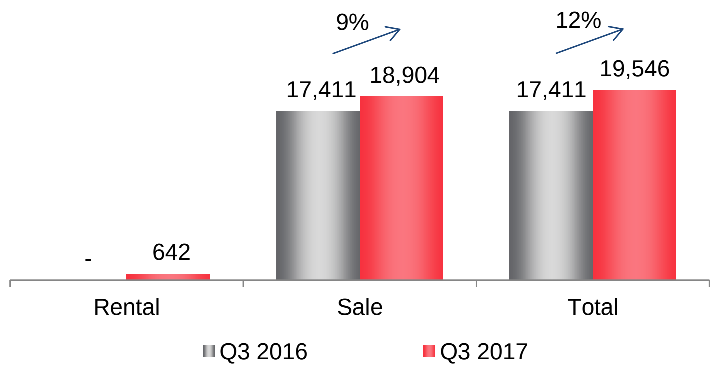
As part of Service Experts' strategy to grow its recurring revenues, in October 2016, Service Experts introduced a rental program for HVAC and water heater products in Canada. The program rollout was completed at all 15 centers in Canada in February 2017, and while the program is still in the early stages, the initial results have shown a rental mix during the first nine months of 2017 of approximately 14% (ranging from 6% to 35% depending on the center) in Ontario and 8% (ranging from 5% to 20% 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, one in early May and two additional states in late September. 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 nine months of 2017 was approximately 3% (ranging from 0.2% to 11% 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 third quarter of 2017, Service Experts sold approximately 18,904 HVAC and water heater units, an increase of 9% over the same period in 2016, and rented approximately 642 new units for a total of 19,546 HVAC and water heater unit installations, an increase of 12% compared to the same period in 2016. The increase in total HVAC and water heater unit installations was despite the cooler weather conditions experienced across the United States[2] during the third quarter of 2017 compared to the same period in 2016, specifically in the Eastern and Central regions. Sales and rentals activity was also negatively impacted during the third quarter as the demand for installations softened, particularly in Florida, during the days leading up to and after Hurricane Irma. Service Experts' sales and rentals in Eastern Canada were similarly impacted by the same weather trends experienced by the Enercare Home Services segment, while Western Canada experienced warmer weather patterns compared 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 280 HVAC and 362 water heater rental additions during the third quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,109 and $723, 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 third 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*



* HVAC and water heater sales exclude units related to the partial quarter results arising from the acquisition of Aramendia.

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 September 30, 2017.

Maintenance Contract Unit Continuity	For the three months ended September 30,	
(000's)	**2017**	2016
Contracts - start of period	**217**	218
Portfolio additions	**27**	26
Portfolio attrition	**(27)**	(27)
Contracts - end of period	**217**	217
% change in units during the period	**-%**	-%

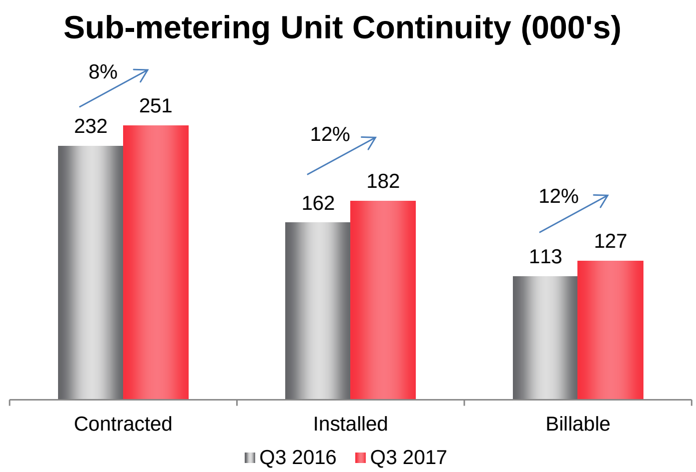
Sub-metering Business

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 251,000 contracted units. Of those contracted units, 182,000 have meters installed and 127,000 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 eight quarters. Contracted units increased by approximately 5,000 units in the third quarter of 2017 and 16,000 units year to date, lower by 5,000 units and 11,000 units, respectively, over the same periods in 2016. Year to date contracted units includes the removal of 3,000 units in Alberta during the second quarter 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.



THIRD QUARTER 2017 HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
(000's)	**2017**	2016	**2017**	2016
Enercare Home Services	**$114,599**	$110,977	**$338,532**	$325,395
Service Experts	**176,112**	162,350	**500,918**	264,559
Sub-metering	**34,848**	42,596	**105,404**	112,265
Investment income	**343**	21	**983**	476
Total revenues	**$325,902**	$315,944	**$945,837**	$702,695
EBITDA	**77,123**	73,978	**206,512**	194,535
Adjusted EBITDA[3]	**77,766**	74,712	**214,149**	198,091
Acquisition Adjusted EBITDA[3]	**78,086**	79,566	**214,846**	212,366
Earnings before income taxes	**27,868**	27,142	**53,766**	62,056
Current tax (expense)	**(5,785)**	(15,332)	**(17,700)**	(42,847)
Deferred income tax (expense)/recovery	**(1,929)**	7,522	**2,159**	24,369
Net earnings	**$ 20,154**	$ 19,332	**$ 38,225**	$ 43,578
Payout Ratio – Maintenance[4]	**51%**	52%	**57%**	55%
Payout Ratio[4]	**84%**	87%	**100%**	97%

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

- Total revenues of $325,902 increased by $9,958 or 3% in the third quarter of 2017. Revenues in the Enercare Home Services business were $114,599, increasing by $3,622 or 3%, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Revenues in the Service Experts business increased by $13,762 or 8%, primarily from higher sales volumes, shifts towards higher value product sales and acquisitions completed during the year. The increase in sales and rentals activity during the third quarter was despite unfavourably cooler weather trends and a lower demand, particularly in Florida, for achieved installations during the days leading up to and after Hurricane Irma. Sub-metering revenues decreased to $34,848 from $42,596, primarily as a result of lower flow through commodity charges partly offset by increases in Billable units.
- EBITDA of $77,123 increased by $3,145 or 4% in the third quarter of 2017, driven principally by improved total revenues partly offset by higher cost of goods sold and SG&A costs comprised of higher wages and benefits and sales and marketing expenditures, partly offset by lower professional fees primarily from one-time acquisition and integration costs of $4,189 incurred during the third quarter of 2016 associated with the SE Transaction. Enercare estimates that cooler weather trends resulted in approximately $1,000 to $2,000 of lower EBITDA during the quarter, compared to the same period in 2016. In addition, foreign exchange negatively impacted EBITDA by $391.
- Enercare Home Services EBITDA during the third quarter of 2017 increased by $1,142 or 2% to $65,064, primarily driven by rental rate increases, asset mix changes and growth in rental HVAC units, partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits.
- Service Experts EBITDA of $16,063 during the quarter was $1,253 or 8% higher than that reported for the same period in 2016, primarily from higher sales volumes, shifts towards higher value product sales and revenues from acquisitions completed during the year. These increases were partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits and sales and marketing expenditures partly offset by lower professional fees comprised of one-time acquisition and integration costs of $4,189 incurred during the third quarter of 2016 associated with the SE Transaction. Enercare estimates that Service Experts EBITDA was negatively impacted by approximately $1,000 from the lower demand, particularly in Florida, for installations during the days leading up to and after Hurricane Irma. Additionally, had the 280 HVAC and 362 water heater rental

