Enercare Inc.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Second Quarter Ended June 30, 2018

Dated August 13, 2018

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The interim 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 interim financial statements for the period ended June 30, 2018. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian dollars.

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

FORWARD-LOOKING INFORMATION

This MD&A, dated August 13, 2018, 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 2017 audited consolidated financial statements and Enercare's interim financial statements for the three and six months ended June 30, 2018. 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. In particular, statements regarding Enercare's plans for 2018 under "Vision and Strategy" and "Outlook" are forward-looking statements. 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 risks include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the risk that the roll out of rental HVAC offerings beyond the present 23 states in the U.S. does not realize anticipated results as the rental model is a new concept in this industry in the U.S.; 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:

- management's views regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- Enercare's financial and operating attributes as at the date hereof and its anticipated future performance;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends; and
- assumptions regarding the interest rate of the 2016 Term Loan and the 2014 Revolver, foreign exchange rates and commodity prices.

There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada and the U.S. are indicative of future results.

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

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

OVERVIEW

Enercare is a multi-product and multi-service home and commercial services company with three principal business segments: Enercare Home Services, Service Experts and Sub-metering.

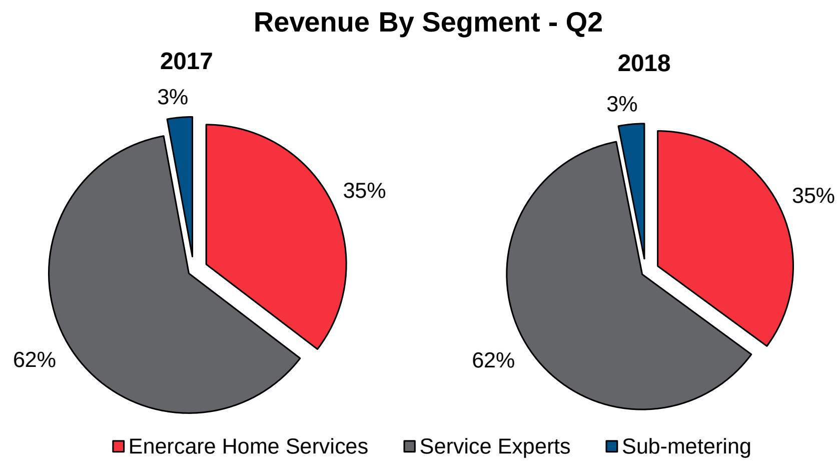
Enercare's Shares trade under the symbol "ECI" on the Toronto Stock Exchange. Enercare is a member of the S&P/TSX Composite Index. Enercare has investment grade ratings of "BBB" with a "stable" trend and "BBB" with a "stable" outlook from S&P and DBRS, respectively.

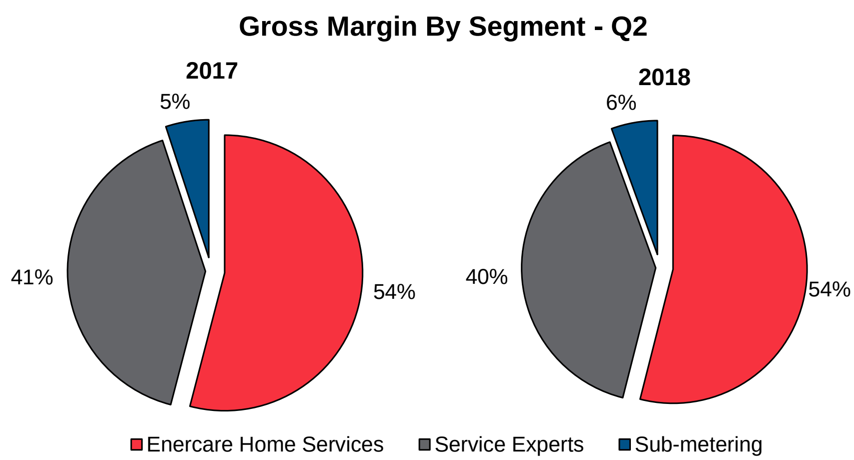
Enercare Home Services is operated by Enercare Solutions, a wholly-owned subsidiary of Enercare, and its subsidiaries. Enercare Home Services provides rental water heaters, furnaces, air conditioners, water treatment solutions and other HVAC products to residential and commercial customers. In addition to renting, customers have the option of purchasing products outright or through financing provided by Enercare Home Services. Enercare Home Services also provides protection plans, duct cleaning, plumbing, electrical and other related repair and maintenance services to its customers. Enercare Home Services operates primarily in Ontario.

Service Experts is operated by SEHAC and its subsidiaries, with centers located in 29 states in the U.S., and SE Canada, with centers located in three provinces in Canada. SEHAC and SE Canada are both indirect wholly-owned subsidiaries of Enercare. Service Experts provides repair and replacement of HVAC products and water heaters to residential and light commercial customers, who can purchase products outright or through financing provided by a third party. Since 2016, Service Experts has also been rolling out its rental offering in Canada and the U.S. Service Experts also provides plumbing, maintenance agreements and related services to its customers.

Sub-metering is operated by Enercare Connections, a wholly-owned subsidiary of Enercare. Sub-metering provides metering services for electricity, thermal, gas and water to condominiums, apartments, townhomes and multi-tenant commercial buildings in Ontario, Alberta and elsewhere in Canada. Under its Triacta brand, Enercare Connections also designs, manufactures and sells advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications, with primary markets in Canada and the U.S.

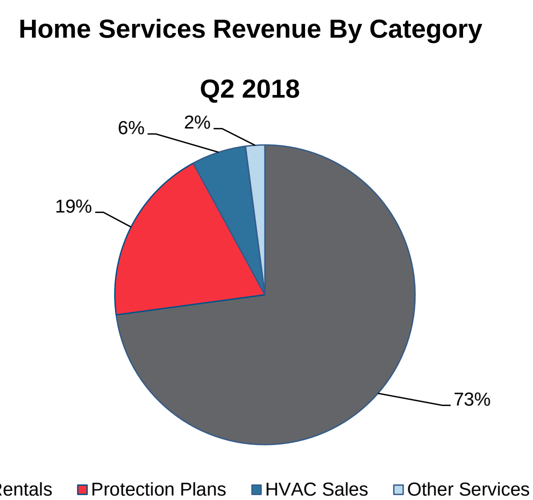
The graphs below outline revenue and Gross Margin by principal business segment.





Enercare Home Services Business

There are four main business activities within Enercare Home Services: Rentals, Protection Plans, HVAC Sales and Other Services (for example, duct cleaning and chargeable services). The graph below outlines Enercare Home Services' revenue mix.



Rentals

Enercare Home Services' main revenue stream is the rental of water heaters, HVAC products and water treatment solutions in both the new build and retrofit markets. The Rentals portfolio originated from the rental of water heaters, which continue to comprise the majority of the Rentals portfolio. Enercare Home Services has been growing its rental HVAC portfolio in recent years, which generate three to five times higher rental revenue than a traditional water heater. The inclusion of more HVAC rental units along with water heater products which offer space saving or higher efficiency features that address both regulatory requirements and consumer preferences, have increased average Rentals portfolio revenues over time. Most rental HVAC originations occur during the heating and cooling seasons.

Protection Plans

Enercare Home Services sells a variety of protection plans covering such items as furnaces, air conditioners, plumbing, fireplaces, electrical components and appliances. There are two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans provide for annual 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 or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate.

Protection plans are strategically important to generate future sales opportunities. Maintenance protection plans allow technicians to engage with homeowners to identify opportunities to drive additional customer value through expanded protection plan coverage or equipment replacement or servicing. Full service protection plans become increasingly attractive to homeowners as their equipment ages. Service calls for older furnaces and air conditioners are a significant source of leads for HVAC sales and rentals.

Enercare Home Services also sells multi-year extended protection plans to customers who purchase heating and cooling equipment. These plans not only allow Enercare Home Services to retain the customer relationship, but also provide for on-going maintenance and servicing if required. The plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since the introduction of extended protection plans in May 2015, approximately 80% of residential HVAC equipment sales included an extended protection plan.

HVAC Sales

Enercare Home Services also provides customers the opportunity to purchase HVAC equipment outright or through a financing arrangement offered by Enercare Home Services. As in the case of HVAC rentals, most HVAC sales occur during the heating and cooling seasons.

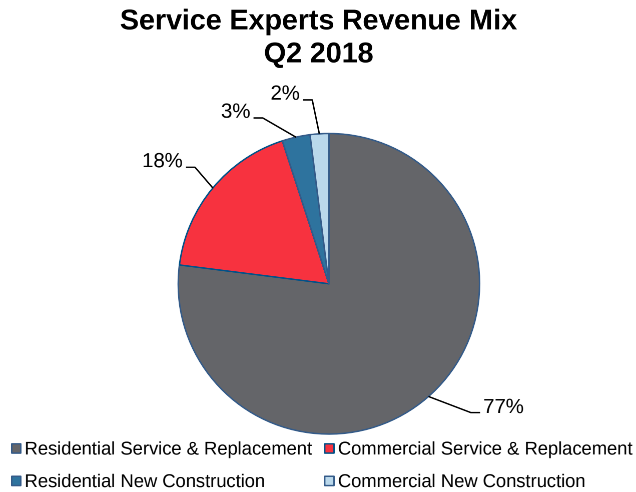
Other Services

Other Services include ancillary services such as duct cleaning, plumbing and electrical repair and other non-recurring chargeable services.

Service Experts

Service Experts services and replaces HVAC and water heater equipment in residential and light commercial applications. Service Experts' offerings include maintenance, replacements, upgrades and sales of ancillary parts and services, such as plumbing. Since the SE Transaction, Enercare has worked to expand the business to include a focus on whole home offerings and recurring revenue streams more in-line with the Enercare Home Services business. Service Experts launched the rental model in its Canadian centers in October 2016 and started its U.S. HVAC and water heater rental program roll-out in early 2017.

Service Experts' revenue mix is illustrated in the following graph.



Commercial service and replacement offerings are provided through both local Service Experts centers as well as a national accounts group.

HVAC and Water Heater Sales, Servicing and Rentals

Residential HVAC and water heater sales consist primarily of on-demand unit replacements and upgrades. Commercial equipment installations, particularly in the national accounts group, consist of both on-demand and scheduled equipment sales. A customer can acquire HVAC and water heaters through an outright purchase or financing provided by a third party. Servicing consists of on-demand or tune-up HVAC servicing and repair.

A rental program was introduced by Service Experts for residential HVAC and water heater products in all of its Canadian centers in October 2016 and for residential HVAC products in seven U.S. states during 2017. Residential HVAC rentals are currently offered in 23 states. The introduction of the rental model is part of Enercare's plan to integrate rentals throughout the vast majority of Service Experts' U.S. operations to provide additional value to customers and concurrently create more stable long term revenues.

Maintenance Agreements

Service Experts currently has two types of maintenance agreements in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform system cleaning, adjustments and diagnostics of the HVAC equipment, while the second is a full service plan that includes repair services along with certain parts and labour. These maintenance agreements not only generate recurring revenue but also promote customer loyalty and cross-selling opportunities.

Seasonality

Service Experts is subject to greater earnings seasonality than Enercare Home Services due to fewer recurring revenue sources. Service Experts' revenue and EBITDA tend to be seasonally highest in the second quarter of the year, followed by the third and fourth quarters, and substantially less in the first quarter, primarily due to the geographical distribution of centers where Service Experts operates and associated weather patterns. The cooling season (roughly May through August) and heating season (roughly November through February) are periods when consumers transition their buying patterns from one season to the next. In most of the U.S. states in which Services Experts operates, cooling equipment represents a substantial portion of its annual HVAC replacement and service revenue, resulting in higher revenue in the second and third quarters of the year.

In the three Canadian provinces in which Service Experts operates, heating equipment represents a large portion of its Canadian replacement and service revenue.

As a result, working capital needs are generally greater in the first quarter, followed by higher operating cash flows in the second and third quarters of the year.

Sub-metering

There are two main multi-residential market segments for Sub-metering: retro-fit sub-metering and new construction. Within each market segment, 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 thereafter. 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 a number of 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 installed the meters become Billable relatively quickly and revenue is typically at 100% penetration from that point onwards.

Sub-metering also includes the design, manufacture and sale of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications under the “Triacta” brand. Triacta sales are primarily throughout Canada and the U.S.

VISION AND STRATEGY

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

Enercare’s vision is to be North America’s largest home and commercial services company.

Through its three business segments, which have complementary and mutually reinforcing objectives, Enercare is committed to meeting its strategic objectives, which include: (i) increased growth; (ii) investment in innovation and efficiency; and (iii) high customer engagement and satisfaction.

Enercare’s strategy builds on many of its strengths, including the current successful Canadian rental program and associated recurring revenue base, a strong North American presence and large captive workforce. As part of Enercare’s overall 2018 strategy and related priorities, corporate objectives are set each year to measure progress on its long-term strategic priorities and address short-term opportunities and risks.

Growing Rentals and Protection Plans in Enercare Home Services

Our main priority for the Enercare Home Services business in 2018 is to grow both revenue and EBITDA by focusing on net rental and protection plan unit growth. This business segment will also increasingly focus on the development and rollout of the Enercare Smarter Home offering.

Expanding the Rental Program and Exploring Strategic Acquisitions in Service Experts

A key priority for the Service Experts business in 2018 is growing revenue and EBITDA, while continuing to expand the rental programs for HVAC and water heater products in both Canada and the U.S. Our goal is to complete the rental program rollout in the vast majority of the U.S. operations by the fourth quarter of 2018. Service Experts will also continue to explore strategic acquisition opportunities.

Increasing Contract Sales in Sub-metering

In respect of Sub-metering, our main priority for 2018 is to continue to grow EBITDA by increasing contract sales and converting them to Billable units. Other priorities include reducing the capital spend per unit for new installations and increasing billing penetration rates in retro-fit buildings.

Investing in Innovation

Enercare has embarked on an ongoing program to increase innovation and efficiency by investing in its systems and technology. This strategy is also aimed at enhancing the customer experience to gain long-term customer loyalty and differentiate Enercare from its competitors.

