UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022
Commission file number: 001-41531

Enerflex Ltd.

(Exact name of Registrant as specified in its charter)

Canada	**3563**	**98-0457703**
(Province of other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Suite 904, 1331 Macleod Trail S.E.
Calgary, Alberta, Canada, T2G 0K3
(403) 387-6377
(Address and telephone number of Registrant's principal executive offices)

Enerflex Energy Systems Inc.
10815 Telge Road
Houston, Texas 77095
(281) 345-9300
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares, without par value	**EFXT**	**New York Stock Exchange**
(Title of each class)	*(Trading Symbol(s))*	*(Name of exchange on which registered)*

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

123,739,020 Common Shares as of December 31, 2022

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its

Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

EXPLANATORY NOTE

Enerflex Ltd. ("Enerflex" or the "Company") is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 405 under the Securities Act of 1933, as amended. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD LOOKING INFORMATION

The Company includes forward-looking information in this Annual Report on Form 40-F and the exhibits attached hereto (the "Form 40-F") within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively referred to as "forward-looking information"). These statements relate to Management's expectations about future events, results of operations, and the future performance (both financial and operational) and business prospects of Enerflex. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "future", "plan", "contemplate", "create", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective", "capable", and similar expressions, are intended to identify forward-looking information. In particular, this Form 40-F includes (without limitation) forward-looking information pertaining to: the characteristics of Enerflex following completion of its acquisition of Exterran Corporation (the "Transaction"); the Company's ability to leverage its sustainable asset portfolio and backlog position to deliver on its value-creating priorities throughout 2023, including strengthening its financial position, delivering on expected synergies without sacrificing operational capabilities, and growing its excess cash flow to support an attractive capital allocation framework; the anticipated benefits and synergies of the Transaction and the Company's ability to realize upon such benefits and synergies, including expected annual run-rate synergies of approximately U.S.$60 million, expected to be captured within 12 to 18 months of the closing of the Transaction; the Company's anticipated completion dates for its various investments and facilities, including the completion of three Energy Infrastructure investments and one cryogenic natural gas processing facility currently in progress in the Middle East; expectations regarding the future performance of carbon capture projects and expected CO2 emissions abated following completion of certain projects; expectations regarding the Company's ability to generate significant excess cash flow to be used to strengthen the Company's financial position; Enerflex's targeted financial metrics after the Transaction, including the Company's expectations regarding the reduction of its bank-adjusted net debt to EBITDA ratio to below 2.5 times within 12 to 18 months of the closing of the Transaction; the Company's expectations regarding its ability to increase returns of capital to shareholders and to profitably invest in strategic growth projects; the Company's targeted growth plans and related anticipated benefits, including global energy transition trends; the Company's expectations regarding the overall activity level in the oil and gas sector; and Enerflex's expectations regarding the continued payment of its quarterly dividend of at least $0.025 per share.

All forward-looking information in this Form 40-F is subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect Enerflex's operations, including, without limitation: the impact of economic conditions, including volatility in the price of crude oil, natural gas, and natural gas liquids, interest rates, and foreign exchange rates; the markets in which Enerflex's products and services are used; industry conditions, including supply and demand fundamentals for crude oil and natural gas, and the related infrastructure, including new environmental, taxation, and other laws and regulations; expectations and implications of changes in governmental regulation, laws, and income taxes; environmental, social, and governance matters; the duration and severity of business disruptions and other negative impacts resulting from the COVID-19 pandemic or other crises; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; political unrest and geopolitical conditions; and other factors, many of which are beyond the control of Enerflex. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While Enerflex believes that there is a reasonable basis for the forward-looking information included in this Form 40-F, as a result of such known and unknown risks, uncertainties, and other factors, actual results, performance, or achievements could differ and such differences could be material from those expressed in, or implied by, these statements. The forward-looking information included in this Form 40-F should not be unduly relied upon as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to: the ability of Enerflex to realize the anticipated benefits of, and synergies from, the Transaction and the timing and quantum thereof; the ability to maintain desirable financial ratios; the ability to access various sources of debt and equity capital, generally, and on acceptable terms, if at all; the ability to utilize tax losses in the future; the ability to maintain relationships with partners and to successfully manage and operate integrated businesses; risks associated with technology and equipment, including potential cyberattacks; the occurrence of unexpected events such as pandemics, war, terrorist threats, and the instability resulting therefrom; risks associated with existing and potential future lawsuits, shareholder proposals, and regulatory actions; and those factors referred to under the heading "Risk Factors" in Enerflex's Annual Information Form for the year ended December 31, 2022, and Exterran's Form 10-K for the year ended December 31, 2021, available on SEDAR and EDGAR, respectively; in Enerflex's MD&A for the year ended December 31, 2022, and in Exterran's Form 10-Q for the six months ended June 30, 2022, available on SEDAR and EDGAR, respectively; and in Enerflex's Management Information Circular dated September 8, 2022, and in the Proxy Statement of Exterran and Prospectus of Enerflex dated September 12, 2022, available on SEDAR and EDGAR, respectively.

The forward-looking information contained in this Form 40-F is expressly qualified in its entirety by the above cautionary statement and is given as of the date hereof. The Company disclaims any intention or obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

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CURRENCY

The Company presents its consolidated financial statements in Canadian dollars unless otherwise specified. All dollar amounts in this Form 40-F are stated in Canadian dollars ("$" or "C$"), except where otherwise indicated. On February 28, 2023, the daily average exchange rate (as reported by the Bank of Canada) of United States dollars ("US$") into Canadian dollars was US$1.00 equals C$1.3609.

CANADIAN ANNUAL DISCLOSURE DOCUMENTS

The following documents are filed as exhibits to this Form 40-F and are incorporated by reference herein:

1. The Annual Information Form of the Company for the fiscal year ended December 31, 2022, which is filed as Exhibit 99.1 to this Form 40-F (the "AIF");

2. Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2022, which is filed as Exhibit 99.2 to this Form 40-F (the "Annual Financial Statements"); and

3. Management's Discussion and Analysis of the Company for the fiscal year ended December 31, 2022, which is filed as Exhibit 99.3 to this Form 40-F (the "Annual MD&A").

CERTIFICATIONS

See Exhibits 99.4, 99.5, 99.6 and 99.7 to this Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian and United States securities laws. As of December 31, 2022, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in the applicable Canadian and United States securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2022.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This annual report does not include a report of management's assessment regarding internal control over financial reporting pursuant to section 404 of the Sarbanes Oxley Act of 2002 (or Rule 13a-15(c) under the Exchange Act) due to a transition period established by rules of the SEC for newly public companies.

ATTESTATION REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

This annual report does not include an attestation report of the Company's registered public accounting firm regarding management's assessment of internal control over financial reporting pursuant to section 404 of the Sarbanes Oxley Act of 2002 (or Rule 13a-15(c) under the Exchange Act) due to a transition period established by rules of the SEC for newly public companies.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management regularly reviews its system of internal control over financial reporting and makes changes to the Company's processes and systems to improve controls and increase efficiency, while ensuring that the Company maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

Other than is disclosed herein, there have been no significant changes in the design of the Company's internal controls over financial reporting ("ICFR") during the twelve months ended December 31, 2022, that would materially affect, or is reasonably likely to materially affect, the Company's ICFR. Management identified a material weakness in the design and operation of the Company's control over review of financial statement presentation and disclosure in the second quarter of 2022, which led to the amendment and restatement of its audited Consolidated Financial Statements for the year ended December 31, 2021.

This deficiency was due to reliance on system automation to correctly classify and present amounts in the financial statements and insufficient precision of financial statement review controls to identify a material misstatement in the financial statements. Due to this material weakness, certain financial statement presentation was incorrect, which included the misclassification of certain cash flows and non-cash items being reflected as transfers between Operating, Investing, and Financing cash flows. The Statements of Cash Flows and related disclosures were adjusted for this misclassification and these non-cash transfers.

The Company has taken and will continue to take a number of actions to remediate this material weakness. During the second quarter of 2022, the Company developed and implemented a remediation plan to address this material weakness. The remediation plan identifies areas where enhanced precision will help detect and prevent material misstatements, and includes but is not limited to:

- a new reconciliation process that identifies any new transactions being reflected in the Statement of Cash Flows;
- a robust review methodology for complex and non-normal course transactions which includes all aspects of presentation and disclosure;
- a proof to ensure that non-cash transfers are no longer reflected within the Statement of Cash Flows; and
- plans to use outside resources to enhance the business process documentation.

Certain remedial measures were undertaken in the second quarter of 2022 that resulted in an effective control design over the Company's reliance on system automation to correctly classify and prepare the Statements of Cash Flows. Management has concluded that these controls are operationally effective. Management believes the ongoing efforts will reduce the risk of material weaknesses in the future.

NOTICES PURSUANT TO REGULATION BTR

The Company did not send any notices required by Rule 104 of Regulation BTR during the year ended December 31, 2022, concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The Audit Committee is composed of Maureen Cormier Jackson (Chair), James Gouin, Mona Hale, and Michael A. Weill, as described under "Audit Committee – Composition of the Audit Committee" on **page [53]** of the AIF.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that the Company has at least one "audit committee financial expert" (as defined in paragraph (8) of General Instruction B to Form 40-F) and that Ms. Cormier Jackson and Ms. Hale are the Company's "audit committee financial experts" serving on the Audit Committee of the Board. Each of the audit committee financial experts is "independent" under applicable listing standards.

CODE OF ETHICS

The Company has a "code of ethics" (as defined in paragraph (9)(b) of General Instruction B to Form 40-F) that applies to all the Company's employees, officers and directors, including the Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, and persons performing similar functions. The

Company's code of ethics (referred to as the "Code of Conduct") is available without charge on the Company's website at www.enerflex.com or upon request from the Corporate Secretary, Enerflex Ltd., Suite 904, 1331 Macleod Trail S.E., Calgary, Alberta, Canada, T2G 0K3 (telephone (403) 261-4280).

During the fiscal year ended December 31, 2022, there have not been any amendments to, or waivers of, including implicit waivers of, any provision of the Code of Conduct which is applicable to the Company's Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in paragraph (9)(b) of General Instruction B to Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young LLP (PCAOB ID: 1263) served as the Company's independent public accountant for the fiscal years ended December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, Ernst & Young LLP and its affiliates billed or expect to bill, including out-of-pocket costs, $5,761,108 and $2,366,023, respectively, as detailed below:

	2022	2021
Audit Fees [1]	$5,138,841	$1,864,023
Audit-related Fees [2]	$ 177,924	$ —
Tax Fees [3]	$ 444,343	$ 502,000
All Other Fees [4]	$ —	$ —
Total	$5,761,108	$2,366,023

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews, and audit, or attest services not required by legislation or regulation.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities and guidance to employees transferred internationally.

(4) "**All Other Fees**" include all other non-audit services.

(5) While the professional fees in the preceding table represent the amounts billed or expected to be billed, the Company's AIF details the total professional fees paid to Ernst & Young LLP during the year.

(6) All amounts are in Canadian dollars unless otherwise stated.

(7) No other firms provided audit services in 2022 or 2021.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

For a description of the pre-approval policies and procedures of the Company's Audit Committee, see "Audit Committee – Pre-approval Policies and Procedures" on **page [53]** of the AIF.

No audit-related fees, tax fees or other non-audit fees were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any "off-balance sheet arrangements", as defined in General Instruction B(11) to Form 40-F, that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial

condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

For tabular disclosure of the Company's contractual obligations, see **page [M-34]** of the Annual MD&A, under the heading "Contractual Obligations, Committed Capital Investment, and Off-Balance Sheet Arrangements".

COMPARISON OF NYSE CORPORATE GOVERNANCE RULES

The Company is subject to a variety of corporate governance guidelines and requirements enacted by the Toronto Stock Exchange (the "TSX"), the Canadian securities regulatory authorities, the New York Stock Exchange (the "NYSE") and the SEC. The Company's common shares are listed on the TSX and the NYSE. Sections 103.00 and 303A.11 of the NYSE Listed Company Manual permit "foreign private issuers" (as defined in Rule 3b-4 under the Exchange Act) like the Company to follow home country practices in lieu of certain provisions of the NYSE Listed Company Manual. A description of the significant ways in which the Company's corporate governance practices differ from those followed by domestic companies pursuant to NYSE standards is as follows:

Shareholder Meeting Quorum Requirement: The NYSE is of the opinion that the quorum required for any meeting of shareholders should be sufficiently high to ensure a representative vote. The Company's quorum requirement is set forth in its By-laws. A quorum for a meeting of the Company's shareholders is (a) two persons present in person, each holding or representing by proxy at least one issued share of Enerflex, for the choice of a chair of the meeting and for the adjournment of the meeting to a fixed time and place and (b) for all other purposes, two persons present and holding or representing by proxy not less than 10% of the total number of Enerflex common shares entitled to be voted at the meeting.

Shareholder Approval Requirement: The NYSE rules for U.S. domestic issuers require shareholder approval of certain transactions or series of related transactions that result in the issuance of common shares, or securities convertible into or exercisable for common shares, that have, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding prior to the transaction or if the issuance of common shares, or securities convertible into or exercisable for common shares, are, or will be upon issuance, equal to or in excess of 20% of the number of common shares outstanding prior to the transaction.

The Company intends to follow TSX rules for shareholder approval of new issuances of its common shares. In accordance with TSX rules, shareholder approval is required for certain issuances of shares that: (i) materially affect control of the Company; or (ii) provide consideration to insiders in an aggregate of 10% or greater of the market capitalization of the Company and have not been negotiated at arm's length. Shareholder approval is also required under TSX rules in the case of private placements: (a) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (b) that during any six-month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six-month period.

Equity Compensation Plans: The NYSE rules for U.S. domestic issuers require shareholder approval of all equity compensation plans (as defined in the NYSE rules) regardless of whether new issuances, treasury shares or shares that the Company has purchased in the open market are used. Unlike the NYSE rules, there is no requirement in Canada for shareholder approval of compensation arrangements settled solely in cash or with shares purchased in the open market at fair value or for amendments to such arrangements. Enerflex intends to comply with the TSX rules that require a listed company to obtain shareholder approval of any share compensation arrangement that involves the issuance of shares from treasury or to make amendments to such arrangements that require shareholder approval (in accordance with the TSX rules and the terms of such arrangement).

The foregoing is consistent with Canadian laws, customs and practices.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

DISCLOSURE PURSUANT TO SECTION 13(r) OF THE EXCHANGE ACT

In accordance with Section 13(r) of the Exchange Act, the Company is required to include certain disclosures in its periodic reports if it or any of its affiliates knowingly engaged in certain specified activities during the period covered by the report. Neither the Company nor its affiliates have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during the year ended December 31, 2022.

INCORPORATION BY REFERENCE

The Company's Annual Report on Form 40-F (other than the section entitled "Credit Ratings" in Exhibit 99.1 to this Form 40-F) is incorporated by reference into the Company's Registration Statement on Form S-8 (File No. 333-268146).

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EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form of the Company dated March 1, 2023.
99.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2022.
99.3	Management's Discussion and Analysis for the fiscal year ended December 31, 2022.
99.4	Chief Executive Officer certification required by Rule 13a-14(a).
99.5	Chief Financial Officer certification required by Rule 13a-14(a).
99.6	Chief Executive Officer certification required by Rule 13a-14(b).
99.7	Chief Financial Officer certification required by Rule 13a-14(b).
99.8	Consent of Ernst & Young LLP (PCAOB ID: 1263).
99.9	Code of Conduct dated November 21, 2021.
101.INS	Inline XBRL Instance
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

ENERFLEX LTD.

/s/ Marc E. Rossiter

Marc E. Rossiter
President and Chief Executive Officer
Date: March 1, 2023



2022

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2022

ENERFLEX LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2022

Dated March 1, 2023

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DEFINITIONS

In this AIF, the following terms have the meanings set forth below, unless the context requires or indicates otherwise:

9.00% Notes has the meaning ascribed to such term under the heading "*Significant Acquisitions – Consideration*".

Annual Information Form or **AIF** means this annual information form dated March 1, 2023.

Arrangement means the arrangement completed under the provisions of section 192 of the CBCA pursuant to a plan of arrangement among Toromont, Old Enerflex, and 7787014 Canada Inc., which became effective on June 1, 2011.

Audit Committee or **AC** means the Audit Committee of the Board of Directors.

Bank Facility means the syndicated revolving credit facilities entered into pursuant to a credit agreement made as of June 1, 2011, amended and restated as of June 30, 2014, May 2, 2019, and further amended and restated as of July 16, 2021, among the Company, Enerflex Australasia Holdings Pty Ltd., the Toronto Dominion Bank, the Bank of Nova Scotia, and certain other lenders.

Board of Directors or **Board** means the Board of Directors of Enerflex, as it is comprised from time to time.

BOOM has the meaning ascribed to such term under the heading "*Product Lines – Energy Infrastructure*".

CBCA means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder.

CCUS has the meaning ascribed to such term under the heading "*Description of the Business – Enerflex's Business*".

CO_2 means carbon dioxide.

Code means the Business Code of Conduct of Enerflex.

Eastern Hemisphere or **EH** has the meaning ascribed to such term under the heading "*Description of the Business – Enerflex's Business*".

EDGAR means the Electronic Data Gathering, Analysis, and Retrieval system used for the filing of documents under the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act of 1940.

EMT has the meaning ascribed to such term under the heading "*General Development of the Business – Three-year History – 2022 – October*".

Enerflex or the **Company** means Enerflex Ltd., and includes subsidiaries of, and partnership interests held by, Enerflex and its subsidiaries.

Enerflex Common Shares means common shares in the capital of Enerflex.

Enerflex DSUs mean Enerflex Deferred Share Units, a notional unit with a value equal to an Enerflex Common Share that can only be redeemed when the holder leaves the Company.

Energy Infrastructure means the Company's Energy Infrastructure product line which offers a variety of solutions for natural gas compression, processing, and electric power equipment.

Energy Transition means the energy transition solutions of the Company, including projects related to CCUS, renewable natural gas, electrification, and hydrogen.