[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.

additions during the third quarter of 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $2,109 and $723, respectively.

- Sub-metering EBITDA during the third quarter of 2017 increased by $727 or 21% to $4,117, primarily driven by higher Billable units, which increased by approximately 14,000 units or 12% compared to the same period in 2016.
- Adjusted EBITDA of $77,766 during the third quarter of 2017 was $3,054 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 $320 of acquisition related expenditures primarily associated with the acquisition of Aramendia Plumbing, Heating & Air Ltd ("Aramendia"), Acquisition Adjusted EBITDA was $78,086 in the third quarter of 2017, a decrease of $1,480, compared to the same period in 2016, which excluded $4,854 of both acquisition costs related to the SE Transaction and integration costs resulting from the DE Acquisition.
- Net earnings of $20,154 in the third quarter of 2017 was $822 or 4% higher than the same period in 2016, reflecting higher EBITDA, partly offset by higher amortization and interest expense.
- Rental unit growth has surpassed Attrition since the third quarter of 2015 by approximately 17,000 units in total, the first nine consecutive quarters of net unit growth for Enercare in over a decade.
- The Payout Ratio – Maintenance was 51% in the third quarter of 2017, which decreased by 1% compared to the same period in 2016. Enercare's Dividend Reinvestment Plan participation rate was approximately 30% at the end of the third quarter of 2017, resulting in cash savings of $7,972 during the quarter. Adjusting the Payout Ratio - Maintenance for the $17,768 cash dividends paid in the third quarter of 2017 compared to the $25,740 dividends declared, would result in a Payout Ratio of 35%.

RECENT DEVELOPMENTS

Service Experts Acquires Aramendia

On August 15, 2017, Service Experts acquired Aramendia Plumbing, Heating & Air Ltd., an HVAC and plumbing services business, with locations in San Antonio and McKinney, Texas, for consideration of US $24,000. The acquisition complements Service Experts' industry-leading heating and air conditioning services and solutions already offered in the San Antonio and McKinney markets and introduces full-service residential plumbing.

ECI Expands Strategic Partnership with Briarlane by Adding 568 Additional Rental Units

On August 17, 2017, Enercare announced the expansion of their strategic partnership with Briarlane Rental Property Management Inc., under which ECI will provide sub-metering services for an additional 568 rental units. ECI supports more than 5,000 units at Briarlane managed properties.

RESULTS OF OPERATIONS

Earnings Statement

Three months ended September 30, 2017 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$106,943**	**$ 14,144**	**$33,881**	**$ -**	**$154,968**
Sales and other services	**7,656**	**161,968**	**967**	**-**	**170,591**
Investment income	**324**	**17**	**2**	**-**	**343**
Total revenue	**$114,923**	**$176,129**	**$34,850**	**$ -**	**$325,902**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**25,153**	**-**	**25,153**
Maintenance & servicing costs	**16,964**	**11,202**	**-**	**-**	**28,166**
Sales and other services	**6,430**	**105,375**	**502**	**-**	**112,307**
Total cost of goods sold	**23,394**	**116,577**	**25,655**	**-**	**165,626**
SG&A expenses	**25,500**	**43,994**	**5,088**	**8,113**	**82,695**
Foreign exchange	**215**	**(398)**	**(10)**	**8**	**(185)**
Amortization expense	**31,787**	**4,997**	**1,879**	**794**	**39,457**
Net loss/(gain) on disposal of equipment and other assets	**750**	**(107)**	**-**	**-**	**643**
Interest expense:					
Interest expense payable in cash					**9,315**
Make-whole charge on early redemption of debt					**-**
Non-cash interest expense					**483**
Total interest expense					**9,798**
Total expenses					**298,034**
Earnings before income taxes					**27,868**
Current tax (expense)					**(5,785)**
Deferred tax (expense)					**(1,929)**
Net earnings					**$ 20,154**
EBITDA	**$ 65,064**	**$ 16,063**	**$ 4,117**	**$(8,121)**	**$ 77,123**
Adjusted EBITDA	**$ 65,814**	**$ 15,956**	**$ 4,117**	**$(8,121)**	**$ 77,766**
Acquisition Adjusted EBITDA	**$ 65,814**	**$ 16,276**	**$ 4,117**	**$(8,121)**	**$ 78,086**

Three months ended September 30, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$103,010**	**$ 6,741**	**$41,926**	**$ -**	**$151,677**
Sales and other services	**7,967**	**155,609**	**670**	**-**	**164,246**
Investment income	**77**	**(59)**	**3**	**-**	**21**
Total revenue	**$111,054**	**$162,291**	**$42,599**	**$ -**	**$315,944**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**34,032**	**-**	**34,032**
Maintenance & servicing costs	**17,065**	**4,942**	**-**	**-**	**22,007**
Sales and other services	**5,508**	**101,437**	**300**	**-**	**107,245**
Total cost of goods sold	**22,573**	**106,379**	**34,332**	**-**	**163,284**
SG&A expenses	**23,818**	**41,191**	**4,917**	**8,146**	**78,072**
Foreign exchange	**(37)**	**(45)**	**(40)**	**(2)**	**(124)**
Amortization expense	**30,729**	**5,229**	**1,720**	**651**	**38,329**
Net loss/(gain) on disposal of equipment and other assets	**778**	**(44)**	**-**	**-**	**734**
Interest expense:					
Interest expense payable in cash					**8,011**
Non-cash interest expense					**496**
Total interest expense					**8,507**
Total expenses					**288,802**
Earnings before income taxes					**27,142**
Current tax (expense)					**(15,332)**
Deferred tax recovery					**7,522**
Net earnings					**$ 19,332**
EBITDA	**$ 63,922**	**$ 14,810**	**$ 3,390**	**$(8,144)**	**$ 73,978**
Adjusted EBITDA	**$ 64,700**	**$ 14,766**	**$ 3,390**	**$(8,144)**	**$ 74,712**
Acquisition Adjusted EBITDA	**$ 64,858**	**$ 18,955**	**$ 3,390**	**$(7,637)**	**$ 79,566**