Enercare Home Services introduced a new Enercare Smarter Home offering in the first quarter of 2018. Enercare Smarter Home enables customers to utilize technology to support energy efficiency savings by providing insights on heating and cooling equipment functionality. Customers are able to use a mobile application to monitor and control their home at any time or place. The solution allows customers to monitor their energy usage, control their cooling and heating equipment, detect water leaks and enable remote water shut-off, amongst other things. Enercare Home Services is able to notify customers when issues arise, provide insights on equipment usage, complete any repairs and ultimately help customers conserve energy and save money. We believe this offering will strengthen our customer relationships as we move from a reactive to a proactive service model.

Enercare plans to implement an ERP system across its business as well as a cloud-based CRM system in its Enercare Home Services and Service Experts businesses. This initiative will be implemented utilizing a phased release approach, starting with Enercare Home Services. The first phase of Enercare’s ERP system implementation was completed on-schedule in February 2018 to support the application of IFRS 9, which Enercare adopted during the first quarter of 2018. A limited CRM system implementation for Enercare Home Services is planned for the second half of 2018, with plans to commence a more significant implementation near the end of 2019.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

	Three months ended June 30,				Six months ended June 30,			
(in 000's, except units)	**2018**	2017	Change	Percent Change	**2018**	2017	Change	Percent Change
Consolidated								
Revenue	**$343,490**	$319,987	$23,503	7%	**$622,560**	$568,683	$53,877	9%
Gross Margin[1]	**$177,175**	$169,727	$ 7,448	4%	**$327,288**	$309,041	$18,247	6%
EBITDA	**$ 87,377**	$ 78,868	$ 8,509	11%	**$144,406**	$129,389	$15,017	12%
Adjusted EBITDA[1]	**$ 88,610**	$ 84,278	$ 4,332	5%	**$147,341**	$136,760	$10,581	8%
Net earnings	**$ 26,773**	$ 21,103	$ 5,670	27%	**$ 31,627**	$ 18,071	$13,556	75%
Payout Ratio – Maintenance[1]	**47%**	45%	2%		**61%**	61%	-	
Payout Ratio[1]	**96%**	66%	30%		**150%**	111%	39%	
Enercare Home Services								
Revenue	**$120,526**	$113,717	$ 6,809	6%	**$237,581**	$225,292	$12,289	5%
Gross Margin	**$ 95,591**	$ 91,748	$ 3,843	4%	**$188,413**	$181,508	$ 6,905	4%
EBITDA	**$ 69,539**	$ 65,135	$ 4,404	7%	**$135,475**	$124,877	$10,598	8%
Adjusted EBITDA	**$ 70,313**	$ 65,399	$ 4,914	8%	**$137,359**	$127,004	$10,355	8%
Net rental unit growth(i)	**2,700**	1,600	1,100	69%	**4,900**	2,700	2,200	81%
Net sales unit growth	**2,700**	1,900	800	42%	**4,300**	3,300	1,000	30%
Net protection plan growth(ii)	**500**	1,400	(900)	(64%)	**600**	5,100	(4,500)	(88%)
Service Experts								
Revenue	**$212,418**	$197,062	$15,356	8%	**$363,850**	$324,826	$39,024	12%
Gross Margin	**$ 71,739**	$ 69,415	$ 2,324	3%	**$119,254**	$110,765	$ 8,489	8%
EBITDA	**$ 21,039**	$ 19,924	$ 1,115	6%	**$ 17,564**	$ 16,368	$ 1,196	7%
Adjusted EBITDA	**$ 21,481**	$ 25,070	$ (3,589)	(14%)	**$ 18,598**	$ 21,602	$(3,004)	(14%)
Net rental unit growth(i)	**2,200**	600	1,600	267%	**3,000**	1,000	2,000	200%
Net sales unit growth	**21,200**	20,900	300	1%	**35,800**	34,300	1,500	4%
Net protection plan growth(i)	**2,800**	400	2,400	600%	**3,100**	1,100	2,000	182%
Sub-metering								
Revenue	**$ 10,546**	$ 9,208	$ 1,338	15%	**$ 21,129**	$ 18,565	$ 2,564	14%
Gross Margin	**$ 9,845**	$ 8,564	$ 1,281	15%	**$ 19,621**	$ 16,768	$ 2,853	17%
EBITDA	**$ 4,572**	$ 3,584	$ 988	28%	**$ 8,740**	$ 6,143	$ 2,597	42%
Adjusted EBITDA	**$ 4,589**	$ 3,584	$ 1,005	28%	**$ 8,757**	$ 6,153	$ 2,604	42%
Net Billable unit growth	**4,300**	3,400	900	26%	**9,600**	5,700	3,900	68%
Net contracted unit growth	**4,600**	1,100	3,500	318%	**8,800**	11,200	(2,400)	(21%)
Net installed unit growth	**3,500**	6,000	(2,500)	(42%)	**9,400**	9,100	300	3%
Corporate								
EBITDA	**$ (7,773)**	$ (9,775)	$ 2,002	20%	**$ (17,373)**	$ (17,999)	$ 626	3%

(i) Excludes acquisitions, dispositions and transfer of units between segments.
(ii) Amounts stated above for the six months ended June 30, 2018 include approximately 2,200 units of attrition related to certain plans which were not included in Enercare's interim financial statements for the three months ended March 31, 2018.

RECENT DEVELOPMENTS

Enercare Appoints New Chief Financial Officer

On June 4, 2018, Geoff Lowe was appointed as Chief Financial Officer of Enercare and Enercare Solutions.

Enercare to be Acquired by Brookfield Infrastructure in a C$4.3 Billion Transaction

On August 1, 2018, Enercare and Brookfield Infrastructure and its institutional partners (collectively, "Brookfield") announced that they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Brookfield has agreed to acquire all the issued and outstanding Shares for $29.00 per Share in a transaction valued at $4.3 billion including debt (the "Transaction"). Brookfield

[1] Gross Margin, Adjusted EBITDA, Payout Ratio – Maintenance and Payout Ratio are Non-IFRS financial measures. Enercare changed its definition of Adjusted EBITDA in the first quarter of 2018. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

Infrastructure Partners LP expects to fund, after the assumption of debt, approximately US$630,000 of the Transaction, with the balance being funded by its institutional partners.

The Transaction price of $29.00 per Share represents a 53% premium to the closing price of the Shares on the TSX on July 31, 2018, the last trading day prior to the announcement of the Transaction, and a 64% premium to the volume-weighted average Share price on the TSX since the establishment of a Special Committee of directors (the "Special Committee") formed to evaluate various strategic and financial options available to Enercare, including options relating to capital structuring, future growth opportunities and a potential sale of the company in whole or in parts.

The Transaction has the unanimous support of the Special Committee, as well as the full Board of Directors. The Board of Directors, after receiving the unanimous recommendation of the Special Committee and in consultation with its financial and legal advisors, has unanimously determined that the Transaction is in the best interests of Enercare and fair to shareholders and is unanimously recommending that shareholders vote in favour of the Transaction. The Board of Directors has received an opinion from its financial advisor, National Bank Financial Markets, that as of the date thereof and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by shareholders of Enercare pursuant to the Transaction is fair, from a financial point of view, to shareholders of Enercare.

The Transaction is structured as a plan of arrangement under the *Canada Business Corporations Act* and the completion of the Transaction is subject to approval by holders of at least two-thirds of the votes cast by holders of Shares, at a special meeting of Enercare shareholders, and by the Ontario Superior Court. Further information regarding the Transaction will be contained in an information circular that Enercare will prepare, file and mail in due course to Enercare shareholders in connection with the special meeting, currently expected to take place on September 24, 2018. In addition to shareholder and court approvals, the Transaction is subject to compliance with the Competition Act (Canada) and the satisfaction of certain other customary closing conditions and is expected to close in the fourth quarter 2018.

Under the Transaction, each Enercare shareholder will be entitled to receive $29.00 per Share in cash. Enercare shareholders who are deemed to be resident in Canada for purposes of the *Income Tax Act* (Canada) will have the right to elect to receive, in lieu of cash consideration, 0.5509 exchangeable units ("Exchangeable Units") to be issued by a subsidiary of Brookfield Infrastructure ("Exchange LP"). The Exchangeable Units will provide holders with distributions that are economically equivalent to non-voting limited partnership units ("BIP Units") of Brookfield Infrastructure and will be exchangeable, on a one-for-basis, for BIP Units. The maximum amount of Exchangeable Units issuable by Exchange LP in lieu of cash will not exceed 15 million in the aggregate, representing approximately 25% of the aggregate value of the consideration available under the Transaction. If and to the extent that Canadian resident shareholders elect to receive Exchangeable Units in excess of the 15 million maximum number of Exchangeable Units available for issuance, such elections for Exchangeable Units shall be pro rated and the balance of the consideration will be paid in cash. The availability of the Exchangeable Unit option for Canadian shareholders of Enercare has been approved by the Board of Directors of Brookfield Infrastructure and is subject only to Brookfield's receipt of certain third-party consents and obtaining listing approvals from the TSX and New York Stock Exchange, all of which Brookfield expects to receive before Enercare's special meeting of shareholders. Provided that those conditions are satisfied, the Transaction will provide a capital gains tax-deferred roll-over option for taxable Canadian holders of Shares who elect to receive Exchangeable Units, subject to pro ration.

The Arrangement Agreement includes customary provisions relating to non-solicitation, a "fiduciary-out" permitting the Board of Directors to respond to any unsolicited superior alternate proposals and Brookfield's right to match any such proposals. The Arrangement Agreement also provides for the payment by Enercare of a $111 million termination fee if the Arrangement Agreement is terminated in certain specified circumstances.

Completion of the Transaction is expected to result in a change of control under the indentures governing the 2013 Notes and 2017 Notes. The proposed transaction has been structured with the intent of maintaining Enercare's existing BBB credit rating.

Enercare will continue to pay its normal monthly distributions in the ordinary course, consistent with past practice through closing of the Transaction.

The directors and senior officers of Enercare have entered into customary voting support agreements to vote in favour of the Transaction.

CONSOLIDATED RESULTS OF OPERATIONS

(in 000's)	Three months ended June 30, **2018**	2017	Change	Percent Change	Six months ended June 30, **2018**	2017	Change	Percent Change
Consolidated								
Revenue	**$343,490**	$319,987	$23,503	7%	**$622,560**	$568,683	$53,877	9%
Gross Margin	**177,175**	169,727	7,448	4%	**327,288**	309,041	18,247	6%
EBITDA	**$ 87,377**	$ 78,868	$ 8,509	11%	**$144,406**	$129,389	$15,017	12%
Net loss on disposal	**820**	5,137	(4,317)	(84%)	**2,041**	6,994	(4,953)	(71%)
Acquisition/divestiture SG&A	**413**	273	140	51%	**894**	377	517	137%
Adjusted EBITDA	**$ 88,610**	$ 84,278	$ 4,332	5%	**$147,341**	$136,760	$10,581	8%
Depreciation and amortization	**40,427**	39,485	942	2%	**80,238**	77,884	2,354	3%
Interest expense	**10,608**	9,763	845	9%	**20,941**	25,607	(4,666)	(18%)
Current tax expense	**5,599**	6,500	(901)	(14%)	**12,154**	11,915	239	2%
Deferred tax expense/(recovery)	**3,970**	2,017	1,953	97%	**(554)**	(4,088)	3,534	86%
Net earnings	**$ 26,773**	$ 21,103	$ 5,670	27%	**$ 31,627**	$ 18,071	$13,556	75%

Revenue

Total revenues of $343,490 for the second quarter of 2018 increased by $23,503 or 7% and by $53,877 or 9% to $622,560 year to date, compared to the same periods in 2017. These increases were primarily a result of an increase of $15,356 or 8% and $39,024 or 12% in Service Experts in the second quarter of 2018 and year to date, respectively, driven by acquisitions net of divestitures and higher HVAC sales volumes. Enercare Home Services also increased by $6,809 or 6% in the second quarter of 2018 and $12,289 or 5% year to date, primarily from rental rate increases, net rental unit growth and asset mix changes. Sub-metering increased by $1,338 or 15% in the second quarter of 2018 and by $2,564 or 14% year to date, primarily from growth in Billable units. Recurring revenue for Sub-metering is now presented net of commodity expense in conjunction with IFRS 15 changes that became effective on a retrospective basis on January 1, 2018 (see "Changes in Accounting Policies").

Revenue growth was lower by approximately $7,466 in the second quarter of 2018 and $13,118 year to date due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled "Consolidated Results of Operations - Average Foreign Exchange".

The continued success of the U.S. rental rollout in the Service Experts segment impacted revenue growth during the second quarter of 2018. Had the 2,200 HVAC and water heater rental unit additions been sales, as opposed to rentals, revenue would have increased by approximately $15,926 for the second quarter of 2018. This estimate takes into account the impact of lost one-time sales revenue, net of rental revenue earned during the quarter.

Gross Margin

Gross Margin for the second quarter of 2018 was $177,175 and $327,288 year to date, an increase of $7,448 or 4% and $18,247 or 6%, respectively, compared to the same periods in 2017. The second quarter increase was primarily the result of a $3,843 or 4% increase in Enercare Home Services Gross Margin, $2,324 or 3% increase in Service Experts Gross Margin and $1,281 or 15% increase in Sub-metering Gross Margin. The year to date increase was primarily a result of $8,489 or 8% increase in Service Experts Gross Margin, $6,905 or 4% increase in Enercare Home Services Gross Margin and $2,853 or 17% increase in Sub-metering Gross Margin.

The increase in Gross Margin for the second quarter of 2018 and year to date were primarily driven by acquisitions net of divestitures in Service Experts and higher overall HVAC sales volumes partly offset by higher service job volumes in Enercare Home Services and higher general liability, workers compensation and automobile insurance costs in Service Experts.

Gross Margin growth was lower by approximately $2,525 and $4,306 in the second quarter of 2018 and year to date, respectively, due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled “Consolidated Results of Operations - Average Foreign Exchange”.

EBITDA

EBITDA of $87,377 in the second quarter of 2018 increased by $8,509 or 11% and by $15,017 or 12% to $144,406 year to date compared to the same periods in 2017. The increase in the second quarter of 2018 was driven primarily by a $4,404 or 7% increase in Enercare Home Services EBITDA, a $2,002 or 20% reduction in Corporate SG&A expenditures, a $1,115 or 6% increase in Service Experts EBITDA and a $988 or 28% increase in Sub-metering EBITDA. The year to date increase was driven by a $10,598 or 8% increase in Enercare Home Services EBITDA, a $2,597 or 42% increase in Sub-metering EBITDA, a $1,196 or 7% increase in Service Experts EBITDA and a $626 or 3% reduction in Corporate SG&A expenditures.