Engineered Systems has the meaning ascribed to such term under the heading "*Engineered Systems*".

ERM has the meaning ascribed to such term under the heading "*Social and Safety Policies – Cybersecurity*".

ESG refers to environmental, social, and governance matters.

Exterran has the meaning ascribed to such term under the heading "*General Development of the Business – Three-year History – 2022 – January*".

GHG means greenhouse gas.

HAZCOM has the meaning ascribed to such term under the heading "*Environmental, Social and Governance Standards – Chemicals Management*".

HP means horsepower.

HRC Committee or **HRCC** means the Human Resources and Compensation Committee of the Board of Directors.

HSE means health, safety, and environment.

IFRS means the International Financial Reporting Standards as issued by the International Accounting Standards Board, as amended from time to time.

ITK has the meaning ascribed to such term under the heading "*Product Lines – Engineered Systems*".

kW means kilowatt.

Latin America or **LATAM** has the meaning ascribed to such term under the heading "*Description of the Business – Enerflex's Business*".

Labor Board has the meaning ascribed to such term under the heading "*Legal Proceedings*".

MD&A means management's discussion and analysis.

MEA means the Middle East and Africa.

Merger Agreement has the meaning ascribed to such term under the heading "*Significant Acquisitions*".

Merger Sub means Enerflex US Holdings Inc., initially incorporated as a direct wholly owned subsidiary of Enerflex.

MW means megawatt.

NCG Committee or **NCGC** means the Nominating and Corporate Governance Committee of the Board of Directors.

NGL means natural gas liquid.

NI 52-110 means National Instrument 52-110 *Audit Committees*.

North America or **NAM** has the meaning ascribed to such term under the heading "*Description of the Business – Enerflex's Business*".

Note Offering has the meaning ascribed to such term under the heading "*Significant Acquisitions – Consideration*".

Note Purchase Agreement collectively means the note purchase agreements among the Company and a series of private placement lenders dated June 22, 2011, and dated December 15, 2017, with respect to the Senior Notes.

NYSE means the New York Stock Exchange.

OEM has the meaning ascribed to such term under the heading "*Product Lines – After-Market Services*".

Old Enerflex means Enerflex Ltd., a CBCA corporation that amalgamated with 7787014 Canada Inc. on June 1, 2011, with the resulting amalgamated corporation being named "Enerflex Ltd." and, prior to the effectiveness of the Arrangement, a wholly owned subsidiary of Toromont.

Retirement Policy has the meaning ascribed to such term under the heading "*Directors and Officers*".

Revolving Credit Facility has the meaning ascribed to such term under the heading "*Significant Acquisitions – Consideration*".

RNG has the meaning ascribed to such term under the heading "*Description of the Business – Enerflex's Business*".

SEC means the U.S. Securities and Exchange Commission.

SEDAR means the System for Electronic Document Analysis and Retrieval.

Senior Notes means the $40.0 million of 10-year notes maturing on June 22, 2021, issued by Enerflex under the Note Purchase Agreement dated June 22, 2011; US$105.0 million and $15.0 million seven-year notes maturing on December 15, 2024, issued by Enerflex under the Note Purchase Agreement dated December 15, 2017; and the US$70.0 million and $30.0 million 10-year notes maturing on December 15, 2027, issued by Enerflex under the Note Purchase Agreement dated December 15, 2017.

TCO_2e means tonnes of carbon dioxide equivalent.

Term Loan Facility has the meaning ascribed to such term under the heading "*Significant Acquisitions – Consideration*".

Toromont means Toromont Industries Ltd., a CBCA corporation.

Transaction has the meaning ascribed to such term under the heading "*Significant Acquisitions*".

TRIR has the meaning ascribed to such term under the heading "*Social and Safety Policies – Safety*".

TSX means the Toronto Stock Exchange.

UAE means the United Arab Emirates.

USA means the United States of America.

PRESENTATION OF INFORMATION

Unless otherwise indicated, information contained in this AIF is given at or for the year ended December 31, 2022. References in this AIF to "$" or "dollars" are to Canadian dollars unless otherwise stated. All financial information with respect to the Company has been prepared in accordance with IFRS. Figures, columns, and rows presented in tables provided in this AIF may not add due to rounding.

Certain historical information contained in this AIF has been provided by, or been derived from, information provided by certain third parties. The Company believes that such information is accurate and that the sources from which it has been obtained are reliable; however, the Company is unable to independently verify such information.

Information contained on or otherwise accessible through the Enerflex website, though referenced herein, does not form part of and is expressly not incorporated by reference into this AIF.

FORWARD-LOOKING INFORMATION

This AIF contains forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information may contain, but is not limited to, words such as "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective", or "capable", or the inverse of such terms or similar expressions suggesting future conditions, events, or expectations. In particular, this AIF includes (without limitation) forward-looking information pertaining to: the expectations that the USA market will continue to provide Enerflex with opportunities to expand its business through the supply of compression, processing, low-carbon, electric power, and integrated turnkey solutions; the expectations that Enerflex can continue to grow its market share in the US Energy Infrastructure business; expectations that Latin America will continue to offer opportunities to expand as customers look to grow natural gas production for domestic consumption; expectations surrounding the demand for projects related to gas treatment and processing, compression, and electric power generation, as well as potential for gas storage and export capabilities; expectations regarding growth in the MEA market, with opportunities in the Energy Infrastructure, Engineered Systems, ITK and BOOM projects, as well as after-market service opportunities; expectations in Asia Pacific to capitalize on the expanding natural gas infrastructure and power generation needs of the region; expectations to increase market share by providing quality products and service, negotiating fair prices for its products and services, expanding the global reach of its solutions, developing and maintaining relationships with key customers and suppliers, maintaining the skill levels of its employees, and monitoring and adjusting to the practices of competitors; expectations that future energy demand will continue to be met in part by a growing proportion of renewable energy sources; the ability of Enerflex to explore new Energy Transition solutions, including for CCUS, RNG, electrification, and hydrogen; the ability of Enerflex to identify economic energy and emission-reduction opportunities in its operations; the ability of Enerflex to identify energy efficient procurement opportunities; expectations that strategic opportunities and other benefits will be realized as a result of acquisitions; the ongoing impact of the COVID-19 pandemic on the Company and its business, opportunities to grow the Company, and the distribution of its products; the size and composition of the Company's customer base; the applications and demand for Enerflex's products and services; the markets in which the Company's products are used; anticipated future natural gas

consumption; future natural gas prices and natural gas exploration and development activity levels; future demand for energy from hydrocarbons; the availability of, and Enerflex's ability to pursue, opportunities that align with the global effort to address climate change; the continued availability of major components used in the fabrication of Enerflex's products; expectations regarding payments to credit rating agencies and the timing thereof; expectations regarding catastrophic risk mitigation; expectations regarding the cost of compliance with future laws and regulations; the continued access to skilled personnel; expectations regarding future dividend payments; and expectation regarding Board and committee composition.

This forward-looking information is based on assumptions, estimates and analysis made in light of the Company's experience and its perception of trends, current conditions, and expected developments, as well as other factors that are believed by the Company to be reasonable and relevant in the circumstances. Forward-looking information involves known and unknown risks and uncertainties and other factors which are difficult to predict, including, without limitation: the impact of general economic conditions, including the duration and severity of negative impacts resulting from the COVID-19 pandemic or other crises; industry conditions, including potential for growth and expansion of the Business, and the adoption of new environmental, taxation, and other laws and regulations, and changes in how they are interpreted and enforced; ESG expectations, investor sentiment, and market trends; information security; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations, including future dividends to shareholders of the Company; increased competition; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; the lack of availability of qualified personnel or management; fluctuations in foreign exchange or interest rates; stock market volatility; risks related to cultural, political, and economic factors in foreign jurisdictions; risks related to corruption, sanctions, and trade compliance; and other factors, many of which are beyond the Company's control. See "*Risk Factors*" in this AIF. While the Company believes that there is a reasonable basis for the forward-looking information and statements included in this AIF, as a result of such known and unknown risks, uncertainties and other factors, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these statements, and readers are cautioned not to unduly rely on forward-looking information.

The forward-looking information contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information included in this AIF is made as of the date of this AIF and, other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

NON-IFRS MEASURES

In this AIF, there are references to the terms "Engineered Systems bookings", "Engineered Systems backlog", and "recurring revenue", which are not recognized measures and have no standard meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers.

Enerflex generally recognizes the full amount of a new order or "Engineered Systems booking" once a firm commitment or order is received from the customer. The amount recognized as a booking is the agreed upon price on the order for the delivery of goods offered under Enerflex's Engineered Systems product

offering. “Engineered Systems backlog” is calculated by adding bookings received during the current fiscal period to the order backlog as of the end of the prior fiscal period and subtracting the revenue recognized in the current fiscal period. Management of Enerflex considers Engineered Systems backlog an important indicator of future revenue and business activity levels for the Engineered Systems product line. Engineered Systems backlog helps management evaluate its performance due to it being an indication of revenue to be recognized in future periods using percentage-of-completion accounting.

“Recurring revenue” is defined as revenue from the Energy Infrastructure and After-Market Services product lines. These revenue streams are contracted and extend into the future, rather than being recognized as a single transaction. While the contracts are subject to cancellation or have varying lengths, the Company does not believe that these characteristics preclude them from being considered recurring in nature.

Certain additional disclosures for such non-IFRS measures contained in our MD&A for the year ended December 31, 2022, are incorporated by reference in this AIF which is available on our website and under our electronic profile on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar. See “*Non-IFRS Measures*” in our MD&A for the year ended December 31, 2022.

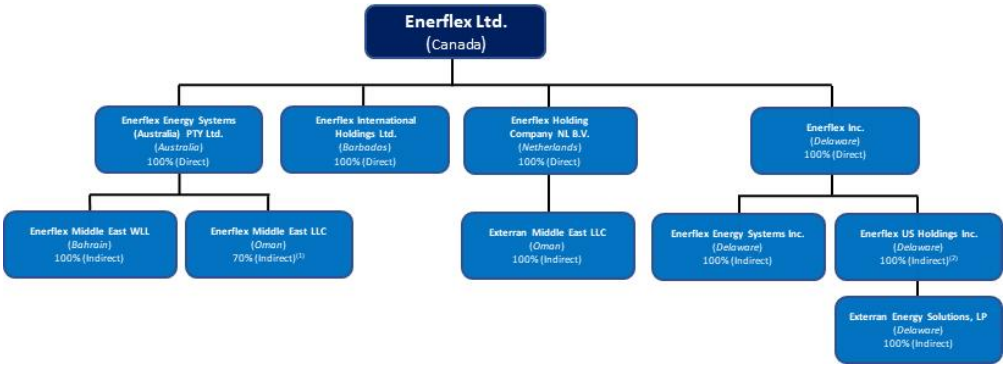
CORPORATE STRUCTURE

Name, Address, and Incorporation

Enerflex is a corporation existing under the CBCA and formed as a result of the Arrangement. The head office, registered office, and principal place of business of the Company are located at Suite 904 – 1331 Macleod Trail S.E., Calgary, Alberta, T2G 0K3.

Inter-company Relationships

The principal subsidiaries of the Company, their jurisdictions of incorporation or formation, and the percentage of voting securities and restricted securities beneficially owned or controlled by the Company are set out below.



Notes:
(1) Enerflex holds 100% of the economic interest.
(2) Formerly named Exterran Corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-year History

The following describes the significant events of the last three financial years with respect to Enerflex and its business.

2022

During the 2022 financial year, the Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.025 per Enerflex Common Share for the first, second, third, and fourth quarters of 2022. The total annual dividend for 2022 was $0.10 per Enerflex Common Share.

January

- Enerflex entered into an agreement and plan of merger with Enerflex US Holdings Inc., a Delaware corporation and a direct, wholly owned subsidiary of Enerflex, and Exterran Corporation (**Exterran**), a Delaware corporation, pursuant to which, among other things, Enerflex US Holdings Inc. agreed, subject to certain conditions, to merge with and into Exterran, with Exterran surviving the transaction as a direct, wholly owned subsidiary of Enerflex.

March

- Enerflex announced the appointment of Mauricio Meineri as President, Latin America. Previously, Mr. Meineri was Enerflex's Vice President, Operations for the region. See "*Directors and Officers*".

September

- Enerflex received conditional approval from the NYSE for the listing of the Enerflex Common Shares on the NYSE. Additionally, the SEC declared the registration statement on Form F-4 dated September 8, 2022, effective. These approvals satisfied the final regulatory requirements to the calling of the respective special meetings of the shareholders of Enerflex and Exterran to consider the Transaction.

October

- Enerflex undertook the activities associated with the Transaction as more fully described under the heading "*Significant Acquisitions*".
- Enerflex and Exterran each held their special meeting of shareholders at which the shareholders of Enerflex approved the issuance of Enerflex Common Shares to former shareholders of Exterran, and shareholders of Exterran approved the Merger Agreement and the transactions contemplated thereunder.
- Enerflex closed the Transaction pursuant to which, among other things, Enerflex US Holdings Inc. merged with and into Exterran, with Exterran surviving the Transaction as a direct, wholly owned subsidiary of Enerflex.
- Enerflex appointed Mr. James Gouin, a former director and audit committee member of Exterran, to the Board of Directors.
- As part of the Transaction, Roger George joined the Executive Management Team (**EMT**) in his continuing role as President, Water Solutions.
- The Enerflex Common Shares opened for trading on the NYSE under the symbol "EFXT".

2021

During the 2021 financial year, the Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.02 per Enerflex Common Share for the first, second, and third quarters of 2021, and $0.025 per Enerflex Common Share for the fourth quarter of 2021. The total annual dividend for 2021 was $0.085 per Enerflex Common Share.

January

- Ms. Patricia Martinez was appointed to the role of Chief Energy Transition Officer to progress the Company's Energy Transition strategy and identify, evaluate, and drive low-carbon energy solutions. In addition to her new role, Ms. Martinez continued in her role as Enerflex's President, Latin America until March 2022. See "*Directors and Officers*".

May

- Enerflex announced the appointment of Helmuth Witulski as President, Canada. Previously, Mr. Witulski was Regional Director for Enerflex's Asia Pacific. See "*Directors and Officers*".

July

- The Company amended and restated its $725.0 million Bank Facility, principally to extend the maturity date on $660.0 million of its Bank Facility from June 30, 2023, to June 30, 2025.

August

- Enerflex announced the appointment of Mr. Michael Weill to the NCG Committee of the Board of Directors. See "*Directors and Officers*".

October

- Enerflex announced the appointment of Ms. Mona Hale as a director of the Company. See "*Directors and Officers.*"

2020

During the 2020 financial year, the Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.02 per Enerflex Common Share for the first, second, third, and fourth quarters of 2020. The total annual dividend for 2020 was $0.08 per Enerflex Common Share.

March

- Enerflex provided guidance on regional-specific measures designed to preserve the strength of the Company's balance sheet and maximize cash flow generation in response to the COVID-19 pandemic and general market volatility. Subsequent to this date, the Company provided updates on the status of these cost-saving measures as part of the MD&A for the quarters ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020.

August

- Enerflex announced the appointment of Mr. Fernando Assing as a director of the Company. See "*Directors and Officers*".

Recent Developments

On January 20, 2023, Enerflex announced the appointment of Ms. Laura Folse as a director of the Company. See "*Directors and Officers*".

SIGNIFICANT ACQUISITIONS

Transaction Summary

On January 24, 2022, the Company announced a merger (the **Transaction**) with Exterran pursuant to which Enerflex US Holdings Inc., a wholly owned subsidiary of Enerflex, would acquire all of the outstanding common stock of Exterran on the basis of 1.021 Enerflex Common Shares for each outstanding share of common stock of Exterran, resulting in approximately 124 million Enerflex Common Shares outstanding upon closing. The Transaction was completed on October 13, 2022, pursuant to the agreement and plan of merger (**Merger Agreement**) dated January 24, 2022, among Enerflex, Merger Sub, and Exterran. Upon closing of the Transaction, among other things, Exterran became a direct, wholly owned subsidiary of Enerflex. Exterran was subsequently renamed "Enerflex U.S. Holdings Inc.". Enerflex's Common Shares were registered in the USA pursuant to the registration statement on Form F-4 on

September 8, 2022. Enerflex's Common Shares continue to trade on the Toronto Stock Exchange under the symbol “EFX” and commenced trading on the NYSE under the symbol “EFXT” on October 13, 2022.

Exterran was a global systems and process company offering solutions in the oil, natural gas, produced water, and power markets. The common stock of Exterran was listed and traded on the NYSE under the symbol “EXTN”. Exterran was a leader in natural gas processing and treatment products and services, providing critical midstream infrastructure solutions to customers throughout the world. Exterran was headquartered in Houston, Texas, USA and operated in approximately 25 countries.

Operations

Exterran operated in three primary business lines: contract operations, after-market services, and product sales.

Contract Operations

In Exterran's contract operations business, Exterran provided processing and treating services through the operation of its crude oil and natural gas production and processing equipment and natural gas compression equipment for its customers. In addition to these services, Exterran also offered water treatment and power generation solutions to its customers on a stand-alone basis or integrated into its natural gas and crude oil production and processing solutions or natural gas compression.

After-market Services

In Exterran's after-market services business, Exterran sold parts and components and provided operations, maintenance, repair, overhaul, upgrade, start-up, and commissioning, and reconfiguration services to customers who owned their own crude oil and natural gas compression, production, processing, and treating, and related equipment. Exterran's services ranged from routine maintenance services and parts sales done on a transactional basis, to the full operation and maintenance of customer-owned equipment under long-term agreements.

Product Sales

In Exterran's product sales business, it engineered, designed, manufactured, installed, and sold equipment used in the treating and processing of crude oil, natural gas compression packages, and water treatment equipment, primarily to major and independent oil and natural gas producers, as well as to national oil and natural gas companies around the world.

Consideration

Pursuant to the Transaction, holders of Exterran common stock received 1.021 Enerflex Common Shares for each Exterran common stock held in accordance with the terms of the Merger Agreement, resulting in the issuance of 34,013,055 Enerflex Common Shares. The Exterran common stock were delisted from the NYSE prior to the open of trading on October 13, 2022.