Nine months ended September 30, 2017 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$317,202**	**$ 40,062**	**$101,545**	**$ -**	**$458,809**
Sales and other services	**21,330**	**460,856**	**3,859**	**-**	**486,045**
Investment income	**941**	**37**	**5**	**-**	**983**
Total revenue	**$339,473**	**$500,955**	**$105,409**	**$ -**	**$945,837**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**77,147**	**-**	**77,147**
Maintenance & servicing costs	**49,949**	**31,572**	**-**	**-**	**81,521**
Sales and other services	**17,229**	**299,066**	**2,299**	**-**	**318,594**
Total cost of goods sold	**67,178**	**330,638**	**79,446**	**-**	**477,262**
SG&A expenses	**79,096**	**133,759**	**15,781**	**26,128**	**254,764**
Foreign exchange	**381**	**(623)**	**(88)**	**(8)**	**(338)**
Amortization expense	**94,063**	**15,467**	**5,670**	**2,141**	**117,341**
Net loss on disposal of equipment and other assets	**2,877**	**4,750**	**10**	**-**	**7,637**
Interest expense:					
Interest expense payable in cash					**28,229**
Make-whole charge on early redemption of debt					**5,049**
Non-cash interest expense					**2,127**
Total interest expense					**35,405**
Total expenses					**892,071**
Earnings before income taxes					**53,766**
Current tax (expense)					**(17,700)**
Deferred tax recovery					**2,159**
Net earnings					**$ 38,225**
EBITDA	**$189,941**	**$ 32,431**	**$ 10,260**	**$(26,120)**	**$206,512**
Adjusted EBITDA	**$192,818**	**$ 37,181**	**$ 10,270**	**$(26,120)**	**$214,149**
Acquisition Adjusted EBITDA	**$192,818**	**$ 37,878**	**$ 10,270**	**$(26,120)**	**$214,846**

Nine months ended September 30, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$305,060**	**$ 8,486**	**$109,530**	**$ -**	**$423,076**
Sales and other services	**20,335**	**256,073**	**2,735**	**-**	**279,143**
Investment income	**238**	**18**	**28**	**192**	**476**
Total revenue	**$325,633**	**$264,577**	**$112,293**	**$ 192**	**$702,695**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**86,590**	**-**	**86,590**
Maintenance & servicing costs	**49,738**	**6,344**	**-**	**-**	**56,082**
Sales and other services	**16,101**	**162,538**	**1,243**	**-**	**179,882**
Total cost of goods sold	**65,839**	**168,882**	**87,833**	**-**	**322,554**
SG&A expenses	**73,226**	**70,773**	**14,573**	**23,661**	**182,233**
Foreign exchange	**(15)**	**(50)**	**(52)**	**(66)**	**(183)**
Amortization expense	**90,910**	**8,565**	**4,995**	**1,962**	**106,432**
Net loss/(gain) on disposal of equipment and other assets	**3,587**	**3**	**(34)**	**-**	**3,556**
Interest expense:					
Interest expense payable in cash					**24,668**
Non-cash interest expense					**1,379**
Total interest expense					**26,047**
Total expenses					**640,639**
Earnings before income taxes					**62,056**
Current tax (expense)					**(42,847)**
Deferred tax recovery					**24,369**
Net earnings					**$ 43,578**
EBITDA	**$182,996**	**$ 24,969**	**$ 9,973**	**$(23,403)**	**$194,535**
Adjusted EBITDA	**$186,583**	**$ 24,972**	**$ 9,939**	**$(23,403)**	**$198,091**
Acquisition Adjusted EBITDA	**$188,895**	**$ 35,854**	**$ 9,939**	**$(22,322)**	**$212,366**

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. The following table illustrates the approximate impact of foreign exchange on Enercare's results for both the third quarter and year to date 2017 assuming average exchange rates during the current periods were held constant to those in 2016.

	Three months ended September 30,			Nine months ended September 30,		
(in $000's)	**2017**	2016	Difference	**2017**	2016	Difference
Average exchange rate (CDN$/US$1.00)	**$0.7984**	$ 0.7665	$0.0319	**$ 0.7657**	$ 0.7690	$(0.0033)

	Three months ended September 30,			Nine months ended September 30,		
	2017	2017 Constant Currency	Impact of Foreign Exchange	**2017**	2017 Constant Currency	Impact of Foreign Exchange
Revenue	**$146,009**	$151,854	$(5,845)	**$422,917**	$420,850	$ 2,067
Cost of goods sold	**95,467**	99,316	(3,849)	**272,932**	272,630	302
SG&A expenses	**38,478**	40,085	(1,607)	**119,443**	119,279	164
(Gain) / Loss on disposal	**(75)**	(77)	2	**3,608**	3,538	70
EBITDA			$ (391)			$ 1,531

Revenues

Total revenues of $325,902 for the third quarter of 2017 increased by $9,958 or 3% and by $243,142 or 35% to $945,837 year to date compared to the same periods in 2016. The year to date increase was 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 $114,599 for the third quarter of 2017 increased by $3,622 or 3% and by $13,137 to $338,532 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 $176,112 and $500,918 during the third quarter of 2017 and year to date, respectively, increasing by $13,762 and $236,359, respectively. The $13,762 or 8% increase during the third quarter was primarily from higher sales volumes, shifts towards higher value product sales and acquisitions completed during the year, partly offset by the impacts of unfavourable foreign exchange. Changes in foreign exchange rates during the third quarter and year to date 2017 accounted for approximately a $5,800 decrease and a $2,100 increase in revenues, respectively, compared to the same periods in 2016. In constant currency, revenue growth would have been 12% during the third quarter of 2017, compared to the same period in 2016. The increase in sales and rentals activity during the third quarter was despite unfavourably cooler weather trends, compared to the same period in 2016, and a lower demand, particularly in Florida, for installations during the days leading up to and after Hurricane Irma. Service Experts revenues were lowered by $1,558 for the third quarter of 2017 and $9,519 year to date as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction. These adjustments compare to $8,744 and $16,555 in respect of the same periods in 2016.