EBITDA was also lower by approximately $636 and $374 for the second quarter of 2018 and year to date, respectively, due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled “Consolidated Results of Operations - Average Foreign Exchange”.

The continued success of the U.S. rental rollout in the Service Experts segment impacted EBITDA growth during the second quarter of 2018. Had the 2,200 HVAC and water heater rental unit additions been sales, as opposed to rentals, EBITDA would have increased by approximately $7,497 for the second quarter of 2018. This estimate takes into account the impact of lost one-time sales revenue, net of rental revenue earned during the quarter, and capitalized costs that would have otherwise been included in cost of goods sold.

The EBITDA increases in both the second quarter of 2018 and year to date were primarily driven by higher Gross Margin and lower net loss on disposal, partly offset by $3,680 or 4% and $9,210 or 5%, respectively, of higher total SG&A costs. The higher total SG&A expenses were driven by SG&A expenses added from acquisitions net of divestitures and approximately $1,900 and $3,300 of higher marketing related selling expenses in Service Experts in the second quarter and year to date, respectively. Wages and benefits increased by $684 and $2,248 in the second quarter and year to date, respectively, primarily from acquisitions net of divestitures in Service Experts and higher labour costs, partly offset by approximately $2,165 and $5,900, respectively, of lower stock-based compensation costs.

The following table shows total spending on SG&A expenses related to Enercare’s implementation of its ERP and CRM systems during the three months and six months ended June 30, 2018 and 2017.

(in 000's)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
SG&A Expenditures						
Corporate	**$ 345**	$ 544	$ (199)	**$ 1,108**	$ 642	$ 466
Service Experts	**310**	-	310	**629**	-	629
Total	**$ 655**	$ 544	$ 111	**$ 1,737**	$ 642	$1,095

Adjusted EBITDA

Adjusted EBITDA of $88,610 in the second quarter of 2018 and $147,341 year to date was $4,332 or 5% and $10,581 or 8% higher, respectively, compared to the same periods in 2017, after removing from EBITDA the impact of the net loss on disposal of equipment and other assets and SG&A expenditures associated with acquisitions and divestitures. Acquisition and divestiture related expenditures of $413 and $894 in the second quarter of 2018 and year to date, respectively, were primarily associated with the acquisition of CS Newco, LLC and Finch Newco, LLC, the acquisition of Midway Services, LLC and MSICORP, LLC, and the disposition of several centers in Canada and the foundation business in the U.S. during the first quarter of 2018. Acquisition related expenditures were $273 and $377, respectively, in the same periods in 2017.

Depreciation and Amortization

Amortization expense of $40,427 in the second quarter of 2018 increased by $942 or 2% and $2,354 or 3% to $80,238 year to date compared to the same periods in 2017, primarily due to an increasing rental and capital asset base, acquisitions and Sub-metering capital investments that are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment and Other Assets

Enercare reported a net loss on disposal of equipment and other assets of $820 in the second quarter of 2018 and $2,041 year to date, a decrease of $4,317 or 84% and $4,953 or 71%, respectively, over the same periods in 2017. The year to date net loss on disposal includes a $331 loss on the sale of the foundation business that was acquired as part of the CS Newco, LLC and Finch Newco, LLC acquisition. This was partly offset by a $113 gain on the sale of four Service Experts centers, which was completed to address Enercare's Ontario market overlap, resulting from the SE Transaction, between the service territory of those Service Experts centers with that of certain Enercare Home Services franchisees.

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

Interest Expense

	Three months ended June 30,		Six months ended June 30,	
(in 000's)	**2018**	2017	**2018**	2017
Interest expense payable in cash	**$10,131**	$ 9,274	**$19,989**	$18,914
Make-whole payment on early redemption of senior debt	**-**	-	**-**	5,049
Non-cash items:				
Notional interest on employee benefit plans	**238**	226	**476**	452
Amortization of financing costs	**239**	263	**476**	1,192
Interest expense	**$10,608**	$ 9,763	**$20,941**	$25,607

Interest expense payable in cash increased by $857 or 9% to $10,131 in the second quarter of 2018 and increased by $1,075 or 6% to $19,989 year to date compared to the same periods in 2017. These increases were primarily related to an increase in the amounts drawn under the 2014 Revolver and changes in variable interest rates. A make-whole payment for the early redemption of the 2012 Notes during the first quarter of 2017 resulted in additional interest expense of $5,049.

Income Taxes

Enercare reported current tax expense of $5,599 in the second quarter of 2018 and $12,154 year to date, a decrease of $901 or 14% and an increase of $239 or 2%, respectively, compared to the same periods in 2017. The decrease in the second quarter of 2018 compared to the same period in 2017 was primarily from lower taxable income in Service Experts' U.S. operations due to additional tax depreciation from the acquisitions completed in the third quarter of 2017 and first quarter of 2018. The year to date increase was primarily from higher taxes owed from the sale of certain centers by SE Canada during the first quarter of 2018, partly offset by the lower taxable income from Service Experts' U.S. operations during the second quarter. The deferred income tax expense of $3,970 in the second quarter of 2018 and recovery of $554 year to date increased by $1,953 or 97% and decreased by $3,534 or 86%, respectively, compared to the same periods in 2017, primarily as a result of temporary difference reversals.

Net Earnings

Net earnings were $26,773 in the second quarter of 2018 and $31,627 year to date, increases of $5,670 or 27% and $13,556 or 75%, respectively, compared to the same periods in 2017, reflecting higher EBITDA, partly offset by higher depreciation and amortization, interest expense and income taxes.

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 "Segmented 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 the three and six months ended June 30, 2018 assuming average exchange rates during the current period were held constant to those of the same period in 2017.

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Difference	**2018**	2017	Difference
Average exchange rate (US$/CDN$1.00)	**0.7747**	0.7435	0.0312	**0.7827**	0.7495	0.0332

	Three months ended June 30,			Six months ended June 30,		
	2018	2018 Constant Currency*	Impact of Foreign Exchange	**2018**	2018 Constant Currency*	Impact of Foreign Exchange
Revenue	**$188,330**	$195,796	$ (7,466)	**$319,014**	$332,132	$ (13,118)
Gross Margin	**64,142**	66,667	(2,525)	**105,523**	109,829	(4,306)
SG&A expenses	**45,435**	47,321	(1,886)	**89,783**	93,705	(3,922)
Loss on disposal	**40**	43	(3)	**293**	303	(10)
EBITDA			$ (636)			$ (374)

* Constant currency is a non-IFRS presentation that other companies may calculate differently. It approximates the impact of foreign exchange on Enercare's results to improve comparability, assuming average exchange rates during the current period were held constant to those of the same period in 2017.

SEGMENTED RESULTS OF OPERATIONS

Three months ended June 30, 2018 (in 000's)	**Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenue:					
Contracted revenue	**$110,956**	**$ 18,074**	**$ 9,235**	**$ -**	**$138,265**
Sales and other services	**9,123**	**194,313**	**1,306**	**-**	**204,742**
Financing income	**447**	**31**	**5**	**-**	**483**
Total revenue	**$120,526**	**$212,418**	**$10,546**	**$ -**	**$343,490**
Expenses:					
Cost of goods sold:					
Maintenance & servicing costs	**17,879**	**14,370**	**-**	**-**	**32,249**
Sales and other services	**7,056**	**126,309**	**701**	**-**	**134,066**
Total cost of goods sold	**24,935**	**140,679**	**701**	**-**	**166,315**
Gross Margin	**95,591**	**71,739**	**9,845**	**-**	**177,175**
SG&A expenses	**25,927**	**50,604**	**5,298**	**7,762**	**89,591**
Foreign exchange	**(649)**	**67**	**(42)**	**11**	**(613)**
Amortization expense	**32,273**	**5,110**	**2,127**	**917**	**40,427**
Net loss on disposal of equipment and other assets	**774**	**29**	**17**	**-**	**820**
Interest expense:					
Interest expense payable in cash					**10,131**
Non-cash interest expense					**477**
Total interest expense					**10,608**
Total expenses					**307,148**
Earnings before income taxes					**36,342**
Current tax expense					**5,599**
Deferred tax expense					**3,970**
Net earnings					**$ 26,773**
EBITDA	**$ 69,539**	**$ 21,039**	**$ 4,572**	**$ (7,773)**	**$ 87,377**
Adjusted EBITDA	**$ 70,313**	**$ 21,481**	**$ 4,589**	**$ (7,773)**	**$ 88,610**

Three months ended June 30, 2017 (in 000's)	Home Services	Service Experts	Sub-metering	Corporate	Total
Revenue:					
Contracted revenue	$105,893	$ 14,541	$ 8,019	$ -	$128,453
Sales and other services	7,456	182,511	1,188	-	191,155
Financing income	368	10	1	-	379
Total revenue	$113,717	$197,062	$ 9,208	$ -	$319,987
Expenses:					
Cost of goods sold:					
Maintenance & servicing costs	16,721	11,281	-	-	28,002
Sales and other services	5,248	116,366	644	-	122,258
Total cost of goods sold	21,969	127,647	644	-	150,260
Gross Margin	91,748	69,415	8,564	-	169,727
SG&A expenses	26,261	44,840	5,019	9,791	85,911
Foreign exchange	88	(222)	(39)	(16)	(189)
Amortization expense	31,396	5,320	2,021	748	39,485
Net loss on disposal of equipment and other assets	264	4,873	-	-	5,137
Interest expense:					
Interest expense payable in cash					9,274
Non-cash interest expense					489
Total interest expense					9,763
Total expenses					290,367
Earnings before income taxes					29,620
Current tax expense					6,500
Deferred tax expense					2,017
Net earnings					$ 21,103
EBITDA	$ 65,135	$ 19,924	$ 3,584	$ (9,775)	$ 78,868
Adjusted EBITDA	$ 65,399	$ 25,070	$ 3,584	$ (9,775)	$ 84,278

Six months ended June 30, 2018 (in 000's)	**Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenue:					
Contracted revenue	**$220,482**	**$ 31,738**	**$ 18,364**	**$ -**	**$270,584**
Sales and other services	**16,367**	**332,058**	**2,755**	**-**	**351,180**
Financing income	**732**	**54**	**10**	**-**	**796**
Total revenue	**$237,581**	**$363,850**	**$ 21,129**	**$ -**	**$622,560**
Expenses:					
Cost of goods sold:					
Maintenance & servicing costs	**35,708**	**25,068**	**-**	**-**	**60,776**
Sales and other services	**13,460**	**219,528**	**1,508**	**-**	**234,496**
Total cost of goods sold	**49,168**	**244,596**	**1,508**	**-**	**295,272**
Gross Margin	**188,413**	**119,254**	**19,621**	**-**	**327,288**
SG&A expenses	**52,257**	**101,466**	**10,930**	**17,368**	**182,021**
Foreign exchange	**(1,203)**	**84**	**(66)**	**5**	**(1,180)**
Amortization expense	**63,976**	**10,210**	**4,204**	**1,848**	**80,238**
Net loss on disposal of equipment and other assets	**1,884**	**140**	**17**	**-**	**2,041**
Interest expense:					
Interest expense payable in cash					**19,989**
Make-whole charge on early redemption of debt					**-**
Non-cash interest expense					**952**
Total interest expense					**20,941**
Total expenses					**579,333**
Earnings before income taxes					**43,227**
Current tax expense					**12,154**
Deferred tax (recovery)					**(554)**
Net earnings					**$ 31,627**
EBITDA	**$135,475**	**$ 17,564**	**$ 8,740**	**$ (17,373)**	**$144,406**
Adjusted EBITDA	**$137,359**	**$ 18,598**	**$ 8,757**	**$ (17,373)**	**$147,341**

Six months ended June 30, 2017 (in 000's)	Home Services	Service Experts	Sub-metering	Corporate	Total
Revenue:					
Contracted revenue	$210,382	$ 25,918	$15,670	$ -	$251,970
Sales and other services	14,293	298,888	2,892	-	316,073
Financing income	617	20	3	-	640
Total revenue	$225,292	$324,826	$18,565	$ -	$568,683
Expenses:					
Cost of goods sold:					
Maintenance & servicing costs	32,985	20,370	-	-	53,355
Sales and other services	10,799	193,691	1,797	-	206,287
Total cost of goods sold	43,784	214,061	1,797	-	259,642
Gross Margin	181,508	110,765	16,768	-	309,041
SG&A expenses	54,338	89,765	10,693	18,015	172,811
Foreign exchange	166	(225)	(78)	(16)	(153)
Amortization expense	62,276	10,470	3,791	1,347	77,884
Net loss on disposal of equipment and other assets	2,127	4,857	10	-	6,994
Interest expense:					
Interest expense payable in cash					18,914
Make-whole charge on early redemption of debt					5,049
Non-cash interest expense					1,644
Total interest expense					25,607
Total expenses					542,785
Earnings before income taxes					25,898
Current tax expense					11,915
Deferred tax (recovery)					(4,088)
Net earnings					$ 18,071
EBITDA	$124,877	$ 16,368	$ 6,143	$(17,999)	$129,389
Adjusted EBITDA	$127,004	$ 21,602	$ 6,153	$(17,999)	$136,760

Enercare Home Services Business

	Three months ended June 30,				Six months ended June 30,			
(in 000's)	**2018**	2017	Change	Percent Change	**2018**	2017	Change	Percent Change
Revenue	**$120,526**	$113,717	$6,809	6%	**$237,581**	$225,292	$12,289	5%
Gross Margin	**$ 95,591**	$ 91,748	$3,843	4%	**$188,413**	$181,508	$ 6,905	4%
EBITDA	**$ 69,539**	$ 65,135	$4,404	7%	**$135,475**	$124,877	$10,598	8%
Adjusted EBITDA	**$ 70,313**	$ 65,399	$4,914	8%	**$137,359**	$127,004	$10,355	8%

Revenue

Enercare Home Services revenue of $120,526 for the second quarter of 2018 increased by $6,809 or 6% and by $12,289 or 5% to $237,581 year to date, compared to the same periods in 2017. These increases were primarily driven by both higher contracted revenue and sales and other services revenue which increased by $5,063 and $1,667, respectively, during the second quarter and by $10,100 and $2,074, respectively, year to date.

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 the sale of residential furnaces, boilers and air conditioners, as well as plumbing and duct cleaning.