On October 6, 2022, Enerflex announced that it had secured committed financing for the combined entity resulting from the Transaction. Specifically, upon closing of the Transaction, the committed financing for the combined entity resulting from the Transaction was comprised of:

(b) the net proceeds of the private offering (the **Note Offering**) of US$625 million aggregate principal amount of 9.00% senior secured notes due 2027 (**9.00% Notes**);

(c)
commitments from a
syndicate of financial institutions for a newly drawn US$150 million three-year secured term loan credit facility, bearing an interest rate equal to the Secured Overnight Financing Rate or US base rate plus 3.75% or 2.75% per annum, respectively
(the **Term Loan Facility**); and

(d)
a US$700 million
three-year secured revolving credit facility, bearing an interest rate equal to an applicable margin (ranging from a low of 0.20% per annum to a high of 3.25% per annum based on Enerflex's net funded debt to earnings before finance costs, income
taxes, depreciation, and amortization ratio), plus the applicable reference rate associated with the currency of the borrowings (the **Revolving Credit Facility**).

Enerflex used the net proceeds of the Note Offering, together with
the Term Loan Facility, an initial draw under the Revolving Credit Facility, and cash on hand, to fully repay the existing Enerflex and Exterran notes and revolving credit facilities, pay the cash portion of the consideration for the Transaction and pay fees and expenses incurred in connection with the Transaction. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes.

The Combined Entity

Upon closing of the Transaction, all current members of the board
of directors of Enerflex continued to serve as directors of Enerflex. Under the Merger Agreement, Enerflex appointed one member of the board of directors of Exterran, Mr. James C. Gouin, to serve as a director of Enerflex effective October 13, 2022,
until the close of the next annual meeting of the shareholders of Enerflex or until his successor is duly elected or appointed. Following the above-noted appointment, the Enerflex Board consisted of 10 directors.

Additional Information

Additional information concerning Enerflex, Exterran, and the
Transaction, including the expected effects of the Transaction on Enerflex's financial performance and financial position, may be found in Form 51-102F4 – *Business Acquisition Report* of Enerflex filed on November 3, 2022, under the electronic profile of Enerflex on SEDAR.

DESCRIPTION OF THE BUSINESS

Enerflex's Business

On October 13, 2022, Enerflex and Exterran combined, creating a
premier integrated global provider of energy infrastructure and energy transition solutions. With enhanced scale and capabilities, Enerflex is optimally positioned to serve customers in key natural gas, energy transition, and produced water markets,
which will enhance long-term shareholder value through sustainable improvements in efficiency, profitability, and cash flow generation. Exterran's operations were very complementary to Enerflex, and the combined company will diversify operations across key growth regions where the Company already has a presence, provide offerings to a broader base of customers, and grow the recurring nature of Enerflex's business. Additionally, Enerflex's scale of operations and
depth of technical expertise provides an advantage over competitors. Our product offerings have also been improved. Energy Infrastructure includes critical infrastructure that Enerflex owns, operates, and manages under contract to its customers' operations. Engineered Systems is the sale of customized modular natural gas-handling and low-carbon solutions, further enhanced by Exterran's expanded capabilities which enable deeper removal of NGLs, oil processing technology, and produced water treatment applications. After-Market Service
offerings

include installation, commissioning, operations and maintenance, and parts sales, along with global support for all product lines.

Enerflex's Vision of *Transforming Energy for a Sustainable Future* is supported by a long-term strategy that is founded upon the following key pillars: technical excellence in modularized energy solutions; profitable growth achieved through vertically integrated and geographically diverse product offerings; financial strength and discipline; and sustainable returns to shareholders. Through consistent execution of this strategy and regular evaluation of the Company's capital allocation priorities and decisions, Enerflex has managed a resilient business focused on creating shareholder value over its 40-plus-year history.

Enerflex delivers energy infrastructure and energy transition solutions across the globe by leveraging its enhanced presence in growing natural gas markets. The Company's vertically integrated suite of product offerings includes processing, cryogenic, compression, electric power, and produced water solutions, spanning all phases of a project's lifecycle, from front-end engineering and design to after-market service. Enerflex has proven expertise in delivering low-carbon solutions, including carbon capture utilization and storage (**CCUS**), electrification, renewable natural gas (**RNG**), and hydrogen solutions, and works closely with its customers to help facilitate global decarbonization efforts.

The Company continues to build an increasingly resilient and sustainable business through its Energy Infrastructure and After-Market Services product lines over the long term, stabilizing cash flows and reducing cyclicality in the business.

Headquartered in Calgary, Alberta, Canada, the Company has a long and proud history dating back to 1980 and today operates in 25 countries globally. Enerflex, its subsidiaries, interests in associates, and joint operations are located in: Canada and the United States (**North America** or **NAM**); Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, and Peru (**Latin America** or **LATAM**); and the United Kingdom, the Netherlands, the United Arab Emirates, Bahrain, Oman, Egypt, Kuwait, India, Iraq, Nigeria, Pakistan, Saudi Arabia, Australia, China, Indonesia, Malaysia, Singapore, and Thailand (**Eastern Hemisphere** or **EH**).

Enerflex has state-of-the-art fabrication and workshop facilities in Calgary, Alberta, Canada; Houston, Texas, USA; Broken Arrow, Oklahoma, USA; Sharjah, United Arab Emirates; Brisbane, Queensland, Australia; and Singapore, delivering high-quality, standard or custom, long-life operating systems.

Enerflex is one of the leading suppliers of natural gas compression infrastructure within the USA, Canada, Latin America, and the Middle East, with a global fleet of approximately 1.9 million HP. The Company is a highly qualified service provider with industry-certified mechanics and technicians strategically situated across a network of service locations in Canada, the USA, Latin America, and the Eastern Hemisphere.

Our expert teams of globally deployable professionals, technicians, and tradespeople cover the key disciplines of engineering, design, manufacturing, construction, installation, commissioning, assets under maintenance, and service.

PRODUCT LINES

Energy Infrastructure

Enerflex's Energy Infrastructure product line includes infrastructure solutions under contract for natural gas compression, processing, produced water, and electric power equipment. Our infrastructure is deployed across Canada, the USA, Bahrain, Oman, Indonesia, Nigeria, Pakistan, Argentina, Bolivia, Brazil,

Colombia, Mexico, and Peru, and provides comprehensive contract operations services to customers in each of those regions. Our Energy Infrastructure product line provides customers with trained personnel, equipment, tools, materials, and supplies to meet their natural gas compression, processing, produced water, and power generation needs, as well as designing, sourcing, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services. Customers range from independent producers and regionally significant players to some of the world's largest producers, including national oil companies.

When the Company enters into an Energy Infrastructure arrangement with a customer, the initial term of the commitment generally ranges between one to five years, however, in some cases, initial terms or extensions to initial terms can result in arrangements of greater than 10 years. These contracts typically require Enerflex to provide all the engineering, design, and installation services to bring the equipment online, and these arrangements require Enerflex to make a significant investment in equipment, facilities, and related installation costs. Customers generally are required to pay a monthly service fee even during periods of limited or disrupted crude oil or natural gas flows, which enhances the stability and predictability of the Company's cash flows. Additionally, the Company does not have direct exposure to the fluctuations in commodity prices since Enerflex provides an up-time guarantee and does not take title to the crude oil or natural gas being compressed, processed, or treated.

The demand for Enerflex's products and services is driven by domestic production of natural gas and crude oil, where compression is typically required to move produced volumes from the wellhead and through gathering systems. In addition, contract compression can also improve performance in maturing fields.

Enerflex also leverages its extensive expertise in engineering, designing, manufacturing, constructing, operating, and maintaining natural gas compression and processing infrastructure solutions on a Build-Own-Operate-Maintain (**BOOM**) basis. Enerflex's BOOM project model provides customers with an operational partnership that mitigates risk while keeping objectives aligned. Through this model, Enerflex handles all phases of a project, including the up-front cost of, and responsibility for, construction and commissioning, ensuring quality, safety, and reliability are consistent through the project life. Customers then pay a monthly fee to benefit from world-class facilities, without the challenges typically posed by ownership, operations, and maintenance. Enerflex's success with BOOM projects stems from its collaborative approach to delivering reliable solutions with reduced risk for its customers.

Engineered Systems

Engineered Systems means the sale of modular natural gas-handling and low-carbon solutions that are engineered, designed, fabricated, and assembled by the Company. Products include applications for: gas processing, including cryogenic solutions; gas compression systems; energy transition solutions for CCUS, RNG and hydrogen; produced water handling and treatment; and electric power generation solutions. Enerflex can combine one or more product offerings into an integrated solution, including civil works, piping and structural fabrication, electrical, instrumentation, controls, and automation, as well as installation and commissioning. Enerflex's integrated turnkey (**ITK**) offering allows customers to simplify their supply chain, eliminate interface risk, and reduce the concept-to-commissioning cycle time of major projects.

Processing

Enerflex engineers, designs, fabricates, constructs, commissions, operates, and services crude oil and natural gas processing equipment. Complete crude oil and natural gas processing modules are designed

and fabricated at Enerflex's manufacturing facilities.
Modular fabrication facilitates delivery to a global market from these facilities. Enerflex also provides supervision and project management services across the world with respect to the installation, commissioning, and start-up of such products and facilities. Process applications include dehydration, NGLs recovery, refrigeration, cryogenic processing, condensate stabilization, dew point control, and amine sweetening.

Processing prepares natural gas for transportation by pipeline for
end-use consumption. Substantially all newly produced natural gas requires the removal of water, CO_2, and other impurities. Gas containing NGLs (ethane, propane,
butane, and condensate) typically requires more complex processing. The North American producing sector's increased focus on liquids-rich gas opportunities has generated new demand for processing facilities, including cryogenic processing facilities, which is manufactured in the Company's Broken Arrow, Oklahoma, USA facility. As part of the recent acquisition of Exterran, Enerflex has expanded its processing portfolio to offer top-tier cryogenic solutions, continuing
Exterran's legacy of excellence. Enerflex's Broken Arrow facility remains the specialized shop for our industry-known, best-in-class, cryogenic solutions.

Compression
Enerflex is a leading supplier of natural gas compression
packages, which are powered by natural gas-fuelled engines or electric motors. These natural gas compression packages typically consist of reciprocating or screw compressors, cooling fans, piping, and instrumentation and controls. Applications include natural gas gathering and compression, gas lift compression, inlet and residue compression in processing facilities, compression for natural gas storage, and pipeline compression. Enerflex offers compression packages from 20 HP to 10,000-plus HP, ranging from low-specification field compressors to high-specification process compressors for onshore and offshore applications.

Enerflex also provides re-engineering and refurbishment of
existing compression equipment at customer field locations, as well as in its own global facilities.

Enerflex serves a global customer base across all major natural
gas basins. Customers are diverse, including small independent producers, majors, national oil companies, and midstream and third-party processing providers.

Energy Transition Solutions
Building on the Company's strong foundation of technical
excellence in modular solutions, Enerflex has expanded its core competencies to support the industry's decarbonization goals. Since the early 1980s, Enerflex has engineered, designed, fabricated, and constructed energy transition solutions, including projects related to CCUS, RNG, electrification, and hydrogen.

To date, Enerflex has completed over 150 CCUS projects globally,
with a total combined capacity of approximately five million tonnes of CO_2 per annum. CCUS is a key avenue to achieve deep decarbonization,
and technology is rapidly advancing. However, even with an optimistic market outlook and being inherently aligned within Enerflex's capabilities, project feasibility in CCUS will be the highest in areas where long-term carbon tax credits and other incentives exist.

Bioenergy is a form of renewable energy that is derived from
organic materials known as biomass. Enerflex has successfully implemented many bioenergy solutions, from landfill gas to biogas, wastewater, and wood gas, and will continue to focus attention on these growing areas.

There are many developments geared towards unlocking new markets for hydrogen, including steel manufacturing, clean ammonia, and heavy-duty trucks. Hydrogen is seen as another key avenue to achieve net-zero targets and decarbonization. Compression solutions are required across the hydrogen value chain and Enerflex brings global knowledge of this solution, having installed over 200,000 HP in its history.

In addition, Enerflex is active in the e-compression space, having packaged over 3 million HP of electric drive compression, and completed a multitude of retrofits. This space consists of a growing list of customers who are looking to decarbonize their facilities with low-carbon new builds and includes Enerflex's own growing Electric Motor Drive fleet.

Produced Water Solutions

With its experienced water treatment team, Enerflex effectively handles and treats produced water ranging in volumes from approximately 158 m^3 to 160,000 m^3 of water per day. Our expertise extends from lab-scale testing and research and development to providing complete BOOM solutions, allowing the Company to support its partners through every project phase. By working together and utilizing patented technologies, the team has treated over seven billion barrels of produced water to date.

Enerflex is differentiated through technology innovation, simplified processes and facility design, and deep understanding of its clients' produced water challenges. The team continuously innovates to optimize the water treatment process so it can be reused or injected back into the ground in a sustainable manner. Enerflex's technologies elevate industry standard methods by reducing environmental footprints, lowering operating costs, increasing production, and optimizing operations. The Company has experience treating difficult fluids, including heavy oils, emulsions, high viscosities, polymer water, and shale play applications, and its focus on building sustainable facilities make it a leader in the industry.

Electric Power

The Company provides electric power solutions and after-market services required for on-going life cycle support of this equipment. Enerflex's typical power generation units range from 20 kW to 50 MW. The Company provides field construction, installation, and commissioning for an integrated electric power solution, taking advantage of Enerflex's reputation in gas-fuelled engines and its skills in modular engineering, fabrication, and after-market support. Enerflex's electric power solutions cover the oil and gas, industrial, institutional, greenhouse, data centres, mining, renewables, and agriculture sectors across the world. Customers range from pulp and paper mills, landfill sites, hospitals, city facilities, beverage facilities, greenhouses, utilities and power companies, and a range of oil and gas producers.

After-Market Services

Enerflex's After-Market Services product line provides after-market mechanical services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, long-term service agreements, and technical services to its global customers. The product line operates through an extensive network of branch offices and generally provides its services at the customer's wellsite location using trained technicians and mechanics. Enerflex's after-market service and support business includes distribution and remanufacturing facilities, with significant presence situated in active natural gas producing areas, hundreds of service vehicles and skilled mechanics, and a sizable inventory of original equipment manufacturer (**OEM**) parts from key manufacturers.

Enerflex services a large base of natural gas compression and storage facilities installed in North America, Latin America, and Eastern Hemisphere. In addition, Enerflex provides contract operations and maintenance for large natural gas facilities in the Middle East, Latin America, and other markets.

Enerflex's customers range from independent producers, regionally significant players, and some of the world's largest producers to midstream companies who service these oil and gas explorers and producers. Maintenance contracts are managed by a team of dedicated engineers and planners using remote monitoring and on-site specialist personnel to carry out the work required.

Geographic Markets

During the fourth quarter of 2022, the Company re-assessed its operating and business segments. Prior to this assessment, the Company's operating and business segments were one and the same, with those segments being Canada, USA, and Rest of World. With the completion of the Transaction, management noted a change in how the Chief Operating Decision Maker views the organization. On this basis, four operating segments have been identified with no change in the Canada and USA segments, while Rest of World has been bifurcated into Latin America and Eastern Hemisphere. For external reporting purposes, Enerflex's reportable segments are as follows:

- North America – comprised of operations in Canada and the USA.
- Latin America – comprised of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru.
- Eastern Hemisphere – comprised of operations in the Middle East, Africa, Europe, and Asia Pacific.

North America

In North America, Enerflex provides natural gas solutions to support the development of upstream resources and the midstream infrastructure required to meet local demand. Enerflex benefits from a growing LNG export industry in the USA and anticipates that a future LNG export industry in Canada will provide additional opportunities for the Company.

- **Energy Infrastructure:** Enerflex profitably invests in the organic expansion of its contract compression fleet of low- to high-horsepower packages by engineering, designing, fabricating, and providing solutions to customers on a contracted basis. These compressor packages are typically used in wellhead, gas-lift, and natural gas gathering systems, and other applications.
- **Engineered Systems:** Enerflex engineers, designs, fabricates, and sells modularized natural gas-handling and low-carbon applications, including processing, compression, electric power, and carbon capture solutions.
- **After-Market Services:** Enerflex provides mechanical services and parts to a large installed base of critical natural gas equipment across key resource plays in the USA and Canada. The Company looks to secure long-term service and maintenance contracts with customers.

Latin America

In Latin America, Enerflex focuses primarily on long-term growth opportunities through energy infrastructure ownership. With locations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, and

Peru, the Company deploys products typically fabricated in the Houston, Texas, USA manufacturing facility.

- **Energy Infrastructure:**
  Enerflex targets long-term BOOM solutions and other infrastructure leases of varying size and scope to support the Company's ongoing strategy to grow the recurring nature of its business. These BOOM facilities can be treated as either operating or finance leases.

- **Engineered Systems:**
  Enerflex engineers and designs compression, processing, and electric power solutions, which may require construction and installation support at site.

- **After-Market Services:**
  Leveraging its large Energy Infrastructure and Engineered Systems footprint, Enerflex focuses on after-market services, parts, operations, maintenance, and overhaul services.

Eastern Hemisphere

Across the Eastern Hemisphere region, Enerflex focuses primarily on long-term growth opportunities through energy infrastructure ownership. Through its operations in the United Kingdom, the Netherlands, the UAE, Bahrain, Oman, Egypt, Kuwait, India, Iraq, Nigeria, Pakistan, Saudi Arabia, Australia, China, Indonesia, Malaysia, Singapore, and Thailand, Enerflex provides engineering, design, manufacturing, and construction services for its energy infrastructure and energy transition offerings.

- **Energy Infrastructure:**
  Enerflex targets long-term BOOM solutions and other infrastructure leases of varying size and scope to support the Company's ongoing strategy to grow the recurring nature of its business. Projects cover compression, processing, and produced water solutions.

- **Engineered Systems:**
  Enerflex engineers, designs, and manufactures compression, processing, and electric power solutions, which may require construction and installation support at site.