Sub-metering revenues, excluding investment income, were $34,848 during the third quarter of 2017, a decrease of $7,748 or 18%, with year to date revenues decreasing $6,861 or 6% 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 $25,153 in the third quarter and $77,147 year to date, decreases of $8,879 or 26% and $9,443 or 11%, respectively, compared to the same periods in 2016.

Investment income was $343 in the third quarter of 2017 and $983 year to date, increases of $322 and $507, respectively, when compared to the same periods in 2016. The increase in investment income is primarily from higher interest income earned from financing receivables relating to loans to customers resulting from HVAC sales.

Cost of Goods Sold

Total cost of goods sold for the third quarter of 2017 was $165,626 and $477,262 year to date, increases of $2,342 or 1% and $154,708 or 48%, respectively, compared to the same periods in 2016. The year to date increase was primarily as a result of the timing of the SE Transaction, which was completed in the second quarter of 2016.

Enercare Home Services cost of goods sold increased by $821 in the third quarter of 2017, and $1,339 year to date, compared to the same periods in 2016, increasing by 4% and 2%, respectively, as a result of changes in asset mix. 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 $116,577 in the third quarter of 2017 and $330,638 year to date. Service Experts cost of goods sold was reduced by $1,236 for the third quarter of 2017 and $7,433 year to date as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $6,839 and $13,077 in the same periods in 2016. Changes in foreign exchange rates during the third quarter and year to date 2017, accounted for a decrease of $3,800 and an increase of $300, respectively, of cost of goods sold compared to the same periods in 2016. The increase in cost of goods sold is primarily due to increases in originations, partly offset by lower foreign exchange, due to the decrease in the valuation of the US dollar in comparison to the Canadian dollar.

Sub-metering cost of goods sold was $25,655 in the third quarter of 2017 and $79,446 year to date, decreasing by $8,677 or 25% and $8,387 or 10%, respectively, primarily from lower flow 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 $82,695 in the third quarter of 2017 and $254,764 year to date, increases of $4,623 and $72,531, respectively, compared to the same periods in 2016. The year to date increase was primarily as a result of the timing of the SE Transaction, which was completed in the second quarter of 2016.

Enercare Home Services SG&A expenses of $25,500 in the third quarter and $79,096 year to date, increased by $1,682 and $5,870, respectively, compared to the same periods in 2016. The $1,682 increase in the third quarter was primarily from increases of approximately $1,300 in higher wages and benefits, $500 in higher support costs due to higher service calls during the late September heat wave, and $1,300 in higher sales and marketing expenses mainly driven by one-time costs related to the development of localized webpages to drive improvements in both search engine optimization and search engine marketing activities, and a branding refresh for our fleet of installation vehicles to promote new product offerings. Partly offsetting these increases were reduced office expenses of $1,100, primarily due to Enercare's ownership of the corporate office, and lower bad debt expense of $400. The $5,870 year to date increase was primarily as a result of increases of approximately $4,300 in higher wages and benefits, driven partly by higher stock-based compensation costs resulting from an increase in Share price and the build out of our forward staging locations, $600 in sales and marketing expenses and $2,000 of support costs, partly offset by a reduction in office expenses of $800 and professional fees of $300.

Enercare Home Services SG&A expenses included $158 in the third quarter of 2016 and $2,312 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 third quarter of 2017 of $43,994 and $133,759 year to date, increased by $2,803 and $62,986, respectively, compared to the same periods in 2016. The $2,803 increase in the third quarter was primarily from increases of approximately $4,500 in wages and benefits and $1,700 of sales and marketing expenses relating to online and television advertising campaigns, partly offset by $3,500 of lower professional fees. The increase in wages and benefits was partly driven by incremental wages from 2017 acquisitions, higher stock-based compensation costs resulting from an increase in Share price, and approximately $2,600 of non-recurring improvements to wages and benefits during the third quarter of 2016 from acquisition related opening balance sheet valuations from vacation pay and bonus accruals. In the current year, these items were expensed. The year to date increase of $62,986 was primarily the result of the timing of the SE Transaction, which was completed in the second quarter of 2016. Year to date Service Experts SG&A expenses included one-time expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the second quarter relating to the write-down of an enterprise resource planning system.

Service Experts SG&A expenses in the third quarter of 2017 included acquisition related expenditures of $320 and $697 year to date, primarily consisting of professional fees associated with the acquisitions of Aramendia, Hammond and CS Operating LLC ("Church Services"). Changes in foreign exchange rates during the third quarter of 2017 accounted for approximately $1,600 decrease in SG&A compared to the same period in 2016.

Service Experts SG&A expenses in the third quarter of 2016 included $4,189 and $10,882 year to date 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 first quarter and year to date 2017, have been reclassified from SG&A expenses to cost of goods sold, compared to $2,765 and $4,603 during the third quarter and year to date, respectively, in 2016.

Sub-metering SG&A expenses in the third quarter of 2017 were $5,088 and $15,781 year to date, an increase of $171 and $1,208, respectively, over the same periods in 2016. The $171 increase in the third quarter is primarily the result of approximately $620 of higher wages and benefits and $180 of higher office expenses, partly offset by lower professional fees of $320, bad debt expenses of $200 and support costs of $160. The $1,208 year to date increase was primarily the result of approximately $1,500 of higher wages and benefits, $560 of office expenses and $120 in higher sales and marketing expenses, partly offset by lower professional fees of $500 and lower bad debt expenses of $500.

Corporate expenses of $8,113 in the third quarter of 2017 and $26,128 year to date decreased by $33 and increased by $2,467, respectively, compared to the same periods in 2016. The $33 decrease was primarily the result of approximately $500 in higher professional fees, driven mainly by continued investments relating to the implementation of an enterprise resource planning system, offset by $500 in lower wages and benefits expenses. The year to date increase of $2,467 was primarily the result of approximately $1,800 of higher office expenses mainly from increased software licensing costs and expenses relating to the implementation of an enterprise resource planning system and $700 of higher sales and marketing expenses, $200 of higher professional fees, offset by $200 in lower wages and benefits.

Corporate SG&A expenses in the third quarter of 2016 included $507 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 $1,128 or 3% in the third quarter of 2017 and $10,909 or 10% year to date, compared to the same periods in 2016, primarily due to 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. The year to date increase of $10,909 was primarily due to the SE Transaction, which was completed in the second quarter of 2016.