Contracted units outstanding and net portfolio unit activity are presented in the following tables:

Unit / Contract Continuity (in 000's)* Three months ended June 30,	**Rentals**	**2018** **Protection Plans**	Rentals	2017 Protection Plans
Units / contracts - start of period	**1,145.6**	**552.1**	1,136.4	546.0
Portfolio additions	**10.3**	**19.3**	8.9	18.4
Purchase of assets from Service Experts**	**0.5**	**-**	-	-
Attrition	**(7.6)**	**(18.8)**	(7.3)	(17.0)
Units / contracts - end of period	**1,148.8**	**552.6**	1,138.0	547.4
Asset exchanges – units retired & replaced	**11.3**	**N/A**	10.5	N/A
% change during the period	**0.3%**	**0.1%**	0.1%	0.3%
% of units / contracts from start of period:				
Portfolio additions (net of acquisitions)	**0.9%**	**3.5%**	0.8%	3.4%
Attrition	**(0.7%)**	**(3.4%)**	(0.6%)	(3.1%)
Asset exchanges – units retired & replaced	**1.0%**	**N/A**	0.9%	N/A

* Enercare Home Services portfolio addition and attrition units/contracts presented have been rounded to thousands of units/contracts. To ensure consistency with rounded year to date and period end balances, the rounded units/contracts presented in the chart above may vary by +/- 0.1 in certain quarters from results rounded to the nearest hundred units/contracts which may be discussed in this MD&A.

** During the second quarter of 2018, Service Experts sold 508 rental units to Enercare Home Services in connection with its disposal of four service centers in the preceding quarter.

Unit / Contract Continuity (in 000's)* Six months ended June 30,	**Rentals**	**2018** **Protection Plans**	Rentals	2017 Protection Plans
Units / contracts - start of period	**1,143.4**	**552.0**	1,135.3	542.3
Portfolio additions	**19.4**	**36.4**	17.8	37.7
Purchase of assets from Service Experts**	**0.5**	**-**	-	-
Attrition***	**(14.5)**	**(35.8)**	(15.1)	(32.6)
Units / contracts - end of period	**1,148.8**	**552.6**	1,138.0	547.4
Asset exchanges – units retired & replaced	**23.1**	**N/A**	22.5	N/A
% change during the period	**0.5%**	**0.1%**	0.2%	0.9%
% of units / contracts from start of period:				
Portfolio additions (net of acquisitions)	**1.7%**	**6.6%**	1.6%	7.0%
Attrition	**(1.3%)**	**(6.5%)**	(1.3%)	(6.0%)
Asset exchanges – units retired & replaced	***2.0%***	***N/A***	*2.0%*	N/A

* Enercare Home Services portfolio addition and attrition units/contracts presented have been rounded to thousands of units/contracts. To ensure consistency with rounded year to date and period end balances, the rounded units/contracts presented in the chart above may vary by +/- 0.1 in certain quarters from results rounded to the nearest hundred units/contracts which may be discussed in this MD&A.

** During the second quarter of 2018, Service Experts sold 508 rental units to Enercare Home Services in connection with its disposal of four service centers in the preceding quarter.

*** Amounts stated above for the six months ended June 30, 2018 include approximately 2,200 units of attrition related to certain plans which were not included in Enercare's interim financial statements for the three months ended March 31, 2018.

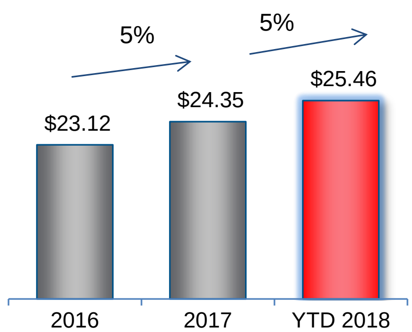
Rentals

The increases in contracted revenue during the second quarter of 2018 and year to date were primarily driven by increases in Rentals revenue of $4,670 or 6% and $9,800 or 6%, respectively, resulting from net water heater and HVAC rental unit growth, rental rate increases and asset mix changes within the portfolio.

Portfolio additions were approximately 10,300 units in the second quarter of 2018 and 19,400 units year to date. During the second quarter of 2018, portfolio additions were approximately 1,400 units higher compared to the same period in 2017, driven mainly by higher water heater rental additions. HVAC rental additions of 3,100 units in the second quarter of 2018 decreased by 200 or 6%, compared to the same period in 2017. The operational implementation of Bill 59 and fewer promotional offers for Rentals also contributed to lower rental additions during the second quarter compared to the same period in 2017. Year to date HVAC rental additions remained consistent compared to the same period in 2017. Portfolio attrition of approximately 7,600 units in the second quarter of 2018 and 14,500 units year to date were also comparable to the same periods in 2017. This represents the twelfth consecutive quarter of net rental unit growth for Enercare Home Services.

In addition to rental unit growth, Enercare Home Services is also able to grow revenue through annual rental rate increases. Enercare Home Services increased its weighted average water heater portfolio rental rate by approximately 3.1% in both January of 2017 and 2018 and in January 2018, increased its weighted average HVAC portfolio rental rate by 1.8%. This, in combination with asset mix changes, led to an increase in the average portfolio rental rate of approximately 5% from 2016 to 2017 and approximately 5% from 2017 to the second quarter of 2018.

Enercare Home Services
Average Monthly Rental Rates



Protection Plans

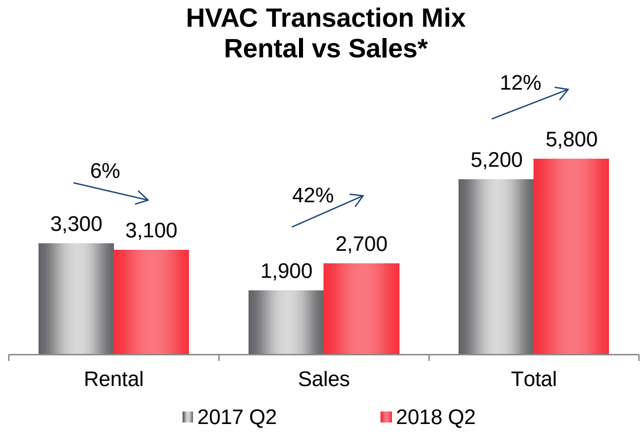
Enercare Home Services' protection plan revenues of $23,222 for the second quarter of 2018 increased by $393 and by $300 to $45,428 year to date compared to the same periods in 2017, driven by the increase in the number of protection plans partially offset by more competitive pricing from plans that were originated in 2017. The protection plan portfolio increased by 500 and 600 units during the second quarter of 2018 and year to date, respectively.

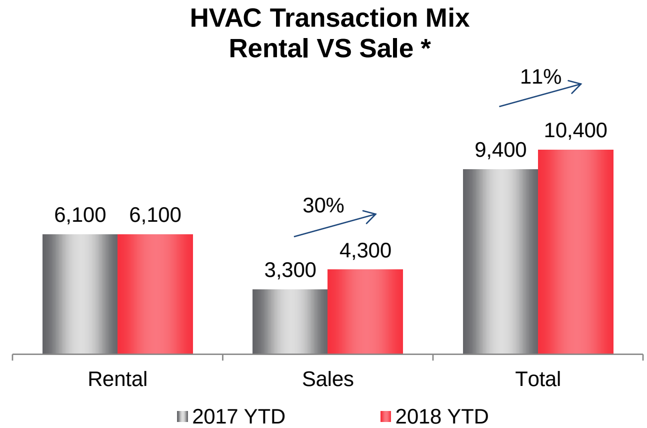
Protection plan additions of approximately 19,300 plans increased by 900 plans or 5% in the second quarter of 2018, while attrition of approximately 18,800 plans increased by 1,800 plans or 11% compared to the same period in 2017. Protection plan additions of approximately 36,400 plans decreased by 1,300 plans or 3% year to date, while attrition of approximately 35,800 plans increased by 3,200 plans or 10% compared to the same period in 2017. Fewer year to date protection plan additions were the result of the launch of the electrical protection plan during the first quarter of 2017, which was supported by promotional pricing. Fewer promotional offers upon the renewal of these electrical protection plans in the first half of 2018 contributed to higher attrition in both the second quarter and year to date.

Attrition, for the second quarter of 2018 and year to date, includes approximately 1,800 and 3,900 (2017 – 2,000 and 4,100) protection plans, respectively, cancelled as a result of those plans being replaced by rentals as part of the Enercare Home Services growth strategy.

Sales and Other Services

Enercare Home Services sales and other services revenue of $9,123 for the second quarter of 2018 increased by $1,667 or 22% and by $2,074 or 15% to $16,367 year to date compared to the same periods in 2017, primarily driven by an increase in HVAC sales. Approximately 2,700 units were sold during the quarter and 4,300 year to date, representing an increase of 42% and 30%, respectively, compared to the same periods in 2017. During the first half of 2018, the operational implementation of Bill 59 combined with adjustments to HVAC rental product offers shifted originations slightly more toward sales, compared to the same period in 2017.





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

Gross Margin

Enercare Home Services Gross Margin of $95,591 for the second quarter of 2018 increased by $3,843 or 4% and $6,905 or 4% to $188,413 year to date compared to the same periods in 2017, primarily driven by a rental rate increase implemented in January 2018. Gross Margin in the second quarter of 2018 and year to date were partially offset by increases of approximately 13% and 15%, respectively, in service job volumes combined with higher parts costs.

EBITDA

Enercare Home Services EBITDA in the second quarter of 2018 increased by $4,404 or 7% to $69,539, primarily driven by a $3,843 increase in Gross Margin. EBITDA of $135,475 year to date increased by $10,598 or 8%, primarily driven by a $6,905 increase in Gross Margin and lower SG&A expenses of $2,081.

Enercare Home Services SG&A expenses of $25,927 in the second quarter of 2018 remained relatively consistent compared to the same period in 2017. Year to date SG&A expenses of $52,257 decreased by $2,081 compared to the same period in 2017, primarily as a result of approximately $1,500 in lower office expenses, partly due to Enercare's ownership of its corporate office starting in the second quarter of 2017 and $600 in lower wages and benefits, mainly due to lower stock-based compensation costs. Both office expenses, which include software licensing and development costs, and wages and benefits were also lower due to the transfer of IT personnel and related costs to Corporate.

Adjusted EBITDA

Enercare Home Services Adjusted EBITDA in the second quarter of 2018 increased by $4,914 or 8% to $70,313, primarily driven by higher EBITDA excluding the increase in net loss on disposal of $510. Adjusted EBITDA year to date increased by $10,355 or 8% to $137,359, primarily driven by higher EBITDA excluding the decrease in net loss on disposal of $243.

Service Experts Business

(in 000's)	**2018**	2017	Change	Percent Change	**2018**	2017	Change	Percent Change
	Three months ended June 30,				Six months ended June 30,			
Revenue	**$212,418**	$197,062	$15,356	8%	**$363,850**	$324,826	$ 39,024	12%
Gross Margin	**$ 71,739**	$ 69,415	$ 2,324	3%	**$119,254**	$110,765	$ 8,489	8%
EBITDA	**$ 21,039**	$ 19,924	$ 1,115	6%	**$ 17,564**	$ 16,368	$ 1,196	7%
Adjusted EBITDA	**$ 21,481**	$ 25,070	$ (3,589)	(14%)	**$ 18,598**	$ 21,602	$ (3,004)	(14%)

Revenue

Service Experts revenue was $212,418 for the second quarter of 2018, increasing by $15,356 or 8% and by $39,024 or 12% to $363,850 year to date compared to the same periods in 2017. The second quarter and year to date increases were primarily due to $11,802 and $33,170, respectively, of higher sales and other services revenue and $3,533 and $5,820, respectively, of higher contracted revenue. Revenue growth was lower by approximately $7,466 in the second quarter of 2018 and $13,118 year to date due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled "Consolidated Results of Operations - Average Foreign Exchange". Had there been no fluctuations in foreign exchange, revenue would have increased by approximately 12% in the second quarter of 2018 and 16% year to date.

Service Experts acquired Church Services, Hammond and Aramendia in 2017 and CS Newco, LLC and Finch Newco, LLC, and Midway Services, LLC and MSICORP, LLC in the first quarter of 2018 and disposed of four centers located in Ontario and a foundation business in the U.S. in the first quarter of 2018. Revenue recognized from the acquisitions were $21,268 and $35,644 for the second quarter of 2018 and year to date, compared to $1,529 and $1,966, respectively, in the same periods in 2017. Revenue recognized from the divestitures in the second quarter of 2018 and year to date are nil and $1,008, compared to $7,434 and $12,634, respectively, in the same periods in 2017. These acquisitions net of divestitures resulted in revenue of $21,268 in the second quarter of 2018 and $36,652 year to date, net increases of $12,305 and $22,052, respectively, compared to the same periods in 2017.

Contracted maintenance agreement revenue increased by $3,109 or 22% in the second quarter of 2018 and $5,016 or 20% year to date, with rental revenue improving by $424 or 312% in the second quarter of 2018 and $804 and 410% year to date, compared to the same periods in 2017. Increased revenue for sales and other services mainly pertains to higher sales and installations of HVAC and water heaters, as well as plumbing.

Contracted revenue and sales and other services revenue are primarily driven by unit growth for these business activities as illustrated in the following tables:

Unit/Contract Continuity (in 000's)* Three months ended June 30,		**2018**		2017
	Rentals	**Maintenance Agreements**	Rentals	Maintenance Agreements
Units / contracts - start of period	**3.2**	**215.2**	0.6	217.0
Portfolio additions	**2.2**	**31.9**	0.6	30.2
Sale of assets to Enercare Home Services***	**(0.5)**	**-**	-	-
Attrition	**-**	**(29.1)**	-	(29.8)
Disposition	**-**	**-**	-	-
Units / contracts - end of period	**4.9**	**218.0**	1.2	217.4
Asset exchanges – units retired & replaced	**-**	**N/A**	-	N/A
% change during the period	**53.1%**	**1.3%**	100.0%	0.2%
% of units / contracts from start of period:				
Portfolio additions (net of acquisitions)	**68.8%**	**14.8%**	100.0%	13.9%
Attrition	**- %**	**13.5%**	- %	(13.7%)
Asset exchanges – units retired & replaced	**- %**	**N/A**	- %	N/A

Unit/Contract Continuity (in 000's)* Six months ended June 30,		**2018**		2017
	Rentals	**Maintenance Agreements**	Rentals	Maintenance Agreements
Units / contracts - start of period	**2.4**	**219.8**	0.2	216.3
Portfolio additions	**3.0**	**53.7**	1.0	52.2
Acquisitions**	**-**	**11.6**	-	-
Sale of assets to Enercare Home Services***	**(0.5)**	**-**	-	-
Attrition	**-**	**(50.6)**	-	(51.1)
Disposition	**-**	**(16.5)**	-	-
Units / contracts - end of period	**4.9**	**218.0**	1.2	217.4
Asset exchanges – units retired & replaced	**-**	**N/A**	-	N/A
% change during the period	**104.2%**	**(0.8%)**	500.0%	0.5%
% of units / contracts from start of period:				
Portfolio additions (net of acquisitions)	**125.0%**	**24.4%**	500.0%	24.1%
Attrition	**- %**	**23.0%**	- %	(23.6%)
Asset exchanges – units retired & replaced	***- %***	***N/A***	*- %*	N/A

* Service Experts portfolio addition and attrition units/contracts presented have been rounded to thousands of units/contracts. To ensure consistency with rounded year to date and period end balances, the rounded units/contracts presented in the chart above may vary by +/- 0.1 in certain quarters from results rounded to the nearest hundred units/contracts which may be discussed in this MD&A.