- **After-Market Services:**
  Leveraging its large Energy Infrastructure and Engineered Systems footprint to grow its after-market service capabilities.

Segmented Revenue Details

Enerflex's 2022 and 2021 revenue, by business segment and by product line, is set forth in the following table:

$ Thousands (unaudited) as at December 31	**2022 Revenue $000**	**% Split**	2021 Revenue[(1)] $000	%
Business Segment				
North America	**1,210,107**	**68**	650,599	68
Latin America	**221,194**	**12**	106,065	11
Eastern Hemisphere	**346,497**	**20**	203,492	21
Total	**$1,777,798**	**100%**	$960,156	100%
Product Line				
Energy Infrastructure	**381,087**	**21**	278,653	29
After-Market Services	**443,660**	**25**	327,376	34
Engineered Systems	**953,051**	**54**	354,127	37
Total	**$1,777,798**	**100%**	$960,156	100%

Product Line	**2022 Revenue $000**		2021 Revenue $000	
Energy Infrastructure				
North America	**141,900**	**37**	103,096	37
Latin America	**129,723**	**34**	66,069	24
Eastern Hemisphere	**109,464**	**29**	109,488	39
	$381,087	**100%**	$278,653	100%
After-Market Services				
North America	**298,333**	**67**	215,876	66
Latin America	**38,057**	**9**	24,158	7
Eastern Hemisphere	**107,270**	**24**	87,342	27
	$443,660	**100%**	$327,376	100%
Engineered Systems				
North America	**769,874**	**81**	331,627	94
Latin America	**53,414**	**6**	15,838	4
Eastern Hemisphere	**129,763**	**13**	6,662	2
	$953,051	**100%**	$354,127	100%
Total	**$1,777,798**	**100%**	$960,156	100%

(1)
The amounts for 2021 have
been reclassified into the Company's new business segments.

Enerflex Facilities

Enerflex has over 90 locations globally. The Company has 15 locations in Canada, 10 of which are in Alberta, including the head office and a manufacturing facility in Calgary, Alberta, primarily serving the Canadian market. Additionally, the Produced Water office and lab is located in Calgary, Alberta. Enerflex has 27 locations throughout the USA, including the Company's manufacturing facility located in Houston, Texas, serving the USA and international markets and another facility in Broken Arrow, Oklahoma serving the cryogenic market. In Latin America, Enerflex has 22 locations covering Argentina, Brazil, Bolivia, Colombia, Ecuador, Mexico, and Peru. In Asia Pacific, Enerflex has 13 locations including a facility in Brisbane, Australia that is devoted to retrofit, services, and overhaul activities, and a facility in Singapore. There are 18 locations throughout the Middle East and Africa, and one location in Europe. See "*Description of the Business – Geographic Markets"* for further details.

Enerflex's Customer

The Enerflex customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including small to large independent producers, integrated oil and natural gas companies, midstream and petrochemical companies, power generation companies, users of natural gas-fired electric power, and carbon capture players. For the year ended December 31, 2022, the Company had no individual customer that accounted for more than 10 per cent of its revenue.

Competitive Conditions

The demand for Enerflex's products and services are influenced by several factors that impact its customers, including: the price of and demand for crude oil and natural gas; demand for associated infrastructure; transportation availability and costs; access to qualified personnel; the availability and pricing of materials and component parts; the availability and access to capital; regional and global politics and relations; regional and global economic conditions; local, national, and international laws and regulations including taxation, royalty frameworks, and environmental laws and regulations and the introduction of new laws and regulations to which Enerflex and its customers are subject to; and commodity price speculation in the investment markets. As a result, Enerflex's customers are constantly assessing ways to reduce the costs associated with their operations. To accommodate customer needs and demand for Enerflex's products and services, Enerflex regularly reviews its business strategy and product offerings in light of the markets in which it operates.

Competitive Issues in the Oil and Natural Gas Service Industry

The availability of major components used in the fabrication of Enerflex's products and access to skilled personnel to meet the technical and trade requirements for designing and assembling these products are under increasing pressure on a worldwide basis. Supply chain and supply chain issues have been exacerbated recently with, among other things, the relaxation of certain COVID-19-related measures and the Russian invasion of Ukraine. The Company's global footprint assists Enerflex in managing these issues by broadening the markets in which personnel can be accessed and allowing the Company to manage its inventory levels on a larger scale, thereby improving its supply chain and supply chain security. In addition to the various business risk factors outlined in the section of this AIF entitled "*Risk Factors*" below, investors should be aware of the following competitive issues in the North America, Latin America, and Eastern Hemisphere segments.

North America

There are several global competitors in the compression and processing fabrication business, and a number of smaller regional competitors. Larger companies compete across more regions while offering many products and services that compete with Enerflex, whereas typically smaller companies are able to focus their resources on one competitive offering for a specific region. To be successful, Enerflex must compete based on product quality and variety, strong customer and supplier relationships, and exceptional service, all while remaining price competitive.

For Engineered Systems, Enerflex's management believes that the USA market will continue to provide Enerflex with opportunities to expand its business through the supply of compression, processing, low-carbon, electric power, and integrated turnkey solutions, from its Houston, Texas, USA fabrication facility. Enerflex is able to effectively leverage this capability to serve the Latin America and Eastern Hemisphere regions and Energy Transition Infrastructure project opportunities, achieving synergies through vertical integration.

Similar to the Engineered Systems business, the Energy Infrastructure market in the USA is highly competitive. Competitors may adapt more quickly to changes within the industry and changes in economic conditions as a whole and adopt more aggressive pricing policies. By continuing to offer customers competitively priced and readily available equipment, availability guarantees, exceptional customer service, and flexibility in meeting customers needs, the Company expects to continue to grow its market share in the US Energy Infrastructure business.

In Canada, the Company has developed expertise in electric power solutions. This expertise has been leveraged to secure natural gas-fired power generation opportunities in the oil and gas industry, as well as a multitude of non-related industries, such as greenhouses, malting applications, and landfill gas-to-power where Enerflex has the ability and strong track record to reconfigure or retrofit, replace, or upgrade natural gas-fired engines, electric motors, and compression equipment to reduce emissions and optimize performance. In addition, although there are several competitors for after-market services in the Canadian market, Enerflex is a market leader with an extensive branch network to maintain proximity to customer locations. Furthermore, the Company drives recurring revenue through an increased focus on long-term service agreements for compression, processing, and electric power solutions.

Latin America

In Latin America, the development and buildout of natural gas infrastructure in key gas producing markets such as Argentina, Bolivia, Brazil, Colombia, and Mexico, provide opportunities for Enerflex to expand all product offerings. The Company believes that Latin America will continue to offer opportunities to expand as customers look to grow natural gas production for domestic consumption. Enerflex sees demand for projects related to gas treatment and processing, compression, and electric power generation, as well as potential for gas storage and export capabilities.

Eastern Hemisphere

In the Eastern Hemisphere, Enerflex generally faces the same competitors as in North America. Many significant North American compression and processing equipment fabricators pursue international opportunities. Enerflex has increased the size and scope of the Company's international business, particularly in the Middle East, by leveraging its Engineered Systems products, either as standalone projects or ITK or BOOM projects with associated operations and maintenance contracts. The Company further expanded its operations in the Eastern Hemisphere market through the acquisition of Exterran,

including in the produced water business. See "*Product Lines – Engineered Systems – Produced Water Solutions*". Enerflex anticipates growth in the MEA market, with opportunities in Energy Infrastructure, Engineered Systems, ITK, and BOOM projects, as well as after-market service opportunities. With the acquisition of Exterran, Enerflex remains well positioned to offer Energy Infrastructure solutions, equipment and facility sales, and after-market services, including operations and maintenance contracts, through its branch network covering the region.

In Asia Pacific, Enerflex is well-positioned to service and maintain the compression equipment installed in the region and to capitalize on the expanding natural gas infrastructure and power generation needs of the region.

Intangible Properties

Internally developed product designs, specifications, fabrication processes and techniques, and customer relationships are of significant value to Enerflex. These intangible assets combine to form the intrinsic value associated with the various products and brand names employed by Enerflex. The effectiveness of Enerflex's business and, indirectly, the brand and product names, are reflected in the revenues and gross margin attained in the corresponding business units.

Cycles and Seasonality

While demand for Enerflex's products and services is largely a function of the supply, demand, and the price of natural gas and other commodities, other factors may affect the business, either positively or negatively. Energy prices generally affect Enerflex, as most customers generate cash flow from the production and sale of crude oil and natural gas. Natural gas prices are determined by supply, demand, and government regulations relating to natural gas production and processing. The market for capital goods used by natural gas producers is cyclical and, at times, highly volatile. Enerflex is structured to be profitable in both high and low periods of the energy cycle due to the recurring nature of its business, product breadth, international diversification, and flexible workforce. See "*Risk Factors – Seasonal Factors and Demand*".

The energy service sector in Canada and in northern USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher revenues in the fourth quarter of each year while Energy Infrastructure and After-Market Services product line revenues tend to be stable throughout the year. Energy Infrastructure revenues are also impacted by both the Company's and its customers' capital investment decisions. The southern USA, Eastern Hemispheres, and Latin America segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating. As Enerflex has increased its international presence, the overall impact of seasonal revenue variations has been reduced.

Economic Dependence

For the year ended December 31, 2022, the Company had no individual customers which accounted for more than 10 per cent of its revenue. Enerflex is committed to building strong relationships with suppliers and recognizes that success is achieved by fostering trust and respect between the parties. Enerflex has

developed an effective, competitive bidding process to provide opportunities for all new and existing suppliers. Enerflex is not substantially dependent on any single supplier.

Changes to Contracts

There is no aspect of the Company's business reasonably expected to be materially affected by renegotiation or termination of contracts or sub-contracts.

Social and Safety Policies

Enerflex is committed to conducting its business activities in a manner that is socially responsible and safeguards the health, safety, and wellbeing of its employees and the communities in which it operates.

Communities

Enerflex works to enhance the lives of its employees and the communities in which it operates, including by partnering with organizations that build and strengthen communities. Enerflex contributes directly to many social causes and supports charitable activities by encouraging employees to volunteer their time and talent. Enerflex is actively involved in supporting neighbouring businesses and non-profits such as Kids Cancer Care, as well as local food bank, blood, diabetes, and heart services agencies.

Safety

Since Enerflex's inception, safety has been a fundamental value and is engrained into its culture. The Company's goal of achieving and maintaining HSE performance excellence is supported by critical policies and systems designed to systemically drive improvement and protect both the Company and its people. Enerflex continues to enhance its occupational health and wellness programs, inspection and incident investigation procedures, environmental management, as well as implementing other initiatives intended to reinforce Enerflex's safety culture. The Company performs annual internal safety system audits, as well as periodic comprehensive third-party external audits, ensuring each location meets or exceeds industry standards and the Company's HSE requirements. Furthermore, to strengthen its coordinated approach to HSE, senior leadership and on-the-ground HSE teams are engaged to infuse the Company's safety practices throughout its operations and facilities.

Of particular significance, in 2022, the Company achieved a total recordable incident rate (**TRIR**) of 0.46. This is the lowest annual TRIR that the Company has achieved in more than a decade. The Company has implemented HSE programs and processes across all regions and is committed to ensuring that employees have the required training, equipment, and resources to do their jobs effectively and safely, including by empowering all employees with "stop work" authority to stop any job that appears unsafe without fear of reprimand.

Enerflex has HSE coordinators in each of the Company's regions, reporting directly to their regional HSE Manager, who reports into the applicable regional President. Regional HSE leaders meet monthly with the Company's Senior Vice President, General Counsel to discuss regional and Enterprise-wide HSE initiatives and developments. On a monthly basis, the EMT reviews the Company's HSE performance, and on a quarterly basis, HSE matters, and performance are reported to the Board of Directors, both directly and through the HRC Committee.

The Company's HSE policies outline Enerflex's values and expectations with respect to HSE matters and are reviewed annually by HSE leadership and senior management and updated as applicable. The HSE

policies govern how Enerflex will manage its operations to protect the health and safety of its employees, contractors, visitors, the public, and the environment, while complying with or exceeding all applicable laws, regulations, industry, and internal standards, and stakeholder expectations. Enerflex's enduring HSE goal is no harm to people, no damage to the environment, and effective control of all identifiable risks.

Catastrophic Risk Mitigation

Enerflex implements quality management systems at its manufacturing facilities to reduce the probability that its equipment may be involved in catastrophic events that could impact human health, local communities and/or the environment. These quality management systems are certified to ASME Section VIII to ensure that Enerflex produces safe, operable equipment and packages in accordance with the governing standards and customer specifications. At the Company's manufacturing facilities, all welders and weld procedures are certified to the requirements of ASME Section IX. Process pipe is designed and fabricated to ASME B31.3, pressure vessels are designed and fabricated to ASME Section VIII, and both process piping and pressure vessels undergo non-destructive testing as well as pressure testing. Numerous quality checks of critical items are conducted and documented during the fabrication, assembly, coating, and shipping of Enerflex equipment.

For ITK and BOOM projects requiring installation in the field, Enerflex designs and installs safety systems in adherence with customer requirements and the proper design codes applicable in the jurisdiction. These safety systems can include but are not limited to: safety switches, fire detection systems, gas detection, safety relief valves, gas monitoring, remote monitoring, emergency shut-down switches to major units (i.e., compression) and plant-wide, flare systems with inlet flame arrestors, safety fencing around critical components, and containment for spillage prevention. All such safety systems undergo routine maintenance as specified by operational guidelines to ensure proper functioning at all times.

Every Enerflex location has a local emergency response plan, including evacuation plans, muster stations, and medical response contingency. These plans are reviewed periodically and updated as required. Ultimately, the Company's strong safety culture enables its people to effectively minimize, detect, and respond to health and safety incidents.

Code of Conduct

Enerflex strives to maintain a culture of integrity, ethical business conduct, transparency, and compliance. As part of these efforts, Enerflex maintains a written Business Code of Conduct (the **Code**), applicable to directors, officers, employees, and independent contractors of Enerflex and its subsidiaries. The Code provides guidance on areas such as conflicts of interest, outside employment, outside directorships, non-profit and professional associations, entertainment, gifts and favours, corporate property, anti-corruption, competition and anti-trust legislation, communication devices and related matters, proprietary and confidential information, corporate communications, insider trading, HSE, human rights and respectful workplace, business and accounting practices, corporate donations, and political participation. The Code is reviewed annually by the NCG Committee and the Board and updated as necessary or advisable. Most recently, the Code was updated in 2021 to enhance the importance of ensuring compliance with applicable sanctions and trade controls laws, as well as the Company's Respectful Workplace Policy. The Board, through the Audit Committee and the HRC Committee, receives regular reports regarding compliance with the Code. Orientation sessions for new employees include training in respect of the Code. In accordance with the compliance provisions and the Company's training initiatives, directors, officers, and all Enerflex managers are required to acknowledge annually their compliance with the provisions of the Code. Company-wide certification occurs at least every 24 months,

most recently in the fall of 2022, for existing Enerflex employees, and the winter of 2022 / 2023, for legacy Exterran employees. The Code has been translated into Arabic, English, French, Indonesian, Portuguese, Spanish, and Thai to ensure that employees can read and understand the provisions of the Code in their native language.

Whistleblower and Compliance Hotline

Enerflex's Whistleblower and Compliance Hotline supports the Company's commitment to financial and accounting integrity and ethical business conduct, and outlines the procedures for employees and others to submit a confidential anonymous report of suspected accounting or auditing irregularities or unethical behaviour impacting Enerflex, including, without limitation, breaches of the Code (including violations relating to harassment or workplace violence), criminal activity, violations of Enerflex policies or applicable securities laws, actions that endanger health or safety or that are likely to cause environmental damage, and actions that have the effect of concealing the foregoing. All reports submitted to the hotline are investigated and reported to the Audit Committee or HRC Committee of the Board, as applicable. To ensure all employees are aware of the hotline, Enerflex distributes information relating to the hotline in all its operating areas and translates the hotline information as needed in each region.

Compliance Program and Anti-corruption Policy

In 2020, Enerflex undertook a fulsome review of its anti-bribery, sanctions, and export compliance programs to identify opportunities for enhancement and to ensure we remain current with changes in regulations, the business environment and the demands and expectations of our diverse stakeholders. Members of the EMT regularly consider compliance matters and the Senior Vice President, General Counsel reports quarterly to the Audit Committee regarding Enerflex's overall compliance program and improvement programs and projects.

As part of Enerflex's compliance program, the Anti-bribery and Anti-corruption Policy reiterates Enerflex's commitment to operate in accordance with Canada's *Corruption of Foreign Public Officials Act*, the USA's *Foreign Corrupt Practices Act*, and all other anti-bribery and anti-corruption laws that may be applicable to Enerflex's global operations. In addition to requiring that Enerflex maintain accurate books and records, the policy prohibits each director, officer, and employee of Enerflex and its subsidiaries (as well as third parties who act on their behalf) from offering, paying, promising, or authorizing anything of value for improper purposes. To ensure that all Enerflex employees and representatives are familiar with its provisions, the policy is available in Arabic, English, French, Indonesian, Portuguese, Spanish, and Thai. The Senior Vice President, General Counsel oversees compliance with the Anti-bribery and Anti-corruption Policy, with ultimate oversight by the Chief Executive Officer of Enerflex.

To further mitigate the risk of unlawful activities, Enerflex's Legal department regularly monitors developments in, and enforcement of, anti-bribery, sanctions, and export laws and evaluates applicable policies and practices to ensure continual compliance and improvement. Management ensures employee understanding of prohibited conduct by way of the Code certification process and periodic compliance training for persons performing senior management roles or who have direct contact with Enerflex's customers, suppliers, and/or government officials. Employees are encouraged to report suspected violations of applicable laws or Enerflex policies (including the Anti-bribery and Anti-corruption Policy) directly to a member of Enerflex's Legal group or to the Enerflex Whistleblower and Compliance Hotline.