Net Loss on Disposal of Equipment and Other Assets

Enercare reported a net loss on disposal of equipment and other assets of $643 in the third quarter of 2017 and $7,637 year to date, a decrease of $91 or 12% and an increase of $4,081 or 115%, 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.

The year to date net loss on disposal includes a non-recurring write-down of $5,165 from the second quarter of 2017 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

(000's)	Three months ended September 30, **2017**	2016	Nine months ended September 30, **2017**	2016
Interest expense payable in cash	**$ 9,315**	$8,011	**$28,229**	$22,253
Interest payable on subscription receipts	**-**	-	**-**	2,217
Equity bridge financing fees	**-**	-	**-**	198
Make-whole payment on early redemption of senior debt	**-**	-	**5,049**	-
Non-cash items:				
Notional interest on employee benefit plans	**226**	210	**678**	630
Amortization of financing costs	**257**	286	**1,449**	749
Interest expense	**$ 9,798**	$8,507	**$35,405**	$26,047

Interest expense payable in cash increased by $1,304 to $9,315 in the third quarter of 2017 and by $5,976 to $28,229 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 the 2017 Notes during the first quarter of 2017, partially offset by the conversion of the 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 third quarter of 2017, $678 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, the 2013 Notes, the Convertible Debentures, the 2014 Term Loan, the 2016 Term Loan and the 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 $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 $198 year to date 2016 were also incurred as part of the SE Transaction.

Income Taxes

Enercare reported current tax expense of $5,785 in the third quarter of 2017 and $17,700 year to date, reductions of $9,547 and $25,147, respectively, compared to the same periods in 2016. These reductions were primarily from higher taxes owed in the first nine months of 2016, which resulted from a one-year tax deferral originated in 2015 and additional interest expense incurred in the first nine months of 2017. The deferred income tax expense of $1,929 in the third quarter of 2017 and recovery of $2,159 year to date increased by $9,451 and decreased by $22,210, respectively, compared to 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 $20,154 in the third quarter of 2017 and $38,225 year to date, an increase of $822 and decrease of $5,353, 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)	**Q3/17**	**Q2/17**	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
Net earnings/(loss)	**$20,154**	**$21,103**	$(3,032)	$17,552	$19,332	$16,051	$8,195	$13,725
Deferred tax expense/(recovery)	**1,929**	**2,017**	(6,105)	(5,275)	(7,522)	(7,633)	(9,214)	1,069
Current tax expense	**5,785**	**6,500**	5,415	11,534	15,332	15,259	12,256	2,784
Amortization expense	**39,457**	**39,485**	38,399	38,892	38,329	35,796	32,307	31,917
Interest expense	**9,798**	**9,763**	15,844	8,554	8,507	9,187	8,353	6,988
EBITDA[(a)]	**77,123**	**78,868**	50,521	71,257	73,978	68,660	51,897	56,483
Add: Net loss/(gain) on disposal	**643**	**5,137**	1,857	850	734	891	1,931	(1,455)
Adjusted EBITDA[(b)]	**77,766**	**84,005**	52,378	72,107	74,712	69,551	53,828	55,028
Add: Acquisition SG&A	**320**	**273**	104	603	4,854	5,128	4,293	3,028
Acquisition Adjusted EBITDA	**$78,086**	**$84,278**	$52,482	$72,710	$79,566	$74,679	$58,121	$58,056

(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. 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

	Three months ended September 30,		Nine months ended September 30,	
Payout Ratio - Maintenance - (000's)	**2017**	2016	**2017**	2016
Cash provided/(used in) by operating activities	**$49,431**	$ 69,928	**$127,142**	$109,146
Net change in non-cash working capital	**11,962**	(18,387)	**32,751**	21,997
Operating Cash Flow[5]	**61,393**	51,541	**159,893**	131,143
Capital and vehicle lease expenditures: (excluding growth capital, additions and acquisitions)				
Rentals exchanges	**(8,263)**	(8,476)	**(27,006)**	(26,703)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(2,466)**	(2,275)	**(6,539)**	(4,177)
Sub-metering maintenance capital	**(115)**	(247)	**(380)**	(567)
Proceeds on disposal of equipment – warranty	**505**	516	**1,913**	1,703
Net capital and vehicle lease expenditures	**(10,339)**	(10,482)	**(32,012)**	(29,744)
Early redemption of 2012 Notes net of tax	**(475)**	-	**4,574**	-
Acquisition related expenditures	**320**	4,854	**697**	16,498
Total reductions	**(10,494)**	(5,628)	**(26,741)**	(13,246)
Distributable Cash – Maintenance[6]	**50,899**	45,913	**133,152**	117,897
Dividends declared	**(25,740)**	(23,991)	**(75,731)**	(64,586)
Net cash retained	**$ 25,159**	$ 21,922	**$ 57,421**	$ 53,311
Payout Ratio – Maintenance	**51%**	52%	**57%**	55%

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, was 51% for the third quarter of 2017, which decreased by 1% compared to the same period in 2016, and increased to 57% year to date, compared to 55% in the same period in 2016.

The year to date increase was primarily due to higher net capital and vehicle lease expenditures and higher dividends declared resulting from the increase in the number of Shares outstanding, offset by higher Operating Cash Flow as a result of the full year impact of the SE Transaction.

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 third quarter and year to date tax timing differences of ($475) and ($1,194), respectively. The tax consequences of the make-whole payment will

[5] 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.

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 third quarter of 2017 were $320 and $697 year to date, primarily consisting of costs related to the acquisitions of Aramendia and Hammond.

Acquisition and integration related expenditures associated with the SE Transaction during the third quarter and year to date of 2016 were $4,189 and $13,105, respectively, primarily consisting of professional fees associated with the entering into of the Merger Agreement and post integration activities, interest on the SE Subscription Receipts and equity bridge financing fees.