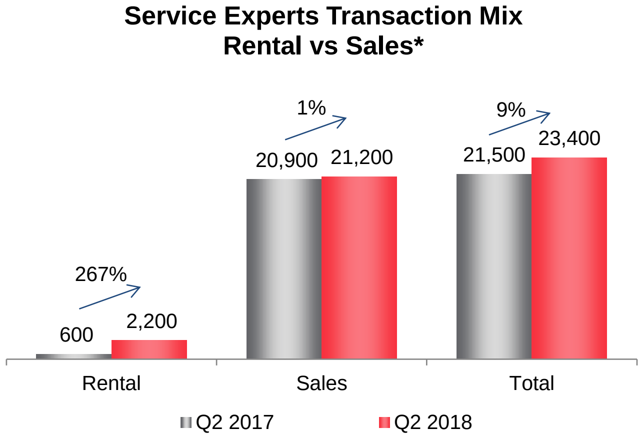
** Service Experts added approximately 11,600 maintenance agreements during the first quarter of 2018 from the acquisitions of CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC.

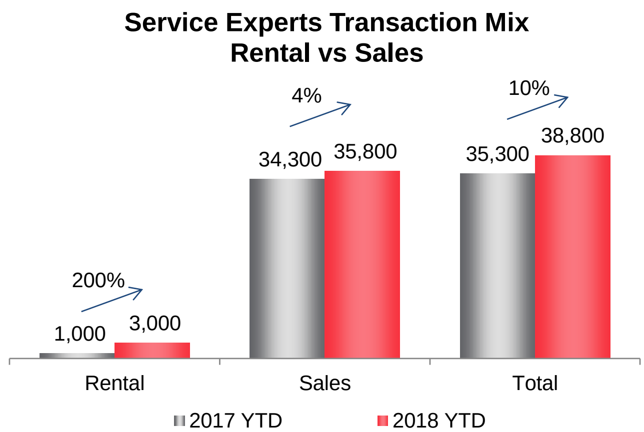
*** During the second quarter of 2018, Service Experts sold 508 rental units to Enercare Home Services in connection with its disposal of four service centers in the preceding quarter.

HVAC and Water Heater Sales and Servicing

The $11,802 or 6% increase in sales and other services revenue in the second quarter of 2018 and increase of $33,170 or 11% year to date were driven mainly by greater HVAC and water heater sales and increases in average selling prices from shifts towards higher value and ancillary product sales. During the second quarter of 2018, Service Experts sold approximately 21,200 HVAC and water heater units, an increase of 1% and an increase of 4% to 35,800 year to date, compared to the same periods in 2017, mainly due to the acquisitions completed after the second quarter of 2017. The year to date increase was partially offset by cooler weather trends experienced in the U.S. and Canada in the first quarter and early part of the second quarter of 2018.

A comparison of HVAC and water heater sales and rentals for the second quarter of 2018 and 2017 is outlined in the chart below.





* Prior period results have been updated to reflect revised actuals.

Maintenance Agreements

Maintenance agreement revenue increased by $3,109 or 22% in the second quarter of 2018 and $5,016 or 20% year to date, compared to the same periods in 2017. Service Experts maintenance agreement revenue was lower by $4,562 during the second quarter of 2017 and $7,960 year to date as a result of purchase accounting adjustments of deferred revenue associated with the SE Transaction. Net of these adjustments, maintenance agreement revenue decreased by $1,453 during the second quarter of 2018 and $2,944 year to date, primarily driven by the impact of foreign exchange and dispositions net of acquisitions.

The disposition of approximately 16,500 agreements as part of Service Experts' disposal of four centers located in Ontario in the first quarter of 2018 was partly offset by the addition of approximately 11,600 from the acquisitions of CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC during the first quarter of 2018 and approximately 2,300 from the acquisition of Aramendia during the third quarter of 2017.

Rentals

Rental revenue of $560 in the second quarter of 2018 and $1,000 year to date increased by $424 and $804, respectively, compared to the same periods in 2017, as a result of an increase in the rental portfolio of approximately 3,700 units since the second quarter of 2017. Of these 3,700 units, 2,200 were originated in the second quarter of 2018 for a total of 3,000 originations year to date. The rental proportion of total residential units sold improved in the second quarter of 2018 to approximately 13.6% in Canada and 14% in the U.S., compared to 9.4% and 4.1% in Canada and the U.S., respectively, in the second quarter of 2017.

Had the 2,200 rental additions been sales, as opposed to rentals, Service Experts' revenue and EBITDA would have increased by approximately $15,926 and $7,497, respectively, for the second quarter of 2018. This estimate takes into account the impact of lost one-time sales revenue, net of rental revenue earned during the quarter, and capitalized costs that would have otherwise been included in cost of goods sold.

Gross Margin

Service Experts Gross Margin of $71,739 for the second quarter of 2018 increased by $2,324 or 3%, compared to the same period in 2017, primarily due to $15,356 higher revenue, offset by $13,032 higher cost of goods sold. Gross Margin increased by $8,489 or 8% to $119,254 year to date, compared to the same period in 2017. Acquisitions net of divestitures contributed $6,617 and $11,175 of net Gross Margin in the second quarter of 2018 and year to date, an increase of $4,178 and $7,018, respectively, compared to the same periods in 2017.

Gross Margin growth was lower by approximately $2,525 and $4,306 in the second quarter of 2018 and year to date due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled “Consolidated Results of Operations - Average Foreign Exchange”. Gross Margin was also impacted in the second quarter of 2018 and year to date compared to the same periods in 2017, by higher general liability, workers compensation and automobile insurance costs of approximately $1,300 and $2,200, respectively.

During the second quarter of 2017, purchase accounting adjustments for the service obligation associated with the SE Transaction reduced Service Experts’ cost of goods sold by $3,506 and reduced year to date cost of goods sold by $6,197, resulting in lower Gross Margin of $1,056 and $1,763 for the three and six months ended June 30, 2017, respectively.

EBITDA

Service Experts EBITDA of $21,039 and $17,564 in the second quarter of 2018 and year to date, respectively, improved by $1,115 or 6% and $1,196 or 7%, respectively, compared to the same periods in 2017. The increase in Service Experts EBITDA in the second quarter was primarily the result of $2,324 higher Gross Margin and $4,844 lower net loss on disposal, partly offset by $5,764 higher SG&A costs. The increase in EBITDA year to date is mainly driven by $8,489 higher Gross Margin and $4,717 lower net loss on disposal, partly offset by $11,701 higher SG&A costs. Service Experts EBITDA was also lower by approximately $636 and $374 for the second quarter of 2018 and year to date, respectively, due to fluctuations in foreign exchange compared to the same periods in 2017, as discussed under the section titled “Consolidated Results of Operations - Average Foreign Exchange”.

Service Experts SG&A expenses of $50,604 in the second quarter of 2018 increased by $5,764 or 13% compared to the same period in 2017. The increased expenditures were primarily as a result of higher sales and marketing expenses of approximately $3,000, wages and benefits of $1,500 and office expenses of $800. Year to date SG&A expenses of $101,466 increased by $11,701 or 13% compared to the same period in 2017, due to higher sales and marketing expenses of approximately $5,100, $4,000 in wages and benefits, $1,600 in office expenses and $500 in professional fees due to greater acquisition and divestiture activities during 2018.

Higher wages and benefits of $1,500 in the second quarter of 2018 and $4,000 year to date was driven by additional employee related expenses due to acquisitions during 2017 and the first quarter of 2018, partly offset by lower stock-based compensation costs. The higher sales and marketing expenses of $3,000 in the second quarter of 2018 and $5,100 year to date were mainly driven by costs related to enhancements to the rental program and associated training, which began in the fourth quarter of 2017, and higher marketing costs, to build brand awareness in the Dallas market and strengthen online search engine optimization.

Service Experts SG&A expenses in the second quarter of 2017 included one-time expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the quarter relating to the write-down of an ERP system.

In the second quarter of 2018 and year to date, Service Experts SG&A included $413 and $894 of acquisition and disposition related expenditures associated with the acquisition of CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC and the disposition of the business centers from the franchise overlap and a line of business from the CS Newco, LLC and Finch Newco, LLC acquisition.

The net loss on disposal decreased by $4,844 for the second quarter of 2018 and $4,717 year to date to $29 and $140, respectively. The decrease was driven by a $5,165 write-down of software intangible assets in the second quarter of 2017 related to an ERP system that Service Experts had been developing that will now be superseded by a common platform implementation across both the Enercare Home Services and Service Experts businesses.

The year to date net loss on disposal also includes a $331 loss on the sale of the foundation business in the first quarter of 2018 that was acquired as part of the CS Newco, LLC and Finch Newco, LLC acquisition. This was partly offset by a $113 gain on the sale of four Service Experts centers which was completed to address Enercare's Ontario market overlap, resulting from the SE Transaction, between the service territory of those Service Experts centers with that of certain Enercare Home Services franchisees.

Adjusted EBITDA

Service Experts Adjusted EBITDA of $21,481 in the second quarter of 2018 decreased by $3,589 or 14%, primarily driven by EBITDA as noted above excluding the decrease of the net loss on disposal of $4,844 in the second quarter of 2018 and a $140 increase in acquisition costs in the second quarter of 2018 compared to the same period in 2017. Year to date Adjusted EBITDA of $18,598 decreased by $3,004 or 14% as a result of higher EBITDA as noted above and excluding the decrease of net loss on disposal $4,717 and the $517 increase in acquisition costs.

Sub-metering Business

	Three months ended June 30,				Six months ended June 30,			
(in 000's)	**2018**	2017	Change	Percent Change	**2018**	2017	Change	Percent Change
Revenue	**$10,546**	$9,208	$1,338	15%	**$21,129**	$18,565	$2,564	14%
Gross Margin	**$ 9,845**	$8,564	$1,281	15%	**$19,621**	$16,768	$2,853	17%
EBITDA	**$ 4,572**	$3,584	$ 988	28%	**$ 8,740**	$ 6,143	$2,597	42%
Adjusted EBITDA	**$ 4,589**	$3,584	$1,005	28%	**$ 8,757**	$ 6,153	$2,604	42%

Revenue

Sub-metering revenue was $10,546 in the second quarter of 2018, an increase of $1,338 or 15% compared to the same period in 2017, primarily as a result of $1,216 higher contracted revenue and $118 of higher sales and other services revenue. The increase in sales and other services revenue was from higher meter sales of $365, partly offset by $228 of lower sales and installation of water conservation products in apartments and condominiums. Year to date revenue was $21,129, which was an increase of $2,564 or 14% compared to the same period in 2017, primarily as a result of $2,694 higher contracted revenue, partly offset by $137 of lower sales and other services revenue.

As a result of the implementation of IFRS 15, Sub-metering revenue in the second quarter of 2017 and year to date have been restated, decreasing by $22,499 and $51,994, respectively. The adjustment results in revenue recognition net of commodity charges associated with the provision of service (see "Changes in Accounting Policies").

Contracted revenue is primarily driven by growth in Billable units as illustrated in the following tables:

Unit Continuity (in 000's) Three months ended June 30,		**2018**				2017
	Contracted	**Installed**	**Billable**	Contracted	Installed	Billable
Units - start of period	**265.5**	**189.4**	**135.7**	245.4	168.3	118.5
Net portfolio additions	**4.6**	**3.5**	**4.3**	1.0	6.0	3.4
Units - end of period	**270.1**	**192.9**	**140.0**	246.4	174.3	121.9
% change in units during the period	**1.7%**	**1.8%**	**3.2%**	0.4%	3.6%	2.9%

Unit Continuity (in 000's) Six months ended June 30,		**2018**				2017
	Contracted	**Installed**	**Billable**	Contracted	Installed	Billable
Units - start of period	**261.3**	**183.5**	**130.4**	235.2	165.2	116.2
Net portfolio additions	**8.8**	**9.4**	**9.6**	11.2	9.1	5.7
Units - end of period	**270.1**	**192.9**	**140.0**	246.4	174.3	121.9
% change in units during the period	**3.4%**	**5.1%**	**7.4%**	4.8%	5.5%	4.9%

Contracted revenue increased by $1,216 or 15% in the second quarter of 2018 and by $2,694 or 17% year to date, driven mainly by 18,100 additional Billable units in the second quarter of 2018 compared to the same period in 2017, coupled with an average rate increase of approximately 3.4%.

Of the 270,100 contracted units, 192,900 have meters installed and 140,000 of those units are Billable. Contracted units increased by approximately 4,600 units in the second quarter of 2018 and 8,800 units year to date to 270,100 units, an increase of 3,500 units and a decrease of 2,400 units, respectively, compared to the same periods in 2017, primarily due to the timing of contract sales.

Gross Margin

Sub-metering Gross Margin was $9,845 in the second quarter of 2018, increasing by $1,281 or 15%, primarily from $1,338 higher revenue as cost of goods sold remained relatively consistent to the same period in 2017. Year to date Gross Margin was $19,621, which increased by $2,853 and 17% compared to the same period in 2017, primarily from $2,564 higher revenue as cost of goods sold remained relatively consistent with the same period in 2017.