Modern Slavery Policy

As part of Enerflex's wider commitment to promoting ethical business and employee welfare, Enerflex strives to ensure that modern slavery is not taking place in our supply chains and business operations. In 2021, Enerflex adopted a Modern Slavery Policy which confirmed our commitment to not knowingly engage in modern slavery (being any form of exploitation, such as human trafficking, forced, involuntary or child labor, unlawful recruitment, human trafficking, or any slavery-like practices including debt-bondage and servitude). Respect for human rights is consistent with our values and drives the way we work.

Conflicts of Interest

In addition to the statutory obligations of directors to address conflict of interest matters, Enerflex has established processes to assist in managing any potential conflicts of interest that may arise. Prior to commencing Board and Committee meetings, the agenda is reviewed for conflicts. In addition, the Code certifications completed by directors, officers, employees, and independent contractors include disclosures of potential conflicts. Any concerns are brought to the attention of the Human Resources department, the Legal department, and, if necessary, the Chief Executive Officer, the appropriate Committee, and/or the Chair of the Board. In 2022, potential conflicts of interest involving employees that were brought to the Company's attention were reviewed and appropriately addressed in accordance with established procedures.

Insider Trading

Enerflex's Insider Trading Policy covers topics such as insider trading prohibitions, blackout periods, tipping, insider reporting, and general trading restrictions. The Insider Trading Policy outlines the regular blackout periods (in advance of the release of quarterly and annual financial results) when trading is not allowed, as well as the timing of trading windows. Enerflex insiders and individuals that have access to material undisclosed information are notified by email of each applicable blackout period and trading window. The management Disclosure Committee and the NCG Committee also receive regular reports of insider trading activities at their respective meetings. At each meeting, the management Disclosure Committee also reviews disclosures to analysts and investors to ensure that no selective disclosure has occurred.

Cybersecurity

Cybersecurity is a formal component of Enerflex's overall enterprise risk management (**ERM**) framework. Our global cybersecurity program adheres to the National Institute of Standards and Technology Cybersecurity Framework, and is regularly reviewed and updated, including quarterly review by the Audit Committee, annual assessment by Internal Audit, and annual external audit of the information technology general controls.

Enerflex has an in-house cybersecurity team and partners with multiple third parties who provide 24 hours per day / seven days per week services to monitor, detect, analyze, and respond to cyber threats and assess their likelihood and impact on business operations, infrastructure, and personnel. Pursuant to the global cybersecurity program, Enerflex enforces multi-factor authentication to access systems, has a third party perform annual penetration tests against its systems, regularly reviews systems and applications updates and implements as appropriate, and conducts annual tabletop exercises including with our EMT to review and assess the response plan for multiple threat scenarios.

Training and culture are key aspects of the global cybersecurity program, and Enerflex works to promote a culture that understands the critical importance of data security and privacy, areas of vulnerability, and how to remain vigilant when handling data, including in the following ways: Enerflex's security incident response policy and procedures are available to all employees; Enerflex conducts monthly simulated phishing campaigns; all employees with network access complete mandatory information security training courses, which are refreshed annually; all new employees must complete online security training within two weeks of hire; executives and key employees in high-risk job functions are offered enhanced information security training; and Enerflex has implemented a cybersecurity performance management plan, which enforces performance management actions when employees click on real or simulated phishing links.

Privacy

The global Employee Privacy Policy outlines Enerflex's commitment to maintaining the accuracy, confidentiality, and security of employee personal information. In accordance with Enerflex's training initiatives, Enerflex executive officers and all Enerflex managers are required to complete a mandatory review of the policy at least biennially. In 2022, all managers throughout Enerflex, along with all employees in the Human Resources, Legal, Health and Safety, Finance, and Information Technology departments reviewed and acknowledged their intent to comply with this policy. The Employee Privacy Policy has been translated into Arabic, English, French, Indonesian, Portuguese, and Spanish to ensure that Enerflex employees can read and understand its provisions in their native language. Privacy concerns may be brought to the attention of the Enerflex Privacy Officer and Legal department.

Conflict Minerals Reporting

As a result of the acquisition of Exterran and the contemporaneous listing of the Enerflex Common Shares on the NYSE, Enerflex is subject to certain provisions of the Dodd-Frank Act which require, among other things, companies to disclose their use of conflict minerals if those minerals are "necessary to the functionality or production of a product" manufactured by such companies. Under the provisions of the Dodd-Frank Act, the minerals include tantalum, tin, gold, or tungsten.

As part of our business, we manufacture products for which tantalum, tin, gold, and/or tungsten are necessary to the functionality or production of our products. Accordingly, in compliance with applicable rules, Enerflex prepares and files a Specialized Disclosure Report on Form SD and the Conflict Minerals Report filed as an exhibit thereto.

Employees

Enerflex had approximately 4,900 active employees worldwide as at December 31, 2022.

Engineered Systems Backlog

The following table sets forth the Engineered Systems backlog by business segment:

$ Thousands (unaudited) as at December 31	**2022**	**2021**[(1)]
North America	1,074,151	377,894
Latin America	52,825	24,221
Eastern Hemisphere	378,894	155,434
Total Engineered Systems Backlog	**$ 1,505,870**	$ 557,549

(2)
The amounts for 2021 have
been reclassified into the Company's new business segments.

In addition to meeting the fluctuating demand for products and services, it has been necessary for Enerflex to maintain its competitive position and market share. Enerflex believes it will be successful at increasing its market share by providing quality products and service, negotiating fair prices for its products and services, expanding the global reach of its solutions, developing and maintaining relationships with key customers and suppliers, maintaining the skill levels of its employees, and monitoring and adjusting to the practices of competitors. The ability to meet these competitive pressures within a reasonable cost structure will continue to be key to Enerflex's future success.

ENVIRONMENT, SOCIAL AND GOVERNANCE STANDARDS

Emissions

Enerflex works to meet or exceed industry guidelines, as well as national, regional, and local laws, regulations, and protocols regarding environmental protection in all operating areas. Control of environmental hazards is a continuous priority across Enerflex's operations. The Company designs, manufactures, and operates its facilities and assets, and performs its services, in compliance with applicable federal, provincial, state, local, and foreign requirements relating to the protection of the environment, including the regulation of GHG emissions. To the extent more stringent regulations are enacted, Enerflex intends to continue to address them in a proactive manner. Enerflex monitors regulatory trends to understand how potential changes could affect its business and operations.

See also "*Risk Factors – Compliance with HSE Regulations.*"

Chemicals Management

While Enerflex does not produce or supply chemicals, its manufacturing operations utilize workshop chemicals commonly used in standard welding and paint shop activities. Such chemicals are handled and stored within controlled environments according to the manufacturers' Hazard Communication (**HAZCOM**) guidance and applicable regulations, with permits or permit exemptions in place where required. Enerflex's offsite construction activities may also utilize chemicals such as welding fuels, which are handled, stored, and transported according to the manufacturers' HAZCOM guidance and applicable local regulations. All such chemicals are consumed during use. Enerflex's activities do not produce hazardous waste for disposal.

GHG Emissions

There is a trend in recent periods towards greater regulation of GHG emissions, including mandatory GHG reporting and, in some jurisdictions, emissions-limiting initiatives. Enerflex does not currently exceed the applicable thresholds for mandatory emissions reporting or reduction initiatives in its jurisdictions of operations. The Company's internal ESG commitments include voluntary reporting on its GHG emissions.

GHG Emissions[1]	2022	2021	SASB CODE
Gross global direct Scope 1 emissions (tCO_2e)	18,700	14,100	EM-MD-110a.1
Global direct Scope 1 emissions (by business segment) (tCO_2e)			
➢ Energy Infrastructure	9,600	7,700	N/A
➢ After-market Service	8,500	6,300	N/A

➢ Engineered Systems	570	140	N/A
Percentage methane (CH_4)	<1%	<1%	EM-MD-110a.1
Gross global indirect Scope 2 emissions (tCO_2e)	12,000	9,500	N/A
Combined gross global Scope 1 and 2 emissions (tCO_2e)	30,700	23,600	N/A
Scope 1 and 2 emissions intensity per revenue generated (tCO_2e/$ millions)	17.3	24.6	N/A
Global Scope 3 emissions from Energy Infrastructure	3,145,000	2,170,000	N/A

Note:
(3)
Enerflex has defined Scope 1, 2, and 3 GHG emissions according to the methodology contained in the GHG Protocol (March 2004). Scope 1 emissions include all emissions from sources owned or controlled by Enerflex, using the operational control consolidation approach under the *GHG Protocol*. Scope 2 emissions include all indirect emissions resulting from the generation of purchased electricity consumed by Enerflex. Enerflex has calculated Scope 1 and 2 emissions using the industry-specific calculation methodology set forth in the API Compendium (August 2009), including only CO_2, butane and nitrous oxide. Emissions of the other Kyoto Protocol gases have been deemed immaterial.

For additional information, please see the ESG section of the Enerflex website at www.enerflex.com.

The Company is unable to predict with certainty the impact of new climate change and emissions reduction legislation and regulatory initiatives on the Company and its equipment or operations, or its customers' operations, and it is possible that such laws or regulations would have a material adverse effect on the Company's business, financial conditions, results of operation and cash flows. See "*Risk Factors – Climate Change Risks*".

Climate-Related Opportunities

Enerflex's efforts to identify, assess, and manage climate-related risks also creates opportunities. The Company has long been committed to helping reduce the global emission footprint by focussing on the cleanest hydrocarbon and providing safe natural gas solutions to its customers. The world currently relies on hydrocarbons to reliably meet energy needs, but Enerflex recognizes and expects that future energy demand will continue to be met in part by a growing proportion of renewable energy sources. While continuing to deliver natural gas solutions, the Company pursues and will continue to pursue opportunities that benefit the global effort to address climate change, including:

- exploring new Energy Transition solutions, including for carbon capture utilization and sequestration, renewable natural gas, electrification, and hydrogen;
- identifying economic energy and emissions-reduction opportunities in its operations; and
- identifying energy efficient procurement opportunities.

The Company has made it its responsibility to understand the environmental impact of its operations and work towards minimizing its footprint. Beyond recycling and other waste management initiatives at corporate, manufacturing, and field locations, Enerflex's Canadian and USA manufacturing facilities use low VOC paint and VOC free thinner, and, in 2021, the Company implemented an enterprise-wide policy to limit standby running for vehicles and operating equipment. The Company has also reduced its usage of freshwater by mandating the use of recycled water for pressure testing vessels and pressure washing at its USA manufacturing facility and one of its contract compression facilities and using collected rainwater for pressure washing certain compressor packages in Colombia. The Company also has an Environmental Assessment Committee responsible for identifying opportunities to enhance environmental performance

across Enerflex’s facilities and fleet, and to quantify the Company's global

GHG emissions inventory. This internal committee is also focussed on expanding collaboration across the organization and operations to identify and evaluate key environmental risks and opportunities for the business and helping develop ESG disclosures to be responsive to stakeholder expectations. Throughout 2021 and continuing into 2022, climate-related risks and opportunities were integrated into Enerflex's strategic planning and investment decisions. In early 2021, the Board appointed a Chief Energy Transition Officer, responsible for progressing the Company's Energy Transition strategy and identifying, evaluating, and driving low-carbon energy solutions. See "*Directors and Officers – Executive Officers*".

Enterprise Risk Management

The Board has the responsibility to oversee and monitor risk across the organization and ensure implementation of appropriate ERM systems to monitor and manage those risks with a view to the long-term viability of the Company. The Board oversees management's identification and evaluation of Enerflex's principal risks and the implementation of policies, processes, and systems to manage or mitigate the risks, to achieve an appropriate balance between the risks incurred and potential benefits to the Company's stakeholders.

Management's ERM program development and implementation is guided by ISO 31000. The ERM framework includes the identification and prioritization of Enerflex's principal and emerging risks (including ESG and climate-related risks), assigning each principal risk to a member of the EMT as the risk owner, and regularly assessing such risks at EMT meetings. For each risk scenario, the EMT estimates the likelihood and potential impact that such risks could have on Enerflex's business and how they may impact its strategy. Management compiles all risks identified as critical on an integrated risk register that catalogs actions for managing or mitigating each risk. Management also contributes to the ERM process, by providing continuous supervision over the Company's (pending and in-flight) major projects and their risks, meeting monthly, and as required.

Management ensures that the Board and its committees are kept well informed of the Company's ERM systems and principal and emerging risks (including ESG and climate-related risks), including by way of: quarterly reports on operational and earnings risks; quarterly reports on market valuation risks; annual reports on risks to achieving the proposed budget; annual reports on risks to Enerflex's strategy and regular ERM updates and discussions on how the Company is identifying, mitigating, and tracking risks as part of its overall ERM strategy.

Enerflex strives to continuously improve its ERM program. In August 2018, the Board established an ad-hoc Risk Committee of the Board to consider whether and how to enhance the organization's ERM and the Board's oversight thereof. In 2020, the Company appointed a Director of Risk within the organization, responsible for further implementing, integrating, facilitating, and maintaining the ERM program, and, in 2021, a formal ERM framework was developed to define risk management practices across the organization, including in respect of the approval to pursue, and execution oversight for, key manufacturing and energy infrastructure projects.

RISK FACTORS

An investment in Enerflex Common Shares involves a number of risks including, but not necessarily limited to, those set forth below.

Energy Prices, Industry Conditions, and the Cyclical Nature of the Energy Industry

The industry in which Enerflex operates is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. The capital expenditures of these companies, along with those midstream companies who service these oil and gas explorers and producers, impact the demand for Enerflex's equipment and services. Capital expenditure decisions are based on various factors, including but not limited to: demand for hydrocarbons and prices of related products; exploration and development prospects in various jurisdictions; reserve production levels; oil and natural gas prices; regulatory compliance; and access to capital, none of which can be accurately predicted. Any downturn in commodity prices may lead to reduced levels of capital expenditures, which may negatively impact the demand for the products and services that Enerflex offers. Even the perception of lower oil or gas prices over the long term can result in a decision to cancel or postpone exploration and production capital expenditures, which may lead to reduced demand for products and services offered by Enerflex. If economic conditions or international markets decline unexpectedly and oil and gas producing customers decide to cancel or postpone major capital expenditures, the Company's business may be adversely impacted.

The supply and demand for oil and gas is influenced by a number of factors, including political, economic, or military circumstances throughout the energy producing regions of the world. This has been highlighted over the past year with the Russian invasion of Ukraine which is continuing to have wide ranging consequences on the world economy. As Russia is a major exporter of oil and natural gas, the disruption of supply from Russia has triggered a significant and worldwide supply shortage resulting in significant and rapid commodity price increases which has heightened many of the other risks described in this "Risk Factors" section. As the Russian-Ukraine conflict continues, the impact to the Enerflex business is difficult to predict and depends on many factors that are evolving and not within the control of Enerflex and such impact could have a material adverse effect on the Company's business, financial condition, and results of operations.

Competition

The business in which Enerflex operates is highly competitive with lower barriers to entry for natural gas processing and compression services, contract compression, the processing and compression fabrication business, and the produced water business. Several companies target the same customers as Enerflex in markets where margins can be low and contract negotiations can be challenging. Enerflex has several competitors in all aspects of its business, both domestically and abroad. Some of these competitors, particularly in the Energy Infrastructure and Engineered Systems product lines, are large, multi-national companies who may be able to adapt more quickly to technological changes within the industry or changes in economic and market conditions, more readily take advantage of acquisitions and other opportunities, and adopt more aggressive pricing policies. In addition, the Company could face significant competition from new entrants. Some of Enerflex's existing competitors or new entrants may expand or fabricate new equipment that would create additional competition for the products, equipment, or services that Enerflex offers to customers. Further, the Company may not be able to take advantage of certain opportunities or make certain investments because of capital constraints, debt levels, and other obligations.

Any of these competitive pressures could have a material adverse effect on the Company's business, financial condition, and results of operations. See "*Description of the Business – Competitive Conditions*".

Project Execution Risk

Enerflex engineers, designs, manufactures, constructs, commissions, operates, and services systems that process and/or compress products in a gaseous state. Enerflex's expertise encompasses field production facilities, gas compression and processing plants, gas lift compression, refrigeration systems, and electric power equipment, primarily serving the natural gas production industry. The Company participates in some projects that have a relatively larger size and scope than the majority of its projects, which may translate into more technically challenging conditions or performance specifications for its products and services. These projects typically specify delivery dates, performance criteria, and penalties for the failure to perform. The Company's ability to profitably execute on these solutions for customers is dependent on numerous factors which include, but are not limited to: changes in project scope; the availability and timeliness of external approvals and other required permits; skilled labor availability and productivity; availability and cost of materials, parts, and services; the accuracy of design, engineering, and construction; the ability to safely access the job site; and the availability of contractors to support execution of the Company's scope on these projects. Any failure to execute on these larger projects in a timely and cost-effective manner could have a material adverse effect on the business, financial condition, results of operations, and cash flows of the Company.

The Company pursues continuous improvement initiatives to achieve accurate, complete, and timely provision of deliverables. Nonetheless, project risks can translate into performance issues and project delays, as well as project costs exceeding cost estimates. While the Company will assess the recoverability of any cost overruns, there can be no assurance that these costs will be reimbursed, which may result in a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Climate Change Risks

Regulatory and Policy Risks

Climate change policy is quickly evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. While Enerflex does not currently exceed the applicable thresholds for emissions-reduction initiatives in its jurisdictions of operations, there is a global trend in recent periods towards greater regulation of GHG emissions. Although it is not possible at this time to predict how new laws or regulations would impact the Company's business, any such future requirements imposing carbon pricing schemes, carbon taxes, or emissions-reduction obligations on the Company's energy infrastructure, equipment, and operations could require it to incur costs to reduce emissions or to purchase emission credits or offsets, and may cause delays or restrictions in its ability to offer its products and services. Failure to comply with such laws and regulations could result in significant liabilities or penalties being imposed on Enerflex. There is also a risk that Enerflex could face claims initiated by third parties relating to climate change or related laws and regulations. Any such claims, laws, or regulations could also increase the costs of compliance for Enerflex's customers, and thereby negatively impact demand for the Company's products and services. The direct or indirect costs of such claims, and compliance with such laws or regulations, may have a material adverse effect on the business, financial condition, results of operations, and prospects of the Company.