Integration and business transformation costs related to the DE Acquisition were $665 and $3,393 during the third 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 30% at the end of the third quarter of 2017, resulting in cash savings of $7,972 during the quarter and $23,164 year to date. Adjusting the Payout Ratio – Maintenance for the $17,768 cash dividends paid in the third quarter of 2017 compared to the $25,740 dividends declared, would result in a Payout Ratio – Maintenance of 35%. Adjusting the Payout Ratio – Maintenance for $52,567 cash dividends paid year to date 2017 compared to $75,731 dividends declared would result in a Payout Ratio – Maintenance of 39%. The comparable Payout Ratio – Maintenance for the third 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 September 30, 2017	2016	Nine months ended September 30, 2017	2016
Cash provided by operating activities	**$49,431**	$ 69,928	**$127,142**	$109,146
Net change in non-cash working capital	**11,962**	(18,387)	**32,751**	21,997
Operating Cash Flow[6]	**61,393**	51,541	**159,893**	131,143
Capital and vehicle lease expenditures: (excluding growth capital and acquisitions)				
HVAC rental additions	**(11,474)**	(11,432)	**(34,568)**	(30,995)
Water heater rental and other additions	**(11,729)**	(8,955)	**(31,426)**	(25,494)
Rentals exchanges	**(8,263)**	(8,476)	**(27,006)**	(26,703)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(2,466)**	(2,275)	**(6,539)**	(4,177)
Sub-metering maintenance capital	**(115)**	(247)	**(380)**	(567)
Subtotal	**(34,047)**	(31,385)	**(99,919)**	(87,936)
Total proceeds on disposal of rental equipment	**3,300**	2,615	**10,119**	6,973
Net capital and vehicle lease expenditures	**(30,747)**	(28,770)	**(89,800)**	(80,963)
Early redemption of 2012 Notes net of tax	**(475)**	-	**4,574**	-
Acquisition integration and business transformation related expenditures	**320**	4,854	**697**	16,498
Total reductions	**(30,902)**	(23,916)	**(84,529)**	(64,465)
Distributable Cash[7]	**30,491**	27,625	**75,364**	66,678
Dividends declared	**(25,740)**	(23,991)	**(75,731)**	(64,586)
Net cash retained	**$4,751**	$ 3,634	**$ (367)**	$ (2,092)
Payout Ratio	**84%**	87%	**100%**	97%

The Payout Ratio, after capital and vehicle lease expenditures (excluding growth capital for Sub-metering and acquisitions), decreased to 84% in the third quarter of 2017 compared to 87% over the same period in 2016, and increased slightly to 100% on a year to date basis compared to 97% over the same period in 2016.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Cash flow provided by operating activities	**$49,431**	$69,928	**$127,142**	$109,146
Net change in non-cash working capital	**11,962**	(18,387)	**32,751**	21,997
Operating Cash Flow	**61,393**	51,541	**159,893**	131,143
Capital expenditures (excluding growth capital and acquisitions)	**(31,594)**	(29,106)	**(93,824)**	(83,756)
Proceeds on disposal of equipment	**3,300**	2,615	**10,119**	6,973
Net capital expenditures	**(28,294)**	(26,491)	**(83,705)**	(76,783)
Acquisition – Service Experts	**-**	-	**-**	(375,163)
Acquisition – Church Services	**-**	-	**(1,144)**	-
Acquisition – Hammond	**-**	-	**(5,300)**	-
Acquisition – Aramendia	**(30,556)**	-	**(30,556)**	-
Brand intangibles	**-**	(73)	**-**	(73)
Growth capital	**(11,229)**	(7,364)	**(36,860)**	(27,572)
Cash used in investing activities	**(70,079)**	(33,928)	**(157,565)**	(479,591)
Dividends paid	**(17,768)**	(23,981)	**(52,567)**	(62,737)
Other financing activities	**12,165**	(1,815)	**72,498**	443,393
Cash (used in)/provided by financing activities	**(5,603)**	(25,796)	**19,931**	380,656
Cash and equivalents – end of period	**$26,050**	$39,331	**$26,050**	$39,331

Operating Cash Flow of $61,393 in the third quarter of 2017 increased by $9,852 and by $28,750 to $159,893 year to date, compared to the same periods in 2016, primarily due to the impact of the SE

[6] 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.

Transaction on a year to date basis and higher EBITDA and lower current tax expenses during the third quarter.

Net capital expenditures of $28,294 in the third quarter of 2017 increased by $1,803 and by $6,922 to $83,705 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, $5,300 and $30,556 represent the purchase consideration for the acquisitions of Church Services during the first quarter, Hammond during the second quarter and Aramendia during the third quarter, respectively, of 2017. Growth capital investments of $11,229 during the third quarter and $36,860 year to date increased by $3,865 and $9,288, respectively, 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, $55,000 was drawn as at September 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 September 30,			**2017**					2016
Segment	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Units - start of period	**1,139**	**1**	**174**	**1,314**	1,130	-	160	1,290
Portfolio additions *	**10**	**1**	**8**	**19**	10	-	2	12
Acquisitions	**-**	**-**	**-**	**-**	-	-	-	-
Attrition *	**(7)**	**-**	**-**	**(7)**	(7)	-	-	(7)
Units - end of period	**1,142**	**2**	**182**	**1,326**	1,133	-	162	1,295
Asset exchanges – units retired and replaced	**10**	**-**	**-**	**10**	11	-	-	11
% change in units during the period				**0.9%**				0.4%
% of units from start of period:				**-**				-
Portfolio additions (net of acquisitions)				**1.4%**				0.9%
Attrition				**(0.5%)**				(0.5%)
Units retired and replaced				**0.8%**				0.9%
Billable units	**1,142**	**2**	**127**	**1,271**	1,133	-	113	1,246
Contracted units	**-**	**-**	**251**	**251**	-	-	232	232

Installed Asset Unit Continuity (000's) Nine months ended September 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 *	**28**	**2**	**17**	**47**	27	-	7	34
Acquisitions	**-**	**-**	**-**	**-**	-	-	-	-
Attrition *	**(22)**	**-**	**-**	**(22)**	(22)	-	-	(22)
Units - end of period	**1,142**	**2**	**182**	**1,326**	1,133	-	162	1,295
Asset exchanges – units retired and replaced	**32**	**-**	**-**	**32**	34	-	-	34
% change in units during the period				**1.9%**				0.9%
% of units from start of period:				**-**				-
Portfolio additions (net of acquisitions)				**3.6%**				2.7%
Attrition				**(1.7%)**				(1.7%)
Units retired and replaced				**2.5%**				2.7%
Billable units	**1,142**	**2**	**127**	**1,271**	1,133	-	113	1,246
Contracted units	**-**	**-**	**251**	**251**	-	-	232	232

* 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 third 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 $27,281 and $80,050 year to date, increasing by $790 and $3,267, 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 6,800 units in the third quarter of 2017 and 21,800 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, 642 water heater and HVAC rental additions were installed during the third quarter of 2017 and 1,657 year to date, for a total of 1,841 installed units since the introduction of its rental programs.