Sub-metering Gross Margin in the second quarter and year to date of 2017 has been restated as a part of IFRS 15 implementation, decreasing revenue by $22,499 and $51,994, respectively, and decreasing cost of goods sold by $22,499 and $51,994, respectively (see “Changes in Accounting Policies”). The adjustment recognizes revenues net of commodity charges associated with the provision of service.

EBITDA

Sub-metering EBITDA in the second quarter of 2018 increased by $988 or 28% to $4,572 and by $2,597 or 42% to $8,740 year to date. The increase in the quarter was primarily driven by $1,281 of higher Gross Margin partly offset by an increase of $279 in SG&A expenses from approximately $300 of higher bad debt expense resulting from recoveries of fully provided receivables that occurred during the second quarter of 2017. The year to date increase was primarily a result of $2,853 of higher Gross Margin, partly offset by higher wages and benefits of approximately $300.

Adjusted EBITDA

Sub-metering Adjusted EBITDA increased by $1,005 or 28% to $4,589 in the second quarter of 2018 and by $2,604 or 42% to $8,757 year to date, primarily driven by $988 and $2,597, respectively, of higher EBITDA.

Corporate

(in 000's)	Three months ended June 30, **2018**	2017	Change	Percent Change	Six months ended June 30, **2018**	2017	Change	Percent Change
EBITDA	**$(7,773)**	$(9,775)	$2,002	20%	**$(17,373)**	$(17,999)	$626	3%
Adjusted EBITDA	**$(7,773)**	$(9,775)	$2,002	20%	**$(17,373)**	$(17,999)	$626	3%

EBITDA and Adjusted EBITDA

Corporate EBITDA and Adjusted EBITDA improved by $2,002 or 20% to a loss of $7,773 in the second quarter of 2018 and by $626 or 3% to a loss of $17,373 year to date. The improvement of $2,002 in the second quarter of 2018 was primarily from a decrease in SG&A expenses of $2,029, with approximately $900 from professional fees and $800 from wages and benefits. Decrease in wages and benefits of $800 were mainly driven by lower stock-based compensation costs, offset by higher wages and benefits primarily related to the transfer of IT personnel from Enercare Home Services to Corporate.

The year to date increase of $626 in Corporate EBITDA and Adjusted EBITDA is mainly due to a decrease in SG&A expenses of $647 from lower wages and benefits of approximately $1,400, partly offset by an increase of $400 in office expense and $300 in professional fees. Decrease in wages and benefits were driven primarily by lower stock-based compensation costs partly offset by the transfer of IT personnel and related costs from Enercare Home Services to Corporate. The increase in office expenses was also driven primarily by this transfer, as office expenses include software licensing and development costs, however, these increases were partly offset by Enercare's ownership of its corporate office which started in the second quarter of 2017. Higher professional fees were mainly driven by the implementation of new ERP and CRM systems.

Non-IFRS Measures of Gross Margin and Adjusted EBITDA

The following tables summarize the comparative quarterly results for the last eight quarters and reconcile revenue, an IFRS measure, to Gross Margin and Net Earnings, an IFRS measure, to Adjusted EBITDA.

(in 000's)	**Q2/18**	Q1/18	Q4/17*	Q3/17*	Q2/17*	Q1/17*	Q4/16*	Q3/16*
Revenue	**$343,490**	$279,070	$290,993	$301,103	$319,987	$248,696	$268,354	$281,912
Cost of goods sold	**166,315**	128,957	136,112	140,473	150,260	109,382	119,208	129,252
Gross Margin	**$177,175**	$150,113	$154,881	$160,630	$169,727	$139,314	$149,146	$152,660

* As a result of the implementation of IFRS 15, total revenue and cost of goods sold have been restated.

(in 000's)	**Q2/18**	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
Net earnings/(loss)	**$26,773**	$ 4,854	$17,289	20,154	21,103	$(3,032)	$17,552	$19,332
Deferred tax (recovery)/expense	**3,970**	(4,524)	(45)	1,929	2,017	(6,105)	(5,275)	(7,522)
Current tax expense	**5,599**	6,555	5,023	5,785	6,500	5,415	11,534	15,332
Amortization expense	**40,427**	39,811	40,667	39,457	39,485	38,399	38,892	38,329
Interest expense	**10,608**	10,333	10,302	9,798	9,763	15,844	8,554	8,507
EBITDA	**$87,377**	$57,029	$73,236	$77,123	$78,868	$50,521	$71,257	$73,978
Add: Net loss on disposal	**820**	1,221	444	643	5,137	1,857	850	734
Add: Acquisition/Divestiture SG&A	**413**	481	410	320	273	104	603	4,854
Adjusted EBITDA	**$88,610**	$58,731	$74,090	$78,086	$84,278	$52,482	$72,710	$79,566

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

1. Net earnings are impacted by seasonality, particularly in respect of the Service Experts business (see “Overview – Service Experts – Seasonality”). Net earnings are also impacted by rental rate increases, generally implemented in January of each year.
2. During 2016, current taxes reflect the impact of a one year tax deferral available in 2015 through a subsidiary of Enercare Solutions that was not available in 2016 and, accordingly, resulted in higher current tax expenses.
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.
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 asset mix to a higher percentage of sub-metering assets which have a shorter useful life.
5. Net loss on disposal of equipment and other assets are primarily driven by unit continuity activity, such as Attrition, exchanges and disposal of assets. During the first quarter of 2018, net loss on disposal included a gain of $113 resulting from the disposition of certain centers in SE Canada to address Enercare’s Ontario market overlap, resulting from the SE Transaction, and a loss of $331 from the disposal of the foundation services business of CS Newco, LLC and Finch Newco, LLC. During the second quarter of 2017, net loss on disposal included a write-off of $5,165 of software intangible assets related to the CRM and ERP systems that Service Experts had been developing. A new common platform will be implemented across both the Enercare Home Services and Service Experts businesses. During the first quarter of 2017, net loss on disposal included a write-off 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.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

Payout Ratio - Maintenance

	Three months ended June 30,		Six months ended June 30,	
Payout Ratio - Maintenance - (in 000's)	**2018**	2017	**2018**	2017
Cash provided/(used in) by operating activities	**$ 83,803**	$ 92,827	**$104,617**	$ 77,711
Net change in non-cash working capital	**(14,272)**	(25,629)	**5,798**	20,789
Operating Cash Flow [2]	**$ 69,531**	$ 67,198	**$110,415**	$ 98,500
Capital and vehicle lease expenditures[(i)]:				
Rentals exchanges	**$(10,012)**	$ (8,772)	**$(20,014)**	$(18,743)
Vehicle additions[(ii)]	**(2,528)**	(2,280)	**(4,923)**	(4,073)
Sub-metering maintenance capital	**(253)**	(121)	**(456)**	(265)
Proceeds on disposal of equipment – warranty	**654**	935	**1,284**	1,408
Net capital and vehicle lease expenditures	**$(12,139)**	$(10,238)	**$(24,109)**	$(21,673)
Early redemption of 2012 Notes net of tax	**$ -**	$ (461)	**$ -**	$ 5,049
Acquisition and divestiture related expenditures	**413**	273	**894**	377
Total reductions	**$(11,726)**	$(10,426)	**$(23,215)**	$(16,247)
Distributable Cash – Maintenance[3]	**$ 57,805**	$ 56,772	**$ 87,200**	$ 82,253
Dividends declared[(iii)]	**$(27,103)**	$(25,561)	**$(53,034)**	$(49,991)
Net cash retained	**$ 30,702**	$ 31,211	**$ 34,166**	$ 32,262
Payout Ratio – Maintenance	**47%**	45%	**61%**	61%

(i) Excluding growth capital and acquisitions.
(ii) Reflects repayments of obligations under finance leases.
(iii) Including share dividends distributed under the DRIP.

The Payout Ratio - Maintenance, which excludes capital expenditures associated with obtaining new customers and acquisitions, increased to 47% for the second quarter of 2018 and remained at 61% year to date, compared to 45% and 61%, respectively, in the same periods in 2017. The slight increase in the second quarter was primarily a result of increased quarterly dividends in 2018, partly offset by higher Operating Cash Flow. On a year to date basis, the decrease in the Payout Ratio – Maintenance resulted from increased Operating Cash Flow, partly offset by higher dividends during 2018 as a result of an increased number of Shares outstanding and dividend rate increases.

The early redemption of the 2012 Notes, net of tax represents the aggregate of the 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 tax timing differences of ($719).

Acquisition and divestiture related expenditures in the second quarter of 2018 were $413 and $894 year to date. These costs are primarily associated with the acquisition of CS Newco, LLC and Finch Newco, LLC, the acquisition of Midway Services, LLC and MSICORP, LLC, as well as the disposition of several business centers in Canada and the foundation business in the U.S.

Enercare's DRIP participation rate was approximately 29% as at June 30, 2018, resulting in cash savings of $8,452 during the quarter and $16,296 year to date. Adjusting the Payout Ratio - Maintenance to exclude the non-cash dividends distributed under the DRIP would have resulted in the following Payout Ratios – Maintenance:

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

Payout Ratio - Maintenance - (in 000's)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	**2017**
Distributable Cash – Maintenance	**$ 57,805**	$ 56,772	**$ 87,200**	$ 82,253
Cash paid out for dividends	**$(18,651)**	$(17,766)	**$(36,738)**	$(34,799)
Payout Ratio – Maintenance excluding DRIP	**32%**	31%	**42%**	42%

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

Payout Ratio

Payout Ratio (in 000's)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	2017
Cash provided by operating activities	**$ 83,803**	$ 92,827	**$104,617**	$ 77,711
Net change in non-cash working capital	**(14,272)**	(25,629)	**5,798**	20,789
Operating Cash Flow	**$ 69,531**	$ 67,198	**$110,415**	$ 98,500
Capital and vehicle lease expenditures(i):				
HVAC rental additions	**$(19,233)**	$(12,027)	**$(32,986)**	$(23,094)
Water heater rental and other additions	**(13,800)**	(9,362)	**(25,034)**	(19,697)
Rentals exchanges	**(10,012)**	(8,772)	**(20,014)**	(18,743)
Vehicle additions(ii)	**(2,528)**	(2,280)	**(4,923)**	(4,073)
Sub-metering maintenance capital	**(253)**	(121)	**(456)**	(265)
Subtotal	**$(45,826)**	$(32,562)	**$(83,413)**	$(65,872)
Total proceeds on disposal of rental equipment	**4,218**	3,990	**7,348**	6,819
Net capital and vehicle lease expenditures	**$(41,608)**	$(28,572)	**$(76,065)**	$(59,053)
Early redemption of 2012 Notes net of tax	**-**	(461)	**-**	5,049
Acquisition integration and business transformation related expenditures	**413**	273	**894**	377
Total reductions	**$(41,195)**	$(28,760)	**$(75,171)**	$(53,627)
Distributable Cash[3]	**$ 28,336**	$38,438	**$ 35,244**	$ 44,873
Dividends declared(iii)	**$(27,103)**	$(25,561)	**$(53,034)**	$(49,991)
Net cash retained	**$ 1,233**	$12,877	**$(17,790)**	$ (5,118)
Payout Ratio	**96%**	66%	**150%**	111%

(i) Excluding Sub-metering growth capital and acquisitions.
(ii) Reflects repayments of obligations under finance leases.
(iii) Including share dividends distributed under the DRIP.

The Payout Ratio, which excludes growth capital for Sub-metering and acquisitions, increased to 96% and 150% for the second quarter of 2018 and year to date, respectively, compared to 66% and 111%, respectively, for the same periods in 2017. The increase is a result of greater capital expenditures, driven by an increase in U.S. rental units and an increase in dividends compared to the same periods in 2017.

Enercare expects that dividends declared will, in the foreseeable future, continue to exceed Distributable Cash in certain periods due primarily to the seasonality of Service Experts (see "Overview – Service Experts – Seasonality"). Enercare also expects that dividends declared will, in the foreseeable future, continue to vary from net earnings as net earnings includes non-cash items such as amortization expense; accordingly, Enercare does not use net earnings as a proxy for annual dividend levels.

Enercare determines its annual dividend levels by, among other considerations, assessing its Operating Cash Flow and does not consider seasonal fluctuations in non-cash working capital in any one period. As such, Enercare does not believe that the dividends are an economic return of capital, but dividends based on sustainable cash flow from its operating activities. Further, any temporary disruptions in Operating Cash

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

Flow can be addressed by the 2014 Revolver.

Enercare also considers the impact of Enercare's DRIP on its ability to sustain current dividend levels. Adjusting the Payout Ratio to exclude the non-cash dividends distributed under the DRIP program would have resulted in the following Payout Ratios:

	Three months ended June 30,		Six months ended June 30,	
Payout Ratio (in 000's)	**2018**	2017	**2018**	2017
Distributable Cash	**$ 28,336**	$38,438	**$ 35,244**	$ 44,873
Dividends declared excluding DRIP	**$(18,651)**	$(17,766)	**$(36,738)**	$(34,799)
Payout Ratio excluding DRIP	**66%**	46%	**104%**	78%

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30,		Six months ended June 30,	
(in 000's)	**2018**	2017	**2018**	2017
Cash flow provided by operating activities	**$83,803**	$92,827	**$104,617**	$77,711
Net change in non-cash working capital	**(14,272)**	(25,629)	**5,798**	20,789
Operating Cash Flow	**$69,531**	67,198	**110,415**	98,500
Capital expenditures[(i)]	**(43,330)**	(30,476)	**(78,502)**	(62,230)
Proceeds on disposal of equipment	**4,218**	3,990	**7,348**	6,819
Net capital expenditures	**(39,112)**	(26,486)	**(71,154)**	(55,411)
Acquisition – Hammond	**-**	(5,300)	**-**	(5,300)
Acquisition – CS Newco, LLC and Finch Newco, LLC	**-**	-	**(18,794)**	-
Acquisition – Midway Services, LLC and MSICORP, LLC	**-**	-	**(10,258)**	-
Acquisition – Church Services	**-**	-	**-**	(1,144)
Proceeds on disposal of centers and foundation business	**-**	-	**18,533**	-
Other intangibles	**(1,938)**	(2,866)	**(2,902)**	(5,009)
Growth capital[(ii)]	**(4,797)**	(14,694)	**(8,575)**	(20,622)
Cash used in investing activities	**(45,847)**	(49,346)	**(93,150)**	(87,486)
Dividends paid	**(18,651)**	(17,766)	**(36,738)**	(34,799)
Other financing activities	**(2,047)**	8,658	**30,101**	60,333
Cash (used in)/provided by financing activities	**(20,698)**	(9,108)	**(6,637)**	25,534
Cash and equivalents – end of period	**$36,180**	$ 52,829	**$36,180**	$ 52,829

(i) Excluding growth capital and acquisitions.
(ii) Primarily consists of Sub-metering growth capital and capital expenditures for furniture and fixtures.