Physical Risks

There has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, flooding, droughts, forest fires, thunderstorms, tornados, and snow or ice storms, as well as rising sea levels and other acute (event-driven) and chronic (long-term) climate events. Another possible consequence of climate change is increased volatility in seasonal temperatures with some studies suggesting that climate change could cause some areas to experience temperatures substantially colder or warmer than their historical averages.

To the extent there are significant climate changes in the markets Enerflex serves or areas where Company assets reside, Enerflex could incur increased costs, its assets could be damaged, operations could be materially impacted (for instance, shut-down requirements), there may be health implications for its employees, and its customers may experience operational disruptions causing reduced demand for the Company's products. At this time, the Company is unable to determine the extent to which climate change may affect its operations.

Technological Risks

Demand for the Company's products may also be affected by the development and demand for new technologies in response to global climate change. Many governments provide, or may in the future provide, tax incentives and other subsidies to support the use and development of alternative energy technologies. Technological advances and cost declines in alternative energy sources (such as hydrogen and renewables), electric grids, electric vehicles, and batteries may reduce demand for hydrocarbons, which could lead to a lower demand for the Company's low-carbon products and services. If customer preferences shift, the Company may also be required to develop new technologies, requiring significant investments of capital and resources, which may or may not be recoverable in the marketplace and which could result in certain products becoming less profitable or uneconomic. At this time, the Company is unable to determine the extent to which such technological risks may detrimentally impact its business prospects, financial condition, and operations.

ESG and Investor Sentiment

A number of factors, including the impact of oil and natural gas operations on the environment, the effects of the use of hydrocarbons on climate change, ecological damage relating to spills of petroleum products during production and transportation, and human rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail, and governmental investors have announced that they are no longer willing to fund or invest in companies in the oil and natural gas industry or are reducing the amount of their investment over time. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry may result in limiting Enerflex's access to capital, increasing its cost of capital, and decreasing the price and liquidity of Enerflex's securities.

In addition, practices and disclosures relating to ESG matters (including but not limited to governance practices, climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste, and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, EMT, and employees of Enerflex. Failing to implement the policies and practices, as requested, or expected by Enerflex's

stakeholders, may result in such investors reducing their investment in Enerflex, or not investing in Enerflex at all. The Company's response to addressing ESG matters, and any negative perception thereof can also impact Enerflex's reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect Enerflex's business, future operations, and profitability.

Compliance with HSE Regulations

The Company and many of its customers are subject to a variety of federal, provincial, state, local, and international laws and regulations relating to HSE. These laws and regulations are complex, subject to periodic revision, and are becoming increasingly stringent. The cost of compliance with these requirements may increase over time, thereby increasing the Company's operating costs or negatively impacting the demand for the Company's products and services. Failure to comply with these laws and regulations may result in reputational damage, as well as the imposition of administrative, civil, and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance.

Compliance with environmental laws is a priority across Enerflex operations and in the manufacturing of the Company's products, as the Company uses and stores hazardous substances in its operations. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Certain environmental laws may impose joint and several and strict liability for environmental contamination, which may render the Company liable for remediation costs, natural resource damages, and other damages as a result of Company conduct or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is possible that neighbouring landowners and other third parties may file claims for personal injury, property damage, and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations could be substantial and could negatively impact financial condition, profitability, and results of operations.

Enerflex may need to apply for or amend facility permits or licenses from time to time with respect to storm water, waste handling, or air emissions relating to manufacturing activities or equipment operations, which may subject Enerflex to new or revised permitting conditions. These permits and authorizations may contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits, which may be onerous or costly to comply with. Given the large number of jurisdictions and facilities in which Enerflex operates, and the numerous environmental permits and other authorizations that are applicable to its operations, the Company may occasionally identify or be notified of technical violations of certain compliance requirements and could be subject to penalties related thereto.

The adoption of new HSE laws or regulations, or more vigorous enforcement of existing laws or regulations, may also negatively impact Enerflex's customers and demand for the Company's products and services, which in turn would have a negative impact on the Company's financial results and operations.

The Company is also subject to various federal, provincial, state, and local laws and regulations relating to safety and health conditions in its manufacturing facilities and other operations. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any noncompliance, as well as potential business disruption if any of its facilities, or a portion of any facility,

is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See "*Risk Factors – Health and Safety Risks*".

Inflationary Pressures

Strong economic conditions and competition for available personnel, materials, and major components may result in significant increases in the cost of obtaining such resources. To the greatest extent possible, Enerflex passes such cost increases on to its customers and attempts to reduce these pressures through proactive supply chain and human resource practices. Should these efforts not be successful, the gross margin and profitability of Enerflex could be adversely affected.

Interest Rate Risk

The Company's liabilities include long-term debt that may be subject to fluctuations in interest rates. The Company's 9.00% Notes outstanding at December 31, 2022, are at fixed interest rates and therefore will not be impacted by fluctuations in market interest rates. The Company's Revolving Credit Facility and Term Loan, however, are subject to changes in market interest rates. As at December 31, 2022, the Company had $662.4 million of indebtedness that is effectively subject to floating interest rates. Changes in economic conditions outside of Enerflex's control could result in higher interest rates, thereby increasing Enerflex's interest expense which may have a material adverse impact on Enerflex's financial results, financial condition, or ability to declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends*".

For each one per cent change in the rate of interest on the Revolving Credit Facility and Term Loan, the change in interest expense for the twelve months ended December 31, 2022, would be approximately $4.6 million. All interest charges are recorded in finance costs on the consolidated statements of earnings. Any increase in market interest rates could have a material adverse impact on the Company's financial results, financial condition, or ability to declare and pay dividends.

International Operations

Enerflex's operations in countries outside of North America account for a significant amount of the Company's revenue. Enerflex is exposed to risks inherent in conducting international operations, including, but not limited to: social, political, and economic instability; changes in foreign government policies, laws, regulations, and regulatory requirements, or the interpretation, application and/or enforcement thereof; tax increases or changes in tax laws or in the interpretation, application and/or enforcement thereof; difficulties in staffing and managing foreign operations including logistical, safety, security, and communication challenges; difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions; recessions and other economic crises that may impact the Company's cost of conducting business in those countries; the adoption of new, or the expansion of existing, trade restrictions, or embargoes; limitations on the Company's ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada; difficulty or expense of enforcing contractual rights due to the lack of a developed legal system or otherwise; confiscation, expropriation, or nationalization of property without fair compensation; and difficulties in engaging third-party agents to interface with clients or otherwise act on the Company's behalf in certain jurisdictions.

In addition, Enerflex may expand the business to markets where the Company has not previously conducted business. The risks inherent in establishing new business ventures, especially in international markets where local customs, laws, and business procedures present special challenges, may affect Enerflex's ability to be successful in these ventures.

To the extent Enerflex's international operations are affected by unexpected or adverse economic, political, and other conditions, the Company's business, financial condition, and results of operations may be adversely affected.

Information Technology and Information Security

The Company is dependent upon the availability, capacity, reliability, and security of information technology infrastructure and the Company's ability to expand and continually update this infrastructure, to conduct daily operations. Information technology assets and protocols become increasingly important to Enerflex as it continues to expand internationally, provide information technology access to global personnel, develop web-based applications, monitoring of products, and improve its business software applications. If any such programs or systems were to fail or create erroneous information in the Company's hardware or software network infrastructure, it could have a material adverse effect on the Company's business activities and reputation.

Enerflex may be threatened by or subjected to cyberattack risks such as cyber-fraud, viruses, malware infections, or social engineering activities like phishing and employee impersonation, which may result in adverse outcomes including, but not limited to, the exposure of sensitive data, disruption of operations, and diminished operating results. In recent years, cyberattacks have become more prevalent and much harder to detect and defend against. These threats may arise from a variety of sources, all ranging in sophistication from an individual hacker to alleged state-sponsored attacks. A cyberattack may be generic, or it may be custom crafted to target the specific information technology used by Enerflex. The occurrence of any such cyberattacks could adversely affect the Company's financial condition, operating results, and reputation.

The Company may be targeted by parties using fraudulent spoof and phishing emails to misappropriate Enerflex information, or the information of customers and suppliers, or to introduce viruses or other malware through "trojan horse" programs into computer networks of the Company, its customers, or suppliers. These phishing emails may appear upon a cursory review to be legitimate emails sent by an employee or representative of Enerflex, its customers, or suppliers. If a member of Enerflex or a member of one of its customers or suppliers fails to recognize that a phishing email has been sent or received and responds to or forwards the phishing email, the attack could corrupt the computer networks and/or access confidential information of Enerflex, its customers, employees, and/or suppliers, including passwords, through email or downloaded malware. In addition to spoof and phishing emails, network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance, or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by them.

Security measures, such as incident monitoring, vulnerability testing, tabletop exercises, response planning, and employee education and training have been implemented to protect the Company's information security and network infrastructure. However, the Company's mitigation measures cannot provide absolute security, and the information technology infrastructure may be vulnerable to criminal cyberattacks or data security incidents due to employee or customer error, malfeasance, or other

vulnerabilities. Additionally, Enerflex is reliant on third-party service providers for certain information technology applications. While the Company conducts due-diligence and believes that these third-party service providers have adequate security measures, there can be no assurance that these security measures will prevent any cyber events or computer viruses from impacting the applications upon which Enerflex relies.

If Enerflex's information technology systems were to fail and the Company was unable to recover in a timely way, the Company might be unable to fulfill critical business functions, which could damage the Company's reputation and have a material adverse effect on the business, financial condition, and results of operations. A breach of Enerflex's information security measures or controls could result in losses of material or confidential information, reputational consequences, financial damages, breaches of privacy laws, higher insurance premiums, damage to assets, safety issues, operational downtime or delays, and revenue losses. The significance of any such event is difficult to quantify but may in certain circumstances be material to the Company and could have adverse effects on the Company's business, financial condition, and results of operations. See also "*Risk Factors – Insurance*".

Personnel and Contractors

The Company's ability to attract and retain qualified personnel and provide the necessary organizational structure, programs, and culture to engage and develop employees is crucial to its growth and achieving its business results.

Enerflex's Engineered Systems product line requires skilled engineers and design professionals to maintain customer satisfaction through industry-leading design, build, and installation of the Company's product offerings. Enerflex competes for these professionals, not only with other companies in the same industry, but with companies in other industries such as oil and natural gas producers. In periods of high activity, demand for the skills and expertise of these professionals increases, making the hiring and retention of these individuals more difficult.

Enerflex's After-Market Services product line relies on the skills and availability of trained and experienced tradespeople, mechanics, and technicians to provide efficient and appropriate services to Enerflex and its customers. Hiring and retaining such individuals is critical to the success of Enerflex's business. Demographic trends are reducing the number of individuals entering the trades, making Enerflex's access to skilled individuals more difficult.

There are certain jurisdictions where Enerflex relies on third-party contractors to carry out the operation and maintenance of its equipment. The ability of third-party contractors to find and retain individuals with the proper technical background and training is critical to the continued success of the contracted operations in these jurisdictions. If Enerflex's third-party contractors are unable to find and retain qualified operators, or the cost of these qualified operators increases substantially, the contract operations business could be materially impacted.

There are few barriers to entry in a number of Enerflex's businesses, so retention of qualified staff is essential in order to differentiate Enerflex's businesses and compete in its various markets. Enerflex's success depends on key personnel and its ability to hire and retain skilled personnel. The loss of skilled personnel could delay the completion of certain projects or otherwise adversely impact certain operational and financial results.

Contract Compression Operations

The duration of Enerflex's Energy Infrastructure arrangements with customers varies based on operating conditions and customer needs. Initial contract terms typically are not long enough to enable the Company to recoup the cost of the equipment deployed in the Energy Infrastructure segment. Many of Enerflex's North American Energy Infrastructure contracts have short initial terms, and after the initial term, are cancelable on short notice. While these contracts are frequently extended beyond their initial terms, Enerflex cannot accurately predict which of these contracts will be extended or renewed beyond the initial term or that any customer will continue to contract with Enerflex. The inability to negotiate extensions or renew a substantial portion of the Company's Energy Infrastructure contracts, the renewal of such contracts at reduced rates, the inability to contract for additional services with customers, or the loss of all or a significant portion of such contracts with any customer could lead to a reduction in revenues and net income, which reduction could have a material adverse effect upon Enerflex's business, financial condition, results of operations and cash flows.

Contracted Revenue

Many of Enerflex's customers finance their exploration and development activities through cash flow from operations, incurrence of debt, or issuance of equity. If customers experience decreased cash flow from operations and limitations on their ability to incur debt or raise equity, for example due to weak commodity prices, then they may seek to preserve capital by pursuing price concessions on revenue contracts, cancelling contracts, or determining not to renew contracts. Under these circumstances, the Company may be unable to renew recurring revenue contracts with customers on favorable commercial terms, if at all. Terms of new contracts or renegotiated contracts may also transfer additional risk of liquidated damages, consequential loss, liability caps, and indemnities to the Company. These factors may lead to a reduction in revenue and net income, which reduction could have a material adverse effect on Enerflex's business, financial condition, results from operations and cash flows.

Health and Safety Risks

Enerflex's business is susceptible to health and safety risks inherent in manufacturing, construction, and operations. These risks include but are not limited to: explosions caused by natural gas leaks; fires; malfunctioning or improperly used tools and equipment; and vehicle collisions and other transportation incidents.

Failure to mitigate, prevent, or appropriately respond to a safety or health incident could result in injuries or fatalities among employees, contractors, visitors, or residents in communities near Company operations. Such incidents may lead to liabilities arising out of personal injuries or death, property damage, operational interruptions, and shutdown or abandonment of affected facilities, including government-imposed orders to remedy unsafe conditions or circumstances, penalties associated with the contravention of applicable health and safety legislation, and potential civil liability. Preventing or responding to accidents could require Enerflex to expend significant time and effort, as well as financial resources to remediate safety issues, compensate injured parties, and repair damaged facilities. Any of the foregoing could have an adverse impact on the Company's operations, financial results, and reputation.

Customer Credit Risk

A substantial portion of Enerflex's accounts receivable balances are with customers involved in the oil and natural gas industry. Many customers finance their exploration and development activities through cash flow from operations, the incurrence of debt, or the issuance of equity. During times when the oil or natural gas markets weaken, customers may experience decreased cash flow from operations, or a reduction in their ability to access capital. A reduction in borrowing bases under reserve-based credit facilities, the lack of availability of debt or equity financing or other factors that negatively impact customers' financial condition may impair their ability to pay for products or services rendered.

Enerflex may extend credit to certain customers for products and services that it provides during its normal course of business. Enerflex monitors its credit exposure to its customers, but there can be no certainty that a credit-related loss will not materialize or have a material adverse impact on the organization. The financial failure of a customer may impair the Company's ability to collect on all or a portion of the accounts receivable balance from that customer.

Corruption, Sanctions, and Trade Compliance

The Company is required to comply with Canadian, USA, and international laws and regulations regarding corruption, anti-bribery, sanctions, and trade compliance. Enerflex conducts business in many parts of the world that experience high levels of corruption, relies on third-party agents to interface with its clients and otherwise act on the Company's behalf in some jurisdictions where the Company does not have a presence, and is subject to various laws that govern the import and export of its equipment.

While Enerflex has developed policies, procedures, screening protocols, and training designed to achieve and maintain compliance with applicable laws, the Company could be exposed to investigations, claims, and other regulatory proceedings for alleged or actual violations of laws related to Company operations, including anti-corruption and anti-bribery legislation, trade laws, and sanctions laws. The Canadian government, the US Department of Justice, the SEC, the US Office of Foreign Assets Control, and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against companies and individuals for violations, including injunctive relief, disgorgement, fines, penalties, and modifications to business practices and compliance programs, among other things. While Enerflex cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on the Company's reputation, business, financial condition, results of operations, and cash flow.

Foreign Exchange

Enerflex reports its financial results to the public in Canadian dollars; however, a significant percentage of its revenues and expenses are denominated in currencies other than Canadian dollars. The Company identifies and hedges significant transactional currency risks, and its hedging policy remains unchanged in the current year. Further information on Enerflex's hedging activities is provided in Note 29 "*Financial Instruments*" in the audited consolidated financial statements for the year ended December 31, 2022.

Transaction Exposure

The Canadian operations of the Company source the majority of their products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the US dollar.

Most of Enerflex's international orders are manufactured in the United States where the contracts are primarily denominated in US dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company has implemented a hedging policy, applicable primarily to the Canadian operations, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract. The Company utilizes a combination of foreign denominated debt and currency forward contracts to meet its hedging objectives.

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The Company is also exposed to the translation risk of monetary items in their local currency to their functional currency. The currencies with the most significant impact are the US dollar, Australian dollar, Brazilian real, and Argentine peso.

Assets and liabilities of foreign subsidiaries are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. Such exchange rate fluctuations could be material year-over-year relative to the overall earnings or financial position of the Company.

Litigation Risk and Liability Claims

The Company's operations entail inherent risks, including but not limited to equipment defects, malfunctions and failures, and natural disasters that could result in uncontrollable flows of natural gas, untreated water or well fluids, fires, and explosions. Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury or loss of life, or damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these incidents, the Company could face litigation and may be held liable for those losses.

In the normal course of Enerflex's operations, the Company may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions related to contract disputes, property damage, environmental matters, employment matters, and personal injury. The Company may not be able to adequately protect itself contractually and insurance coverage may not be available or adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able to maintain insurance in the future at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies may cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See also "*Risk Factors – Insurance*".

Defense and settlement costs associated with lawsuits and claims can be substantial, even with respect to lawsuits and claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on Enerflex's operating results or financial performance.