Installations in the Sub-metering business were approximately 8,000 units in the third quarter of 2017 and 17,000 units year to date, increases of 6,000 units and 10,000 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 third 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 third quarter of 2017 were $6,610 and $14,655 year to date, approximately $2,839 and $614 higher, 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 127,000 increased by 14,000 units in the third 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 5,000 units in the third quarter of 2017 and 16,000 units year to date, lower by 5,000 units and 11,000 units, respectively, over the same periods in 2016. Year to date contracted units includes the removal of 3,000 units in Alberta during the second quarter 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 third quarter of 2017, Enercare drew an additional $15,000 on the 2014 Revolver and recorded $2,835 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.

	Nine months ended September 30,	
Capitalization (000's)	**2017**	2016
Cash and cash equivalents	**$ 26,050**	$ 39,331
Net investment in working capital	**(21,788)**	(61,150)
Cash, net of working capital	**4,262**	(21,819)
Total debt	**1,026,188**	958,020
Shareholders' equity	**594,927**	598,652
Total capitalization – book value	**$1,621,115**	$1,556,672

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 September 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 September 30, 2017. A total of $55,000 was drawn under the 2014 Revolver as at September 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 September 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)	**Q3/17**	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
Total revenues	**$325,902**	$342,122	$277,813	$293,246	$315,944	$244,102	$142,649	$141,621
Net earnings/(loss)	**20,154**	21,103	(3,032)	17,552	19,332	16,051	8,195	13,725
Dividends declared	**25,740**	25,561	24,430	16,102	23,991	22,135	18,460	18,693
Average Shares outstanding	**105,631**	104,821	104,215	103,881	103,839	96,619	87,899	89,770
Per Share								
Basic net earnings/(loss)	**$ 0.19**	$ 0.20	$ (0.03)	$0.17	$0.19	$0.17	$0.09	$0.15
Diluted net earnings/(loss)	**$ 0.19**	$ 0.20	$ (0.03)	$0.17	$0.19	$0.17	$0.08	$0.15
Dividends declared	**$ 0.240**	$ 0.240	$ 0.231	$0.155	$0.231	$0.224	$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 September 30, 2017:

Period	Debt		Finance Lease Obligations		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2017	$ 89	$ 6,531	$ 2,419	$ 209	$ 3,309
Due in 2018	125	36,459	9,218	659	8,581
Due in 2019	25	36,455	8,446	430	5,657
Due in 2020	474,627	27,246	6,958	227	4,457
Due in 2021	55,025	19,644	4,217	84	5,262
Thereafter	500,005	20,541	1,025	8	7,666
Total	$1,029,896	$146,876	$32,283	$1,617	$ 34,932

As at September 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 September 30, 2017, $55,000 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 2.61% at September 30, 2017.

The Stratacon Debt of $296, as at September 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 September 30, 2017, the 2016 Term Loan bears interest of 2.56%.

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 or 0.75% above the three months LIBOR rate per annum. The finance leases mature at dates ranging between October 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 September 30, 2017, there were 105,954,873 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 September 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 Aramendia, 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, the acquisition of Hammond, the acquisition of Church Services and the acquisition of Aramendia, 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 September 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 September 30, 2017. There was a total of $55,000 drawn under the 2014 Revolver at September 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 September 30, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $41,900 reflecting accrued service periods, compared to $44,300 at September 30, 2016. Unbilled protection plans comprise approximately $25,300 of this balance, compared to $26,700 at September 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 September 30, 2017, the Service Experts segment recorded a revenue accrual of approximately $4,700, primarily reflecting accrued revenue for contracts in progress, compared to $4,200 at September 30, 2016.

At September 30, 2017, the Sub-metering segment recorded a revenue accrual of approximately $9,700, reflecting accrued service periods, compared to $11,300 at September 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 $13,600 at September 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. Changes may be expected as additional information becomes available following the closing dates. Accordingly, the final fair values determined may differ from those set forth in these interim financial statements and such differences may be material.

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 September 30, 2017. There have been no changes to our ICFR during the quarter and year to date ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, Enercare’s ICFR.

Enercare has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Aramendia which was acquired on August 15, 2017.

Aramendia's contribution to Enercare's condensed interim consolidated financial statements for the three months ended September 30, 2017 and year to date 2017 was approximately 1% of revenues and 2% of net earnings, and 0% of revenues and 1% of net earnings, respectively. In addition, Aramendia's current assets and current liabilities were each approximately 1% of the consolidated current assets and current liabilities, and its long term assets and long term liabilities were approximately 2% and 0% of consolidated long term assets and long term liabilities, respectively.

Enercare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Aramendia.

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 currently anticipates adopting this new standard on a full retrospective basis; however, this may change following the finalization of our assessment expected during the fourth quarter of Fiscal 2017.

Enercare is currently evaluating the impact of IFRS 15 on the consolidated financial statements and to its revenue recognition policies. For the Sub-metering segment, Enercare anticipates recognizing commodity revenue relating to sub-metering on a net basis. This change, however, does not impact net earnings or EBITDA. Enercare is also currently evaluating the transaction price regarding its rental contracts and, in particular, estimates associated with variable consideration, as well as the timing of recognition related to various performance obligations that are impacted by variable consideration.

Enercare expects to finalize its assessment in the fourth quarter of Fiscal 2017, and provide additional disclosure regarding areas of impact at that time.

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. In applying IFRS 9, Enercare expects that certain of its receivables, in particular, those containing a financing component, will not consist solely of payments of principal and interest due to prepayment features and will be measured at fair value through profit and loss. However, Enercare anticipates the majority of its receivables will be measured at amortized cost. Enercare plans to use the full three stage impairment model for those receivables measured at amortized cost recognizing twelve months of expected credit losses on those receivables without significant increases in credit risk and lifetime expected credit losses for those receivables that have significant increases in credit risk. Enercare continues to make considerable progress with its analysis in preparation of adopting this new standard. Enercare expects to finalize its assessment in the fourth quarter of Fiscal 2017, and provide additional disclosure regarding areas of impact at that time.

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 continues to evaluate the impact of adopting this standard on the consolidated financial statements. Enercare anticipates that there will be additional disclosures surrounding its financing receivables as a result of adopting IFRS 7.

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, except that, as described under "Outlook" in this MD&A, Enercare expects that the Bureau will shortly issue a "Section 11 order" under the Competition Act. As previously disclosed, although it is not possible to predict the outcome of the Bureau's inquiry, no assurance can be given that Enercare will not be subject to constraints on its business operations under the Competition Act, including as a result of the current inquiry of which the "Section 11 order" is part.

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.