Management believes that Enercare has sufficient cash flow, cash on hand and available credit to meet its 2018 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

Operating Cash Flow

Operating Cash Flow of $69,531 in the second quarter of 2018 and $110,415 year to date, increased by $2,333 and $11,915 respectively, compared to the same periods in 2017. The increases for the second quarter of 2018 and year to date were primarily due to higher net earnings.

Capital Expenditures

Capital expenditures typically have a significant impact on liquidity and are best understood with reference to unit/contract continuity (see "Segmented Results of Operations").

Net capital expenditures of $39,112 in the second quarter of 2018 and $71,154 year to date increased by $12,626 and $15,743, respectively, compared to the same periods in 2017. These increases were driven by higher HVAC and water heater rentals, primarily due to the growth in rental units from Service Experts' U.S. operations during the second quarter of 2018.

The acquisition amounts of $18,794 and $10,258 represent the consideration paid for the acquisitions of CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC.

During the second quarter of 2018, growth capital expenditures, which are net of proceeds on disposal, decreased by $9,897 and by $12,047 year to date, compared to the same periods in 2017. Expenditures on other intangibles were $1,938 during the second quarter of 2018 and $2,902 year to date, a decrease of $928 and $2,107, respectively, compared to the same periods in 2017. The decrease in expenditures on growth capital and other intangibles were primarily due to upgrades and optimization of information technology systems and costs associated with improvements to Enercare's corporate headquarters in 2017.

In the second quarter of 2018, net capital expenditures in Enercare Home Services of $31,713 increased by $9,756, primarily as a result of unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned. Attrition in the Enercare Home Services business of approximately 8,000 units in the second quarter of 2018 remained consistent compared to the same periods in 2017. In the Service Experts business, 2,200 water heater and HVAC rental additions were installed during the second quarter of 2018, for a total of 4,900 installed units since the introduction of its rental programs in late 2016.

Sub-metering capital expenditures of $3,728 related to metering equipment in the second quarter of 2018, which remained comparable to the same period in 2017. Installations in the Sub-metering business were approximately 3,500 units in the second quarter of 2018, lower by 2,500 units compared to the same period in 2017 driven by the timing of completed new construction projects.

Cash from Financing

Financing activities for Enercare reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, acquisitions, and to a much lesser extent financing of the Sub-metering and Service Experts businesses.

	Six months ended June 30,	
Capitalization (in 000's)	**2018**	2017
Cash and cash equivalents	**$36,180**	$ 52,829
Net investment in working capital	**(26,690)**	(35,601)
Cash, net of working capital	**9,490**	17,228
Total debt	**1,075,385**	1,020,989
Shareholders' equity	**599,244**	594,304
Total capitalization – book value	**$1,674,629**	$1,615,293

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.

Dividends paid reflect cash dividend payments on outstanding Shares, excluding dividends paid on Shares issued under Enercare's DRIP.

During the second quarter of 2018 and year to date, other financing activities included $2,821 and $5,673, respectively, of financing repayments, primarily related to obligations under finance leases, the repayment of the Stratacon Debt and the purchase of treasury Shares in respect of the employee share purchase plan. During the first quarter of 2018, Enercare also drew an additional $35,000 on the 2014 Revolver primarily to fund acquisitions and growth capital.

At June 30, 2018, total debt was comprised of the 2013 Notes, the 2014 Revolver, the 2016 Term Loan and the 2017 Notes. Of the available credit of $200,000 under the 2014 Revolver, $90,000 was drawn as at June 30, 2018.

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 and 2016 Term Loan as of June 30, 2018. A total of $90,000 was drawn under the 2014 Revolver as at June 30, 2018.

2013 Notes and 2017 Notes – Incurrence Test

The covenants in respect of the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On June 30, 2018, 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

(in 000's, except per share)	**Q2/18**	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
Total revenue*	**$343,490**	$279,070	$290,993	$301,103	$319,987	$248,696	$268,354	$281,912
Net earnings/(loss)	**26,773**	4,854	17,289	20,154	21,103	(3,032)	17,552	19,332
Dividends declared	**27,103**	25,931	25,841	25,740	25,561	24,430	16,102	23,991
Average Shares outstanding	**106,898**	106,412	105,998	105,631	104,821	104,215	103,881	103,839
Per Share								
Basic net earnings/(loss)	**$ 0.25**	$ 0.05	$ 0.16	$ 0.19	$ 0.20	$(0.03)	$ 0.17	$ 0.19
Diluted net earnings/(loss)	**$ 0.25**	$ 0.05	$ 0.16	$ 0.19	$ 0.20	$(0.03)	$ 0.17	$ 0.19
Dividends declared	**$0.250**	$0.240	$0.240	$0.240	$0.240	$0.231	$0.155	$0.231

* As a result of the implementation of IFRS 15, total revenue has been restated.

In addition to quarterly comments found under "Consolidated Results of Operations – EBITDA" and "Consolidated Results of Operations – Adjusted EBITDA", differences in net earnings between quarters reflect the timing of expenses, current tax expense and the temporary difference reversals of deferred income tax. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the second quarters of 2017 and 2018, respectively. During the fourth quarter of 2016, as a result of implementing Enercare's DRIP, dividends which had historically been declared the month prior to payment were declared and paid in the same month, resulting in one less declared dividend while maintaining monthly payments.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures until the second quarter of 2017 and issuances pursuant to Enercare's DRIP implemented during the fourth quarter of 2016.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt of Enercare at June 30, 2018:

	Interest Rate	**Maturity**	**Principal Amount June 30, 2018**	**Principal Amount December 31, 2017**
2013 Notes	4.60%	February 3, 2020	$ 225,000	$ 225,000
2017-1 Senior Notes	3.38%	February 21, 2022	275,000	275,000
2017-2 Senior Notes	3.99%	February 21, 2024	225,000	225,000
2016 Term Loan	3.59%(1)	May 11, 2020(1)	263,360	250,900
Stratacon Debt	7.50%-8.75%		-	207
2014 Revolver	2.99%(2)		90,000	55,000
Total			$1,078,360	$1,031,107

(1) 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 has 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, which was 3.59% at June 30, 2018.

(2) 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 2.99% at June 30, 2018.

As at June 30, 2018, 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.

During the first quarter of 2018, Enercare drew $35,000 on the 2014 Revolver. As at June 30, 2018, a total of $90,000 was drawn on the 2014 Revolver.

The Stratacon Debt of $207, as at December 31, 2017, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. During the first quarter of 2018, the remaining principal balance was repaid in its entirety.

The following schedule summarizes Enercare's significant contractual obligations, including payments due for each of the next five years and thereafter:

Period	Debt(1)		Finance Lease Obligations(2)		Other(3)
(in 000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2018	$ -	$ 20,388	$ 5,042	$ 387	$ 4,555
Due in 2019	-	40,775	9,595	582	7,719
Due in 2020	488,360	29,642	8,223	345	6,443
Due in 2021	90,000	20,860	5,482	163	4,287
Due in 2022	275,000	10,293	2,290	49	3,027
Thereafter	225,000	10,248	467	7	7,109
Total	$1,078,360	$132,206	$31,099	$ 1,533	$33,140

(1) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including the 2013 Notes, 2017 Notes, 2016 Term Loan and 2014 Revolver. Variable interest payments are based on the forward rates as of June 30, 2018.
(2) The obligations under finance leases in Enercare Home Services bear floating interest rates that are either 2.5% above the one month banker's acceptance rate per annum or equal to the yield of interest rate swaps as quoted in the Federal Reserve system per annum. The obligations under vehicle finance leases in Service Experts during the period bear fixed interest rates of 0.97% to 2.44%, at floating interest rates that are 2.5% above the three month banker's acceptance rate, 0.75% above the three month LIBOR rate per annum or 0.17% above the one month LIBOR rate per annum (approximately 0.35%). The finance leases mature at dates ranging between July 2018 and April 2024.
(3) 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.

As at June 30, 2018, Enercare had additional long term liabilities which included post-employment and other long term employee benefit plan liabilities, deferred income tax liabilities and provisions, including insurance liabilities. These long term liabilities have not been included above as the timing and amount of future payments are uncertain.

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At June 30, 2018, there were 107,327,953 Shares (106,377,020 at December 31, 2017) issued and outstanding, and no preferred shares were outstanding. 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 subordinate to the preferred shares from time to time.

From June 30, 2018 to August 13, 2018, 150,677 of additional shares were issued as a result of Enercare's DRIP. At August 13, 2018, there were 107,478,630 Shares issued and outstanding, and no preferred shares were outstanding.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The interim 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 interim financial statements for the period ended June 30, 2018.

Enercare reports on certain non-IFRS measures that are used by management to evaluate the performance of Enercare. 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.

Gross Margin, Adjusted EBITDA, Distributable Cash, Distributable Cash–Maintenance, Payout Ratio, Payout Ratio-Maintenance, Operating Cash Flow, Billable and Capital Expenditures and Acquisitions 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, HVAC, sub-meters and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

Gross Margin

Gross Margin is a non-IFRS measure equal to total revenue less total cost of goods sold and services provided. Enercare believes Gross Margin is a useful measure in assessing the underlying operating performance of each segment.

Gross Margin is reconciled with Revenue, an IFRS measure (see "Segmented Results of Operations – Non-IFRS Measures of Gross Margin and Adjusted EBITDA" in this MD&A).

Adjusted EBITDA

This measure is one of Enercare's non-IFRS measures used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. It is comprised of EBITDA plus net losses associated with disposal of equipment, assets or impairment charges, expenditures related to transaction, integration and restructuring costs as part of completed acquisitions or divestitures, minus any net gains associated with disposal of equipment or assets.

As of the first quarter of 2018, Enercare changed its definition of Adjusted EBITDA to be essentially the same as the definition of Acquisition Adjusted EBITDA in prior periods, except for the addition of expenditures related to completed divestitures in the current Adjusted EBITDA definition. Applying the current definition of Adjusted EBITDA to calculate Acquisition Adjusted EBITDA in prior periods would result in the same amounts. Historical amounts in this MD&A have been restated to reflect the current definition.

Adjusted EBITDA is reconciled with Net Earnings, an IFRS measure (see "Segmented Results of Operations – Non-IFRS Measures of Gross Margin and Adjusted EBITDA" in this MD&A).

Distributable Cash and Distributable Cash – Maintenance

Distributable Cash is a non-IFRS 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.

Distributable Cash is comprised of net earnings of Enercare, plus non-cash items, such as deferred income taxes, amortization, defined benefit plan expense and transaction and integration expenses, 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 non-IFRS measure of the amount of Distributable Cash calculated on a per Share basis.

Distributable Cash – Maintenance is the same as 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 and Distributable Cash – Maintenance are 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. 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 Payout Ratio is the percentage of Distributable Cash to dividends 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 six months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Measures Regarding Debt Covenants

As at June 30, 2018, Enercare was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes. For a summary of the financial covenants in respect of such debt see "Liquidity and Capital Resources – Debt Financing" in this MD&A.

2014 Revolver and 2016 Term Loan

Under the 2014 Revolver agreement and 2016 Term Loan agreement, Enercare Solutions is subject to three principal financial covenants as described in the section "Liquidity and Capital Resources – Debt Financing" in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on June 30, 2018. There was a total of $90,000 drawn under the 2014 Revolver at June 30, 2018. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' material subsidiaries, including SEHAC and its material 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 the interim financial statements. The critical accounting estimates and judgments presented in this section should be read in conjunction with Enercare's most recently issued MD&A for the year ended December 31, 2017, which includes additional critical accounting estimates and judgments that did not significantly change during the quarter. Management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At June 30, 2018, Enercare Home Services recorded a revenue accrual of approximately $42,900 reflecting accrued service periods, compared to $42,400 at June 30, 2017. Unbilled protection plans comprise approximately $24,800 of this balance, compared to $25,900 at June 30, 2017. 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 revenue reflects accrued service revenue for rental water heaters and other products.

At June 30, 2018, Service Experts recorded a revenue accrual of approximately $14,600 primarily reflecting accrued revenue for contracts in progress, compared to $3,500 at June 30, 2017.

At June 30, 2018, Sub-metering recorded a revenue accrual of approximately $9,600, reflecting accrued service periods, compared to $9,800 at June 30, 2017.

Loss Allowances and Expected Credit Loss Allowance

Enercare Home Services is exposed to credit risk in the normal course of business for customers who are billed directly by EGD within its service territory and for customers who are billed by EGD outside of its service territory or billed by Enercare Home Services. For billing within the EGD service territory, Enercare is guaranteed payment by EGD for 99.51%, in both 2018 and 2017, of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. The guaranteed amount is recorded in revenue on a net basis.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Enercare uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on past history, market conditions and other factors. The loss allowance for Enercare Home Services, Sub-metering and Service Experts was approximately $15,600 as at June 30, 2018, compared to approximately $14,800 as at December 31, 2017. The expected credit loss for financing receivables was approximately $200 as at June 30, 2018. Changes in any of the variables or assumptions may result in a materially different amount.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at June 30, 2018. There have been no changes to our ICFR during the quarter and year to date ended June 30, 2018 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, CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC, which were acquired on August 15, 2017, January 4, 2018 and March 5, 2018, respectively.

Aramendia's contribution to Enercare's consolidated financial statements for the three months ended June 30, 2018 and year to date 2018 was approximately 2% of revenue and 1% of net earnings, and 3% of revenue and 2% of net earnings, respectively. In addition, Aramendia's current assets and current liabilities were approximately nil of the consolidated current assets and current liabilities and its long term assets and long term liabilities were approximately nil of the consolidated long term assets and long term liabilities.

The contribution of CS Newco, LLC and Finch Newco, LLC to Enercare's consolidated financial statements for the three months ended June 30, 2018 and year to date 2018 was approximately 3% of revenue and 4% of net earnings, and 5% of revenue and 2% of net earnings, respectively. The current assets and current liabilities of CS Newco, LLC and Finch Newco, LLC were approximately 1% of the consolidated current assets and current liabilities and the long term assets and long term liabilities were approximately 1% and nil of the consolidated long term assets and long term liabilities, respectively.