Availability of Raw Materials, Component Parts, or Finished Products

Enerflex purchases a broad range of materials and components in connection with its manufacturing and service activities. Some of the components used in Enerflex's products are obtained from a single source or a limited group of suppliers. While Enerflex makes it a priority to maintain and enhance these strategic relationships in its supply chain, there can be no assurance that these relationships will continue. Reliance on suppliers involves several risks, including price increases, delivery delays, inferior component quality, and unilateral termination. In particular, long-lead times for high demand components, such as engines, can result in project delays. While Enerflex has long standing relationships with recognized and reputable suppliers and OEMs, it does not have long-term contracts with all of them, and the partial or complete loss of certain of these sources could have a negative impact on Enerflex's results of operations and could damage customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on Enerflex's operational or financial results.

Though Enerflex is generally not dependent on any single source of supply, the ability of suppliers to meet performance, quality specifications, and delivery schedules is important to the maintenance of Enerflex customer satisfaction. If the availability of certain OEM components and repair parts, which are generally in steady demand, is constrained or delayed, certain of Enerflex's operational or financial results may be adversely impacted.

Public Health Crises, Including COVID-19

The Company's business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics, or other health crises, including the COVID-19 pandemic. Such public health crises may adversely affect Enerflex, causing a slowdown or temporary suspension of Enerflex's operations in geographic locations impacted by an outbreak, including due to: reduced global economic activity and a corresponding decrease in demand for oil and natural gas, which could result in producers being forced to shut-in production and serve to lower demand for the Company's products and services; impaired supply chain as a result of mass quarantines, lockdowns, or border closures, thereby limiting the supply and increasing the cost of goods and services used in Enerflex's operations; and restricted workforce as a result of quarantines and health impacts, rendering employees unable to work or travel.

The Company continues to monitor the potential impacts of the COVID-19 pandemic, focusing on the jurisdictions in which the Company and its subsidiaries operate. In particular, Enerflex continues to adhere to public health orders and governmental guidance and maintains communication with suppliers, customers, stakeholders, and other business partners to identify and monitor potential risks to our ongoing operations. Although the COVID-19 pandemic improved in 2022 and restrictions and limitations were eased, any future developments or a subsequent outbreak of COVID-19 could materially and adversely impact the Company's business, operations, financial condition, and cash flows. As the situation continues to evolve, the extent of any future material adverse effect on the Company cannot be predicted with confidence.

Insurance

Enerflex's operations are subject to risks inherent in the oil and natural gas services industry, such as equipment defects, malfunctions and failures, and natural disasters with resultant uncontrollable flows of oil and natural gas, fires, spills, and explosions. These risks could expose Enerflex to substantial liability for personal injury, loss of life, business interruption, property damage, pollution, and other liabilities. Enerflex carries prudent levels of insurance to protect the Company against these unforeseen events, subject to appropriate deductibles and the availability of coverage. In addition, the Company has procured a dedicated cyber insurance policy designed to help mitigate against the risk of cyber-related events (see "*Risk Factors – Information Technology and Information Security*") and executive liability insurance to limit exposure to unforeseen incidents. However, there can be no assurance that any such insurance policies will cover all losses or liabilities that may arise from the operation of Enerflex's business. An annual review of insurance coverage is completed to assess the risk of loss and risk mitigation alternatives.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to increases in insurance costs and limitations on coverage. It is anticipated that appropriate insurance coverage will be maintained in the future, but there can be no assurance that such insurance coverage will be available on commercially reasonable terms or on terms as favourable as Enerflex's current arrangements. The occurrence of a significant event outside of the scope of coverage of the Enerflex insurance policies could have a material adverse effect on the results of the organization.

Access to Capital

Enerflex relies on its cash, as well as the credit and capital markets, to provide some of the capital required to continue operations. Significant instability or disruptions to the capital markets, including the credit markets, may impact the Company's ability to access capital on reasonable commercial terms, if at all, and this turn may result in adverse consequences including: making it more difficult to satisfy contractual obligations; increasing vulnerability to general adverse economic conditions and industry conditions; limiting the ability to fund future working capital, capital expenditures, or acquisitions; limiting the ability to refinance debt in the future or borrow additional funds to fund ongoing operations; and paying future dividends to shareholders.

The Company's Revolving Credit Facility also contains a number of covenants and restrictions with which Enerflex and its subsidiaries, must comply including, but not limited to, use of proceeds, limitations on the ability to incur additional indebtedness, transactions with affiliates, mergers and acquisitions, and the Company's ability to sell assets. The Company's ability to comply with these covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial, and industry conditions. If market or other economic conditions deteriorate, the Company's ability to comply with these covenants may be impaired. Failure to meet any of these covenants, financial ratios, or financial tests could result in events of default which require the Company to repay its indebtedness and could impair the Company's ability to access the capital markets for financing. While Enerflex is currently in compliance with all covenants, financial ratios, and financial tests, there can be no assurance that it will be able to comply with these covenants, financial ratios, and financial tests in future periods. These events could restrict the Company's and other guarantors' ability to fund its operations, meet its obligations associated with financial liabilities, or declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends*".

Payment of Future Cash Dividends

The amount and frequency of future cash dividends paid by the Company, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, significant declines and volatility in commodity prices, demand for Enerflex products and services, restricted cash flows, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates, the risk factors described in this Annual Information Form, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which are beyond the control of Enerflex, future cash dividends could be reduced or suspended entirely or made less frequently. The market value of Enerflex Common Shares may deteriorate if cash dividends are reduced or suspended.

Tax Matters

The Company and its subsidiaries are subject to income and other taxes in Canada, the United States, and numerous foreign jurisdictions. Changes in tax laws or interpretations thereof, or tax rates in the jurisdictions in which the Company or its subsidiaries do business could adversely affect the Company's results from operations, returns to shareholders, and cash flow. Our effective tax rates could also be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. While management believes the Company and its subsidiaries are in compliance with current prevailing tax laws and requirements, one or more taxing jurisdictions could seek to impose incremental or new taxes on the Company or its subsidiaries, or the Company or its subsidiaries could be subject to assessment, reassessment, audit, investigation, inquiry, or judicial or administrative proceedings by any such taxing jurisdiction.
The timing or impacts of any such assessment, reassessment, audit, investigation, inquiry, or judicial or administrative proceedings, or any future changes in tax laws, including the impacts of proposed regulations, cannot be predicted. Any adverse tax developments, including legislative changes, judicial holdings, or administrative interpretations, could have a material and adverse effect on the results of operations, financial condition, and cash flows of the Company.

Terrorism

Terrorist activities (including environmental terrorism), anti-terrorist efforts, and other armed conflicts may adversely affect the global economies and could prevent the Company from meeting its financial and other obligations to the extent such conflicts impact operations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Company’s products and services and causing a reduction in the Company’s revenues. In addition, the Company’s assets may be direct targets of terrorist attacks that could disrupt Enerflex’s ability to service its customers. The Company may be required by regulators, or by the future terrorist threat environment, to make investments in security that cannot be predicted. The implementation of security guidelines and measures and the maintenance of insurance, to the extent available, to address such activities could increase Enerflex’s costs. These types of events could materially adversely affect the Company’s business and results of operations.

Seasonal Factors and Demand

Demand for natural gas fluctuates largely with the heating and electric power requirements caused by the changing seasons in North America. Hot summers and cold winters typically increase demand for, and the price of, natural gas. This increases customers' cash flow, which can have a positive impact on Enerflex. At the same time, access to many western Canadian oil and natural gas properties is limited to the period when the ground is frozen so that heavy equipment can be transported. As a result, the first quarter of the year is generally accompanied by increased winter deliveries of equipment. Warm winters in western Canada, however, can both reduce demand for natural gas and make it difficult for producers to reach well locations. This restricts drilling and development operations, reduces the ability to supply natural gas production in the short-term, and can negatively impact the demand for Enerflex's products and services.

Section 404 of the Sarbanes-Oxley Act of 2002

Enerflex maintains disclosure controls and procedures and internal control over financial reporting pursuant to the Canadian Securities Administrators National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and has commenced an assessment of whether its current internal controls procedures satisfy the requirements of Section 404(a) of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, and the related rules of the SEC and the Public Company Accounting Oversight Board.

Pursuant to Section 404(b) of Sarbanes-Oxley and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, starting with the second annual report that Enerflex files with the SEC after the effectiveness of the registration statement, Enerflex's independent auditors will be required to attest to the effectiveness of Enerflex's internal control over financial reporting. The process of obtaining the required attestation from Enerflex's independent auditors has commenced and will require the investment of substantial additional time and resources, including by Enerflex's Chief Financial Officer and other members of Enerflex's senior management, as well as higher than anticipated operating expenses including independent auditor fees.

Enerflex's failure to satisfy the requirements of Section 404 of Sarbanes-Oxley on an ongoing and timely basis, or any failure in Enerflex's internal controls, could result in the loss of investor confidence in the reliability of Enerflex's financial statements, which in turn could negatively affect the trading price of the Enerflex Common Shares and could have a material adverse effect on Enerflex's results of operations and harm its reputation. Further, Enerflex can provide no assurance that its independent auditors will provide the required attestation. If Enerflex is required in the future to make changes to its internal controls over financial reporting, it could adversely affect Enerflex's operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls over financial reporting from its independent auditors.

Future Acquisitions

Enerflex may, from time to time, seek to expand the Business and its operations by acquiring or developing additional businesses or assets in existing or new markets. Enerflex expects to realize strategic opportunities and other benefits as a result of its acquisitions. However, there can be no assurances as to whether, or to what extent, such benefits or opportunities will be realized. Enerflex can not predict whether it will be able to successfully identify, acquire, develop, or profitably manage additional acquisitions, or successfully integrate any acquired business or assets into Enerflex's business, or to adjust

to an increased scope of operations as a result of such acquisitions. There is a risk that any future acquisitions could adversely impact Enerflex's operations and results.

DESCRIPTION OF CAPITAL STRUCTURE

Enerflex is authorized to issue an unlimited number of Enerflex Common Shares and an unlimited number of preferred shares issuable in series. As of December 31, 2022, there were 123,739,020 Enerflex Common Shares issued and outstanding and no preferred shares outstanding. The following is a summary of the rights, privileges, restrictions, and conditions attached to the Enerflex Common Shares and preferred shares.

Enerflex Common Shares

The holders of Enerflex Common Shares are entitled to one vote per share at meetings of shareholders of Enerflex, to receive dividends if, as, and when declared by the Board of Directors, and to receive *pro rata* the remaining property and assets of Enerflex upon its dissolution, liquidation, or winding-up, subject to the rights of shares having priority over the Enerflex Common Shares.

Preferred Shares

Preferred shares may be issued at any time in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the Board. Subject to the provisions of the CBCA, the Board may fix, before the issue thereof, the designation, rights, privileges, restrictions, and conditions attached to each series of the preferred shares. Holders of Enerflex preferred shares are not entitled to vote at any meeting of the shareholders of Enerflex but may be entitled to vote if Enerflex fails to pay dividends on that series of preferred shares and as otherwise provided for under the CBCA.

DIVIDENDS

The declaration of dividends is at the sole discretion of the Board of Directors and is considered quarterly. The current practice of the Company is to make quarterly dividend payments to shareholders from its available cash, without impairing its growth potential. The Company may make additional dividends in excess of quarterly dividends during the year, as the Board of Directors may determine from time to time.

The Company has declared and paid the following dividends, on the date and at the rates shown for each of the three most recently completed financial years.

Declaration Date	Date Paid	Rate per Share
February 20, 2020	April 2, 2020	$0.115
May 7, 2020	July 2, 2020	$0.020
August 6, 2020	October 1, 2020	$0.020
November 5, 2020	January 7, 2021	$0.020
February 24, 2021	April 1, 2021	$0.020
May 20, 2021	July 8, 2021	$0.020
August 19, 2021	October 7, 2021	$0.020
November 4, 2021	January 6, 2022	$0.025
February 23, 2022	April 7, 2022	$0.025
May 4, 2022	July 7, 2022	$0.025
August 10, 2022	October 6, 2022	$0.025
November 9, 2022	January 12, 2023	$0.025

Restrictions on Paying Dividends

There are many factors which may restrict the ability of the Company to declare dividends and to make a dividend payment to shareholders. The Company's Revolving Credit Facility, Term Loan, and 9.00% Notes, contain provisions which could limit the payment of dividends if certain financial covenants are not met or restrict payments if there is an event of default, a continuing event of default, or an event of default would be caused by paying a dividend. As at December 31, 2022, the Company was in full compliance with these covenants and no event of default has occurred, is continuing, or will occur by paying a dividend. The declaration and payment of dividends are also subject to complying with the solvency tests set out in the CBCA. See also "*Risk Factors – Access to Capital*".

CREDIT RATINGS

Credit ratings are forward-looking opinions about the ability of an issuer to meet its financial obligations when they become due. They are intended to provide investors with an independent measure of credit quality in respect of an issuance of securities. Credit ratings are not an opinion or comment on the market price of a security, the suitability of a security for a particular investor nor a recommendation to buy, hold, or sell a particular security. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be changed or withdrawn entirely if, in the opinion of the rating agency, such a change or withdrawal is appropriate.

During the past two years, Enerflex paid rating fees to Standard & Poor's (**S&P**), Moody's Investor Service (**Moody's**) and Fitch Rating's Inc. (**Fitch**), at the time of issuance of our 9.00% Notes. Enerflex reasonably expects that on-going annual payments will be made to these agencies for rating services in the future.

The table below shows the S&P, Moody's, and Fitch ratings for Enerflex's corporate credit and its 9.00% Notes**.**

	S&P	Moody's	Fitch
Corporate Credit Rating	BB- (stable outlook)	B1 (positive outlook)	BB- (stable outlook)
9.00% Notes	BB- (stable outlook)	B2 (positive outlook)	BB- (stable outlook)

S&P

The S&P ratings range from a high of AAA to a low of D. The "BB" tier is comprised of BB+, BB and BB-. A rating of BB is the fifth highest of ten tiers. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within the respective rating tier and the lack of any such designation indicates a ranking in the middle of the tier. An obligor rated BB is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments. S&P (i) assigned its issuer rating on March 17, 2022, (ii) assigned the rating on the 9.00% Notes on October 4, 2022; and (iii) noted no change to the issuer rating also on October 4, 2022.

Moody's

Moody's ratings range from a high of Aaa to a low of C. The "B" tier is comprised of B1, B2, and B3. A rating of "B" is the sixth highest of nine tiers. The numerical modifiers 1, 2 or 3 are used to indicate ranking within a particular tier, with 1 being the highest and 3 being the lowest. Obligations rated B are considered speculative and are subject to high credit risk. Moody's assigned its ratings on October 3, 2022, and confirmed no change to such ratings on December 13, 2022, in connection with its periodic review of its ratings.

Fitch

The Fitch ratings range from a high of AAA to a low of D. The "BB" tier is comprised of BB+, BB, and BB-. A rating of BB is the fifth highest of eleven tiers. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within the respective rating tier and the lack of any such designation indicates a ranking in the middle of the tier. Ratings of BB indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. Fitch (i) assigned its ratings on March 16, 2022, (ii) affirmed its ratings on October 3, 2022, and (iii) reviewed and took no action on its ratings on December 14, 2022.

MARKET FOR SECURITIES

The Enerflex Common Shares are listed and posted for trading on the TSX under the trading symbol "EFX" and the NYSE under the trading symbol "EFXT". The following tables set forth the price range and trading volume for the Enerflex Common Shares as reported by the TSX and NYSE for the year ended December 31, 2022.

TSX	High ($)	Low ($)	Close ($)	Volume (# of shares)
2022				
January	8.69	6.25	7.20	10,061,278
February	7.99	7.12	7.83	7,320,942
March	8.71	7.35	8.01	6,760,846
April	9.70	7.93	8.86	5,670,541
May	8.85	7.38	7.85	6,597,796
June	8.31	5.89	6.07	7,749,510
July	6.21	4.99	5.90	8,442,544

TSX	High ($)	Low ($)	Close ($)	Volume (# of shares)
August	6.94	5.42	6.59	7,562,797
September	7.05	5.58	5.93	5,763,950
October	7.15	6.06	7.04	8,108,019
November	8.92	7.04	8.92	7,652,523
December	9.22	8.10	8.54	4,583,946

NYSE	High (US$)	Low (US$)	Close (US$)	Volume (# of shares)
2022				
January	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
October (13 – 31)[(1)]	5.20	4.37	5.17	878,040
November	6.63	5.12	6.57	482,209
December	6.87	5.95	6.32	425,830

Note:
(4)
The Enerflex Common
Shares commenced trading on the NYSE at the opening of the market on October 13, 2022.

DIRECTORS AND OFFICERS

The Enerflex Board of Directors as at the date hereof has 11
members. Ten of the current members are independent, as defined by National Instrument 58-101 – *Disclosure of Corporate Governance*
Practices, National Policy 58-201 – *Disclosure Standards*, and National Instrument 52-110 – *Audit Committees* (**NI 52-110**).
Mr. Rossiter is not independent because he is the President and
Chief Executive Officer of Enerflex.

The Board has three standing committees:

- Audit
  Committee
- Nominating and Corporate
  Governance Committee
- Human Resources and
  Compensation Committee

In addition, in August 2018, the Board established an ad-hoc Risk
Committee to consider whether and how to enhance the organization's ERM and the Board's oversight thereof. Finally, from

time-to-time, the Board may establish a special committee, as was the case during 2022, when the Board established a special committee to consider and evaluate the Transaction. All of the standing committees, ad-hoc Risk Committee and the Special Committee are comprised entirely of independent directors.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the CBCA. The next annual shareholder meeting is scheduled for May 2, 2023. Each director will devote the amount of time as is required to fulfill his or her obligations as a director to the Company. The Company's officers are appointed by, and serve, at the discretion of the Board of Directors.

The Board-approved Board Retirement Policy (the **Retirement Policy**) provides that nominees for directors are not eligible to stand for election or be appointed as a director if such director has attained the age of 72 or has served the Company as a director for 12 years since 2013. Although the Board retains discretion to waive the application of the Retirement Policy if it is in the best interests of the Company to do so, the Board is of the view that imposing such limits is an important mechanism for ensuring board renewal. Therefore, in accordance with the Retirement Policy, Mr. H. Stanley Marshall will not stand for election as a director at the next annual meeting of the shareholders of the Company as he has attained the age of 72. In anticipation of this, the NCG Committee commenced director recruitment efforts in 2022 and, following approval by the Board, welcomed Ms. Laura Folse as a director in January 2023 to ensure and facilitate a smooth transition.