Investing in Innovation

- Enercare has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. This program is also aimed at improving the customer experience to gain long-term customer loyalty and differentiate Enercare from its competitors. During the third quarter of 2017, in order to improve its customer experience, Enercare Home Services deployed a new interactive voice response system as well as made enhancements to its mobile app. The interactive voice response system modernized Enercare Home Services' call center routing and will drive call center efficiencies, such as by improving first call resolution. Enercare also launched in the third quarter a human resource management system to not only automate human resource activities and processes, but also support learning and development management strategies and further improve tracking of training, licensing and performance management.
- Enercare plans to implement a customer relationship management system along with an enterprise resource planning system in its Enercare Home Services business and is considering a similar implementation for its Services Experts business. This initiative is currently in the scoping phase and these systems will be implemented through a phased approach starting with Enercare Home Services. The first phase of Enercare's enterprise resource planning implementation is planned for the first quarter of 2018 and will support the application of IFRS 9. Additional phases targeted for the end of 2018 will automate the application of IFRS 15 and allow for the introduction of new products and bundled offerings.
- Enercare Home Services has been developing and testing a new connected home product offering that will enable customers to utilize technology to support energy efficiency savings by providing insights on heating and cooling equipment functionality. Customers will be able to use a mobile application to monitor and control their home at any time and from any place. At the outset, the solution will allow customers to manage their energy usage, monitor and control their cooling and heating appliances, detect water leaks and enable remote water shut-off amongst other things. Enercare Home Services will be testing several options with a 100-person pilot, and expects to launch the full initial offering to customers in the first half of 2018. We believe this offering will strengthen our customer relationships as we move from a reactive to a proactive service model. Enercare will be able to notify customers when issues arise, provide insights on equipment usage, and ultimately help customers conserve energy and save money.
- 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. Historically, these investments would have been capitalized; however, with the increase of cloud based technology solutions, Enercare anticipates that these investments will be made through SG&A expenses.

Enercare Home Services Segment

- Our main priority for the business in 2017 is to grow EBITDA. The key priority to doing so 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 for the balance of 2017. Another key priority for the Enercare Home Services business is growing the protection plan portfolio, enabled by the full launch of the electrical protection plans. In addition, Enercare Home Services continues to invest in the replacement and modernization of its information technology systems and infrastructure to continue to improve its customer experience and expand its product and service offerings in order to grow the business (see "Investing in Innovation" above).
- 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.
- Enercare expects that the Competition Bureau (the “Bureau”) will shortly request an order for production of information in connection with a Bureau inquiry into whether Enercare has a dominant market position supplying residential water heaters in the former Enbridge Gas distribution territory and has engaged in anti-competitive acts through its water heater return procedures and its buyout form of contract. Known as a so-called “Section 11 order” under the *Competition Act* (Canada) (the “Competition Act”), this is a routine procedural step in a Bureau inquiry. Enercare expects that it will satisfy the information requests in due course and has been voluntarily cooperating with the Bureau in its process. As disclosed previously, Enercare provided the Bureau with its voluntary assurance in November 2014 regarding return procedures when it acquired the Ontario home and small commercial services business of Direct Energy Marketing Limited. That voluntary assurance did not address the buyout form of contract – a form of contract that the Bureau approved in 2010. Enercare believes that it has complied in all material respects with the voluntary assurance. Furthermore, Enercare believes that it does not have a dominant market position and, in any event, has not engaged in anti-competitive acts. Enercare strives to conduct its business in compliance with all applicable laws, including the Competition Act and the voluntary assurance provided to the Bureau. Although it is not possible to predict the outcome of the Bureau’s inquiry at this stage in the process, Enercare expects to continue to work cooperatively with the Bureau to address its concerns and hopes to arrive at a mutually satisfactory resolution.

Service Experts Segment

- Cost synergies relating to the SE Transaction are estimated to be in the range of $0.08 to $0.11 per Share on an annualized basis by the end of 2017, an increase from the previous guidance of $0.05 to $0.08 per Share. Enercare estimates that on a year to date basis approximately $0.07 per Share 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 nine months of 2017 of approximately 14% (ranging from 6% to 35% depending on the center) in Ontario and 8% (ranging from 5% to 20% 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 by the end of 2018 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, one in early May and two additional states in late September of 2017. 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 nine months of 2017 was approximately 3% (ranging from 0.2% to 11% 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.
- In the next several quarters, Service Experts expects demand for residential HVAC replacements in Florida and its surrounding centers to normalize and possibly increase as a result of demand caused by hurricane Irma.

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 three quarters 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 three quarters of 2017, over 75% of the newly contracted services have come from new construction condominiums and new construction 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 the higher than average new construction installations completed during the third quarter of 2017 to continue into 2018 and 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 is unique and competitive pressure may result in re-negotiated fees being below those of the original contracts; however, Enercare expects that additional capital outlays will be minimal.
- 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. The first commercial service meters with the new offering were installed during the third quarter and a number of new customers have signed up for the offering. Sub-metering is targeting to have 15 customers in the controlled launch by year end, 8 of which have

already signed onto the program.

- Triacta has been developing the generation 5 PowerHawk metering platform. This new platform has a modular architecture, allowing for a single unit to measure multiple types of commodities, and utilizes a variety of communications protocols. During the fourth quarter, beta trial units are expected to be shipped to key customers for evaluation and to various labs for certification.
- Enercare anticipates that the implementation of IFRS 15 on January 1, 2018 will result in recognizing commodity revenue relating to sub-metering on a net basis. This change does not impact net earnings or EBITDA.

Corporate

- 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. Although this is consistent with previous guidance, Enercare expects to be at the low end of this range. 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 June 30, 2017	Adjustments	Target Range for 2017 as of September 30, 2017
HVAC rentals	$45M – $51M	$1M	$46M – $52M
Water heater additions	$37M – $41M	($2M)	$35M – $39M
Water heater exchanges	$34M – $38M	($2M)	$32M – $36M
Sub-metering growth	$17M – $21M	–	$17M – $21M
In-house financing(2)	$5M – $ 8M	–	$5M – $ 8M
Corporate and building(3)	$29M – $33M	$3M	$32M – $36M
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 third quarter 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.
Aramendia	Aramendia Plumbing, Heating & Air Ltd. acquired by Service Experts on August 15, 2017, which provides HVAC and plumbing services, with locations in San Antonio and McKinney, Texas.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
BBB	Better Business Bureau.
Bureau	Competition Bureau
Bill 55	*Stronger Protection for Ontario Consumers Act*, 2013.
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.
Competition Act	*Competition Act* (Canada)
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.