The contribution of Midway Services, LLC and MSICORP, LLC to Enercare's consolidated financial statements for the three months ended June 30, 2018 and year to date was approximately 1% of revenue and 1% of net earnings. The current assets and current liabilities of Midway Services, LLC and MSICORP, LLC's were approximately nil of the consolidated current assets and current liabilities and the long term assets and long term liabilities were approximately nil of the consolidated long term assets and long term liabilities.

Enercare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Aramendia, CS Newco, LLC and Finch Newco, LLC and Midway Services, LLC and MSICORP, LLC.

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 IFRS 15 and IFRS 9 effective January 1, 2018. The following table outlines the principal impacts of such adoption on 2017 figures.

Changes in Accounts	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Year-to-Date 2017	Jan. 1, 2018
Assets						
Long-term financing receivables	$ -	$ -	$ -	$ -	$ -	$ (564)
Total assets	-	-	-	-	-	(564)
Liabilities						
Deferred tax liability	-	-	-	-	-	(149)
Total liabilities	-	-	-	-	-	(149)
Shareholder's equity						
Retained earnings (deficit)						(415)
Total liabilities and equity	$ -	$ -	$ -	$ -	$ -	$ (564)
Changes in Earnings/(Loss)						
Contracted revenue	$(29,408)	$(22,463)	$(25,102)	$(21,749)	$(98,722)	$ -
Sales and other services	291	328	303	403	1,325	-
Total revenue	(29,117)	(22,135)	(24,799)	(21,346)	(97,397)	-
Commodity charges	(29,495)	(22,499)	(25,153)	(21,864)	(99,011)	-
Selling, general & admin.	378	364	354	518	1,614	-
Total expenses	(29,117)	(22,135)	(24,799)	(21,346)	(97,397)	-
Net earnings/(loss)	$ -	$ -	$ -	$ -	$ -	$ -
EBITDA	$ -	$ -	$ -	$ -	$ -	$ -

The following tables summarize the impact of adopting IFRS 15 and IFRS 9 effective January 1, 2018.

Enercare Inc.
Consolidated Statements of Income
For the three months ended June 30, 2017

(in thousands of Cdn $)	Reference	As Reported	Increase / Decrease IFRS 15 Adjustments	Restated
Revenues				
Contracted revenue	a, b.1, b.2	$ 150,916	$ (22,463)	$ 128,453
Sales and other services	b.1, b.2	190,827	328	191,155
Total revenues		$ 342,122	$ (22,135)	$ 319,987
Expenses				
Cost of goods sold and services provided				
Commodity charges	a	$ 22,499	$ (22,499)	$ -
Selling, general & administrative	b.2, b.3	85,547	364	85,911
Total Expenses		$ 263,254	$ (22,135)	$ 241,119

Enercare Inc.
Consolidated Statements of Income
For the six months ended June 30, 2017

(in thousands of Cdn $)	Reference	As Reported	Increase / Decrease IFRS 15 Adjustments	Restated
Revenues				
Contracted revenue	a, b.1, b.2	$ 303,841	$ (51,871)	$ 251,970
Sales and other services	b.1, b.2	315,454	619	316,073
Total revenues		$ 619,935	$ (51,252)	$ 568,683
Expenses				
Cost of goods sold and services provided (note 23)				
Commodity charges	a	$ 51,994	$ (51,994)	$ -
Selling, general & administrative (note 24)	b.2, b.3	172,069	742	172,811
Total Expenses		$ 490,546	$ (51,252)	$ 439,294

Enercare Inc.
Impact to Consolidated Statement of Financial Position
As at January 1, 2018

(in thousands of Cdn $)	Reference	As Reported	Increase / (Decrease) IFRS 9 Adjustments	Restated
Assets				
Long-term financing receivables	c	$ 9,320	$ (564)	$ 8,756
Total assets		$ 2,005,618	$ (564)	$ 2,005,054
Liabilities				
Deferred tax liability		$ 102,279	$ (149)	$ 102,130
Total liabilities		$ 1,412,608	$ (149)	$ 1,412,459
Shareholders' equity				
Retained earnings (deficit)		$ (590,396)	$ (415)	$ (590,811)
Total shareholders' equity		$ 593,010	$ (415)	$ 592,595
Total liabilities and shareholders' equity		$ 2,005,618	$ (564)	$ 2,005,054

The adjustments noted in the tables above are discussed below.

Revenue Recognition

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 and interim periods beginning on or after January 1, 2018. Enercare adopted IFRS 15 on a fully retrospective basis.

Enercare's revenues from service protection plans, maintenance protection plans, sub-metering and sales of equipment and other services are within the scope of the standard. Enercare's water heater and HVAC rental contracts are not within the scope of this standard due to their classification as leases.

The following describes the significant changes that resulted from the adoption of IFRS 15. These adjustments did not result in any changes to the statement of financial position, net earnings, comprehensive income or cash flows previously reported.

a) *Sub-metering*

Under IFRS 15, Enercare acts as an agent and recognizes certain contracted Sub-metering revenue net of the related commodity charges associated with the service. The retrospective adoption of IFRS 15 resulted in an adjustment, decreasing Sub-metering revenue by $22,499 and 51,994 for the three and six months ended June 30, 2017, respectively, with a corresponding decrease to commodity charges. This change does not impact EBITDA and net earnings or opening deficit as at January 1, 2017.

b) *Enercare Home Services*

b.1) Enercare Home Services manages an advertising fund, established to collect and administer funds contributed by its franchisees for use in advertising programs. Contributions to the advertising fund are based on a percentage of each franchisee's revenue. In accordance with IFRS 15, Enercare has determined that it acts as principal in providing advertising services to its franchisees. As a result, the contributions collected from franchisees in respect of the advertising fund of $968 and $1,945 for the three and six months ended June 30, 2017, respectively, have been reclassified from selling, general and administrative expenses to revenue. This change does not impact EBITDA and net earnings or opening deficit as at January 1, 2017.

b.2) For customers billed within the EGD service territory, Enercare is guaranteed payment by EGD for 99.51%, in both 2018 and 2017, of the amounts billed (subject to certain exceptions) 21 calendar days after the invoices are issued. Enercare previously recognized the 0.49% amount to EGD as bad debt expense. Under IFRS 15, such payment is recognized as a reduction of the transaction price. This retrospective adjustment has reduced Enercare Home Services revenue by $604 and $1,203 for the three and six months ended June 30, 2017, respectively, with a corresponding decrease to selling, general and administrative expenses. This change does not impact net earnings or EBITDA.

Financial Instruments

c) The final version of IFRS 9 was issued by the IASB in July 2014 and replaced 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 loans and receivables measured at amortized cost, 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. Enercare has retrospectively adopted IFRS 9 effective January 1, 2018. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated and any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application has been included in opening deficit as at January 1, 2018.

In applying IFRS 9, certain receivables, in particular, those issued at a discount to the contractual par amount, do not consist solely of payments of principal and interest due to prepayment features and are measured at fair value through profit or loss. However, the remaining receivables are measured at amortized cost. Enercare has recorded an allowance based on the estimated future reduction in interest income resulting from anticipated principal prepayments of certain financing receivables. This prepayment allowance is estimated at the inception of each loan based on prepayment factors associated with the financing arrangement.

Enercare has adopted the general impairment model for financing receivables, 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.

Adoption of the impairment model has resulted in a reduction to financing loan receivables of $564 and a corresponding increase to opening deficit as at January 1, 2018, net of taxes.

The adoption of IFRS 9 does not have any material impact on the classification of financial liabilities or cash flows in the interim financial statements.

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 has adopted IFRS 7 effective January 1, 2018 and added disclosure on the components of the fair value movement for items classified as fair value through profit or loss, as well as quantitative and qualitative disclosure on risk exposure and risk management strategies

Share-based Payments

IFRS 2 has been amended by the IASB to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. Enercare has assessed the impact of adopting this amendment on the interim financial statements and concluded that no adjustments to the current measurement of share-based payment transactions are required on the adoption of the amendment. Accordingly, there is no impact to the interim financial statements on application of the amendment.

Accounting Standards Issued But Not Yet Applied

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

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 largely unchanged. As a lessor, Enercare has a significant portion of its revenue derived from leases and while the lessor accounting model is not fundamentally different, Enercare continues to evaluate the effect of the standard on this revenue stream. Enercare, as a lessee, is currently in the process of evaluating the impact of adopting this standard, including finalizing its inventory of leases and determining the rates to be used to discount its lease liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

RISK FACTORS

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

OUTLOOK

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

Enercare remains focused on its strategic objectives of continued growth, operational excellence and innovation. Enercare's financial plan is focused on growing both revenue and Adjusted EBITDA, while remaining committed to providing shareholder value.

In 2018, Enercare expects to continue to grow revenue and Adjusted EBITDA in all three operating segments, excluding the impact of the U.S. rental rollout in the Service Experts segment, by focusing on the following key strategic objectives. The continued success of the U.S. rental rollout will generate long term value, however, in the short term this growth will reduce Adjusted EBITDA growth and increase capital investments in the Service Experts segment.

Enercare Home Services Key Priorities:

- Grow Rental and protection plan portfolios;
- Invest in technology and innovation to improve the service experience and help differentiate our offerings from those of our competitors;
- Emphasize HVAC rentals over outright sales in order to create a long-term customer revenue stream and provide valuable cross-selling opportunities; and
- Roll out the Enercare Smarter Home solution to enable a proactive, rather than reactive, service model.

Service Experts Key Priorities:

- Integrate rentals throughout Service Experts residential heating and cooling operations by the end of 2018 to create recurring revenue;
- Execute on strategic acquisition opportunities;
- Generate strong organic sales; and
- Launch a pilot of the Enercare Smarter Home solution in the U.S. market by the end of 2018.

Sub-metering Segment Key Priorities:

- Increase contracted and Billable units.

See also "Vision and Strategy" in this MD&A.

In the Service Experts business, the percentage of rental HVAC installations in the U.S. continues to rise. U.S. residential HVAC and water heater rental additions increased tenfold during the second quarter of 2018, to 1,799 rental additions compared to 170 during the same period in 2017, as the rental proportion of total U.S. residential units sold improved in the second quarter of 2018 to approximately 14% compared to 4.1% in the second quarter of 2017. This compares to 3.2% in the fourth quarter of 2017 and is double the rental mix of 7.2% from the first quarter of 2018. Furthermore, during the second quarter of 2018, the rental rate was approximately 16% in the U.S. centers which had deployed the rental offering in 2017. The accelerated growth trajectory of the U.S. rental program is due to a number of factors, including improved sales training and marketing and streamlining of processes to enhance the customer experience. Service Experts has now rolled out the rental model to centers in 23 states and is on track to add an additional six states by the end of 2018.

Enercare has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. Enercare continues to invest in the replacement and modernization of its information technology systems and infrastructure to improve its customer experience and expand its product and service offerings. 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.

In addition, Enercare is targeting a range of between $185 million and $207 million in capital investments in 2018. Although this is consistent with previous guidance, Enercare expects to be at the higher end of this range, reflecting higher rental originations from Service Experts.

Enercare estimates that it will recognize approximately $22 million to $28 million in current income tax expense for the fiscal year ending December 31, 2018, compared to previous guidance of $26 million to $32 million. The change in estimate is primarily driven by lower taxable income in Service Experts' U.S. operations resulting from the increase in U.S. rental units. This estimate assumes corporate tax rates of approximately 26.5% in Canada and 26% in the U.S. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning, capital expenditures through the capital cost allowance deduction, changes in tax laws, distribution of sales and earnings by state, and regulations and administrative practices. As additional regulatory guidance is issued by the applicable U.S. taxing authorities, the assumptions used to estimate taxable income in the U.S. may be impacted.

On August 1, 2018, Enercare and Brookfield announced that they had entered into the Arrangement Agreement pursuant to which Brookfield has agreed to acquire all the issued and outstanding Shares for $29.00 per Share. The special meeting of shareholders to approve the Transaction is currently expected to take place on September 24, 2018. See also "Recent Developments" in this MD&A.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare dated March 22, 2018.
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.
Arrangement Agreement	The arrangement agreement dated August 1, 2018 between Cardinal Acquisition Inc. and Enercare regarding the Transaction.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
Bill 59	Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2017.
BIP Units	Non-voting limited partnership units of Brookfield Infrastructure.
Board of Directors	The board of directors of Enercare.
Brookfield	Brookfield Infrastructure Partners LP and its institutional partners.
Billable	Enercare services that are deemed to be billing (see Non-IFRS Financial and Performance Measures – Measures of Financial Performance).
Bureau	Competition Bureau.
Church Services	CS Operating LLC, acquired by Service Experts on February 13, 2017, which provides HVAC and plumbing services in Austin, Texas.
Convertible Debentures	6.25% convertible unsecured subordinated debentures of Enercare, which matured on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture was 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).
CRM	Customer relationship management.
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.
DRIP	Dividend Reinvestment Plan.
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.
Enercare Connections	Enercare Connections Inc. (formerly Stratacon, EECI and Triacta).
EECI	Enbridge Electric Connections Inc. (now Enercare Connections).
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.
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.
ERP	Enterprise resource planning.
ESLP	Enercare Solutions Limited Partnership (formerly Waterheater Operating Limited Partnership).
Exchange LP	A subsidiary of Brookfield Infrastructure Partners LP.
Exchange Units	Exchangeable units to be issued by Exchange LP to certain Enercare shareholders who elect to receive these units in lieu of cash consideration resulting from the Transaction.
Guarantors	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada, 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.
IFRS 2	IFRS 2, "Share-based payments"
IFRS 7	IFRS 7, "Financial Instruments: Disclosures"
IFRS 9	IFRS 9, "Financial Instruments"
IFRS 15	IFRS 15, "Revenue from Contracts with Customers"
IFRS 16	IFRS 16, "Leases"
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
interim financial statements	Enercare's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2018
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.
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	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.
Special Committee	The Special Committee of directors formed to evaluate various strategic and financial options available to Enercare, including the Transaction.
Stratacon	Stratacon Inc. (now Enercare Connections).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.
Sub-metering	Business division that provides sub-metering equipment and billing services.
Transaction	The acquisition of Enercare by Brookfield pursuant to the Arrangement Agreement.
Triacta	Triacta Power Technologies Inc., now Enercare Connections pursuant to an amalgamation effective July 15, 2015.
TSX	Toronto Stock Exchange.
U.S.	United States of America
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which were 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.