As of December 31, 2022, the directors and executive officers of the Company as a group owned, controlled, or directed, directly or indirectly, an aggregate of 762,917 Enerflex Common Shares, representing approximately 0.62 per cent of the issued and outstanding Enerflex Common Shares.

The following table contains information with respect each of the current directors of the Company as at December 31, 2022 (unless otherwise stated).

Director	Board Committees	Principal Occupation in the Last Five Years
Fernando Assing Texas, USA Director since: 2020 Enerflex Common Shares owned: nil Enerflex DSUs held: 76,672	HRCC Ad-hoc Risk	➢ Corporate director ➢ President and Chief Executive Officer of Centurion Group Limited, the global rental, services, and infrastructure platform of SCF Partners
Maureen Cormier Jackson Alberta, Canada Director since: 2017 Enerflex Common Shares owned: 5,000 Enerflex DSUs held: 121,743	AC (chair) Ad-hoc Risk	➢ Corporate director
W. Byron Dunn Texas, USA Director since: 2011 Enerflex Common Shares owned: 30,000[(1)] Enerflex DSUs held: 212,200	NCGC HRCC	➢ Corporate director ➢ Chief Executive Officer and Founding Partner of Tubular Synergy Group, LP, a sales, marketing, and supply chain services provider of tubular products targeted toward the oil and gas industry

Laura Folse Texas, USA Director since: 2023[2] Enerflex Common Shares owned: nil Enerflex DSUs held: nil	None	➢ Corporate director ➢ Prior thereto, Chief Executive Officer of BP Wind Energy, North America ➢ Prior thereto, several leadership roles with BP p.l.c. and Amoco Corporation, including Executive Vice President, Science, Technology, Environment, and Regulatory Affairs
James C. Gouin Ontario, Canada Director since: 2022[3] Enerflex Common Shares owned: 56,016 Enerflex DSUs held: 3,814	AC	➢ Corporate director ➢ Prior thereto, from 2017 to 2019, Chief Executive Officer and director of Tower International, a global manufacturer of engineered automotive products ➢ Prior thereto, from 2016 to 2019, President of Tower International
Mona Hale Alberta, Canada Director since: 2021 Enerflex Common Shares owned: 10,000 Enerflex DSUs held: 43,473	AC Ad-hoc Risk	➢ Corporate director ➢ Prior thereto, Senior Vice-President, Global Commercial and Financial Performance Management at Finning International Inc.
H. Stanley Marshall[4] Newfoundland, Canada Director since: 2011 Enerflex Common Shares owned: 99,000 Enerflex DSUs held: 146,990	HRCC (chair) NCGC	➢ Corporate director ➢ Prior thereto, Chief Executive Officer of Nalcor Energy, an electricity, oil and gas, and industrial fabrication and energy marketing company
Kevin Reinhart Alberta, Canada Director since: 2017 Enerflex Common Shares owned: 51,250 Enerflex DSUs held: 155,563	Board Chair	➢ Corporate director
Marc Rossiter Alberta, Canada Director since: 2019 Enerflex Common Shares owned: 162,844[5] Enerflex DSUs held: 91,574	None	➢ President and Chief Executive Officer of Enerflex ➢ Prior thereto, from 2018 to 2019 – Executive Vice President and Chief Operating Officer of Enerflex

Juan Carlos Villegas Región Metropolitana, Chile Director since: 2019 Enerflex Common Shares owned: 57,600 Enerflex DSUs held: 110,194	NCGC HRCC	➢ Corporate director ➢ Prior thereto, President and Chief Operating Officer of Finning Canada and prior thereto, Chief Operating Officer for Finning International
Michael A. Weill Texas, USA Director since: 2011	NCGC (chair) AC Ad-hoc Risk (chair)	➢ Corporate director ➢ Prior thereto, Chief Executive Officer of Global

Enerflex Common Shares owned: 14,000[6]

Enerflex DSUs held: 103,389

Deepwater Partners LLC
until 2021

Notes:
(5)
La Jolla Holdings Ltd., a
holding company owned and controlled by Mr. Dunn is the registered holder of 20,000 Enerflex Common Shares.
(6)
Ms. Folse was appointed
to the Board of Directors on January 20, 2023.
(7)
Mr. Gouin was appointed
to the Board of Directors on October 13, 2022.
(8)
In accordance with the
Retirement Policy, Mr. Marshall is retiring from the Board and is not standing for re-election at Enerflex's upcoming annual meeting of shareholders.
(9)
Mr. Rossiter's
spouse is the registered holder of 70 Enerflex Common Shares.
(10)
A family trust controlled
by Mr. Weill is the registered holder of 10,000 Enerflex Common Shares.
(11)
Enerflex DSUs are a
notional unit equal to the value of an Enerflex Common Share and although such Enerflex DSUs are non-voting, the holder is exposed to all the same economic risks and rewards as a holder of Enerflex Common Shares.

Executive Officer	**Principal Occupation in the Last Five Years**
Marc Rossiter Alberta, Canada	➢ President and Chief Executive Officer of Enerflex ➢ 2018 to 2019 – Executive Vice President and Chief Operating Officer of Enerflex ➢ Prior to 2018, President of the USA region of Enerflex
Sanjay Bishnoi Alberta, Canada	➢ Senior Vice President and Chief Financial Officer of Enerflex ➢ Prior thereto, co-founder and Chief Financial Officer of Caprock Midstream, a Houston-based, private-equity natural gas, oil, and water oriented midstream venture
David H. Izett Alberta, Canada	➢ Senior Vice President, General Counsel of Enerflex ➢ Prior thereto, Assistant General Counsel, Nitrogen and International, of Nutrien and previously Chief Legal Counsel for the Wholesale business unit of Agrium, one of Nutrien's predecessor entities
Patricia Martinez Texas, USA	➢ Chief Energy Transition Officer of Enerflex ➢ Prior thereto, President, LATAM
Helmuth Witulski Alberta, Canada	➢ President, Canada region of Enerflex ➢ Prior thereto, Regional Director, Asia Pacific region of Enerflex

Gregory Stewart Texas, USA	➢ President, United States of America region of Enerflex ➢ Prior thereto, Executive Vice President, Corporate Services and Chief Information Officer of Enerflex
Mauricio Meineri Texas, USA	➢ President, Latin America region of Enerflex ➢ Prior thereto, Latin America Vice President of Operations of Enerflex
Phil Pyle Abu Dhabi, UAE	➢ President, Eastern Hemisphere region of Enerflex
Roger George Georgia, USA	➢ President, Water Solutions of Enerflex ➢ Prior thereto, President, Exterran Water Solutions ULC

CORPORATE CEASE TRADE ORDERS

No current director or executive officer of the Company is, or has been within 10 years before the date of this AIF, a director, chief executive officer, or chief financial officer of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation and that was in effect for a period of more than 30 consecutive days, that was issued: 1) while the director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer of the relevant company; or 2) after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer.

PENALTIES OR SANCTIONS

None of Enerflex's directors, executive officers of the Company, or shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company, have been subject to:

(e) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority; or

(f) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

BANKRUPTCIES

Except as disclosed in this AIF, no current director, executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company,

(g) is or has been within 10 years prior to the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(h) has within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer, or shareholder.

On March 17, 2015, Mr. Dunn was a director of Quicksilver Resources Inc., when certain of its affiliates filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United

States Bankruptcy Court for the District of Delaware. A marketing and sale process to sell all or a portion of its USA and Canadian assets was initiated on September 17, 2015. On January 23, 2016, Quicksilver announced that BlueStone Natural Resources II LLC was the winning bidder in the sale process. On August 16, 2016, the court entered an Order confirming the First Amended Joint Chapter 11 Plan of Liquidation for Quicksilver Resources Inc. and its Affiliated Debtors. The effective date as defined in the Plan was August 31, 2016. The Plan called for the establishment of a Liquidation Trust on the effective date for the purposes of liquidating and administering the Liquidation Trust Assets and making distributions on account thereof. Quicksilver's Board of Directors was dissolved, and its officers discharged on August 31, 2016.

CONFLICTS OF INTERESTS

Investors should be aware that some of the directors and officers of the Company are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflicts might arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the CBCA and Company policies, including the duty of such directors and officers to disclose any conflicts and to act honestly and in good faith with a view to the best interests of the Company.

LEGAL PROCEEDINGS

There are no legal proceedings Enerflex is or was a party to, or that any of its property is or was the subject of, during the Company's most recent financial year, nor are any such legal proceedings known to Enerflex to be contemplated, that involve a claim for damages, exclusive of interest and costs, exceeding ten per cent of the current assets of Enerflex, except as otherwise disclosed herein.

Upon closing of the Transaction, Enerflex acquired a legal dispute from Exterran. On January 31, 2022, the Local Labor Board of the State of Tabasco in Mexico (the **Labor Board**) awarded a former employee MXN$2.2 billion (approximately US$120 million) in connection with a dispute relating to the employee's severance pay following termination of their employment. On February 24, 2022, this decision was served on Exterran. In March 2015, this employee was terminated and was paid the undisputed portion of his severance pay, as determined by a local labor board. From March 2015 to the present, the former employee has challenged various aspects of the severance payment through court proceedings. The Company has prevailed in these earlier processes and certain facts of the dispute were established by court rulings, including the fact that the employee's salary was approximately $3,500 MXN per day (US$170 per day at the prevailing exchange rate).

Enerflex believes that the order of the Labor Board is in error and has no credible basis in law or fact. For instance, in 2017, the Labor Board ruled that the former employee was entitled to approximately $1.4 million MXN (approximately US$70,000 at the prevailing exchange rate) as severance based on an appellate court's determination based on Company records that the employee's salary was approximately $3,500 MXN per day. However, the Labor Board's February 2022 order increased the amount the employee is owed to approximately US$120 million, an increase of over 170,000%, ignoring the actual salary that had been established and using approximately US$21,000 per day, an increase of over 12,000%

and an amount he never actually received while working for the subsidiary. Effectively, the Labor Board awarded the employee approximately 1,900 years of severance based on the correct wage rate.

Enerflex has appealed the decision, and the appeal is pending before the First Collegiate Court of the Tenth Circuit in Labor Matters, in Villahermosa, Tabasco. Among other errors that are the subject of the appeal is the Labor Board's: (a) violation of principles of *res judicata* by disregarding prior court decisions establishing that the former employee's salary was roughly $3,500 MXN per day (US$170 per day at the prevailing exchange rate), (b) ignoring the applicable one-year statute of limitations in these types of matters, and (c) award of salary differences that were never part of the former employee's original or subsequent claims.

The Company is pursuing all available avenues to preserve its rights, including potentially asserting claims against the Mexican government should the First Collegiate Court of the Tenth Circuit in Labor Matters fail to reverse the Labor Board's order.

There are no: 1) penalties or sanctions imposed against Enerflex by a court relating to securities legislation or by a securities regulatory authority during Enerflex's most recently completed financial year; 2) other penalties or sanctions imposed by a court or regulatory body against Enerflex that would likely be considered important to a reasonable investor in making an investment decision; or 3) settlement agreements Enerflex entered into with a court relating to securities legislation or with a securities regulatory authority during Enerflex's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Company, of any person or company who beneficially owns, directly or indirectly, or exercises control or direction over more than 10 per cent of the outstanding voting securities of the Company, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Company or any of its subsidiaries.

INTERESTS OF EXPERTS, TRANSFER AGENT, AND REGISTRAR

Ernst & Young LLP, the Company's external auditor, has prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2022. Ernst & Young LLP is independent within the meaning of Chartered Professional Accountants of Alberta Rules of Professional Conduct.

The transfer agent and registrar for the Enerflex Common Shares, in Canada, is TSX Trust Company at its principal offices in Calgary and Toronto, and in the USA, Continental Stock Transfer & Trust Company at its office in New York. The register of transfers of the Company's securities is located at the office of TSX Trust Company.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into within the last financial year, or before the last financial year which are still in effect, which can reasonably be regarded as presently material, are described below.

The Revolving Credit Facility

In October 2022, the Company secured new debt financing as part of the acquisition of Exterran, which included the Revolving Credit Facility. The Revolving Credit Facility has a maturity date of October 13, 2025, and may be increased by US$150 million at the request of the Company, subject to the lenders' consent. The maturity date of the Revolving Credit Facility may be extended annually on or before the anniversary date with the consent of the lenders.

The Revolving Credit Facility, Term Loan and the Notes are secured. The Revolving Credit Facility and Term Loan rank senior to the 9.00% Notes. Company is required to maintain certain covenants on its Revolving Credit Facility. As at December 31, 2022, the Company was in compliance with these covenants. At December 31, 2022, the Company had a total of approximately $459.2 million cash drawings against its Revolving Credit Facility.

The foregoing summary of the Revolving Credit Facility does not purport to be complete and is qualified in its entirety by the full text of the amended and restated credit agreement governing the Bank Facility, a copy of which may be found on the Company's SEDAR profile at www.sedar.com.

AUDIT COMMITTEE

Audit Committee Charter

The Terms of Reference of the Audit Committee are set forth in Appendix "A" of this AIF.

Composition of the Audit Committee

As at the date of this AIF, the Audit Committee of the Company is comprised of Ms. Maureen Cormier Jackson (chair), Ms. Mona Hale, Mr. James Gouin, and Mr. Michael Weill, all of whom are considered to be financially literate and independent within the meaning of NI 52-110. In addition, Ms. Cormier Jackson, Ms. Mona Hale, and Mr. James Gouin are each "financial experts" within the meaning set forth by Glass Lewis having experience as a certified public accountant, chief financial officer, or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officer.

Mandate of the Audit Committee

The principal duties of the Audit Committee include:

- oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications;
- establishing appropriate financial policies;
- ensuring the integrity of accounting systems and internal controls;
- approving all audit and non-audit services provided by the independent auditor;

- consulting with the auditor independent of management and overseeing the work of the independent auditor;
- monitoring and directing, as appropriate, the activities of Enerflex's internal audit group; and
- overseeing the Company's cyber-security and information technology programs.

Pre-approval Policies and Procedures

Under the Terms of Reference of the Audit Committee, the Audit Committee is required to review and pre-approve the objectives and scope of the external audit work and proposed fees. In addition, the Audit Committee is required to review and pre-approve all non-audit services which the Company's external auditor is to perform, and fees associated therewith. The Audit Committee may delegate this approval to one or more of its members, but such services must be presented to the full Audit Committee at its next scheduled meeting.

Relevant Education and Experience of Audit Committee Members

The table below lists the four member of the Audit Committee and their relevant education and experience.

Audit Committee Member	Relevant Education and Experience
Maureen Cormier Jackson	Ms. Cormier Jackson held numerous roles at Suncor Energy Inc., including Senior Vice President, Chief Process and Information Officer, and Vice President, Corporate Controller. She holds a Bachelor of Commerce from Memorial University and is a Chartered Professional Accountant. She also holds a Directors Designation from the Institute of Corporate Directors.
Mona Hale	Ms. Hale was the Senior Vice-President, Global Commercial and Financial Performance Management at Finning International Inc. until her retirement in 2020. Prior thereto, Ms. Hale was the Chief Financial Officer for Edmonton Economic Development Corporation and held senior executive leadership positions at Prairie Mines & Royalty Ltd. and TELUS. Over the course of her career, Ms. Hale had roles providing experience in accounting and financial controls, commercial management, operational leadership, and corporate strategic planning. Ms. Hale holds a Bachelor of Commerce from the University of Alberta and resides in Edmonton, Alberta. Ms. Hale is a Fellow of the Chartered Professional Accountants of Alberta and a past recipient of the YWCA Women of Distinction Business Entrepreneur Award
James C. Gouin	Mr. Gouin served as President of Tower International, Inc., a global manufacturer of engineered automotive products, from 2016 until 2019 and became Chief Executive Officer and a member of Tower's board of directors in 2017 until 2019. Mr. Gouin joined Tower in November 2007 as Executive Vice President and Chief Financial Officer. Prior to joining Tower, Mr. Gouin served in 2007 as a Senior Managing Director of the corporate financial practice of FTI Consulting, Inc., a business advisory firm. Prior to joining FTI, Mr. Gouin spent 28 years at Ford Motor Company in a variety of senior positions, including as Vice President, Finance and Global Corporate Controller from 2003 to 2006 and as Vice President of Finance, Strategy and Business Development of Ford Motor Company's International Operations from 2006 to 2007.

	Mr. Gouin received a B.B.A. from the Detroit Institute of Technology and a M.B.A. from the University of Detroit Mercy.
Michael A. Weill	Mr. Weill is an independent businessperson with more than 40 years of executive and operational experience in the oil and gas sector across the globe. He was formerly the Chief Executive Officer of Global Deepwater Partners LLC until 2021. From 1996 to 2007, Mr. Weill served in various positions with BHP Billiton Petroleum including as President, Production – Americas, and as President Operations and Technology, Americas/Australia, based in Houston. He also served as President, Integrated Business Development based in Melbourne, Australia. Prior thereto, Mr. Weill served in various positions with Royal Dutch Shell from 1980 to 1996. Mr. Weill holds a Bachelor of Science degree in Chemical Engineering from Cornell University.

Remuneration of Auditors

The following table sets out the aggregate fees paid or accrued by Enerflex and its subsidiaries to the external auditors, Ernst & Young LLP, for the fiscal years ended December 31, 2022, and December 31, 2021.

	2022	2021
Audit Fees [(1)]	$4,261,241	$1,864,023
Audit-related Fees [(2)]	$96,955	$-
Tax Fees [(3)]	$364,982	$502,000
All Other Fees [(4)]	$-	$-

Notes:
(1)
"**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
(2)
"**Audit-related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews, and audit, or attest services not required by legislation or regulation.
(3)
"**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities and guidance to employees transferred internationally.
(4)
"**All Other Fees**" include all other non-audit services.

ADDITIONAL INFORMATION

Additional information about Enerflex may be found under our profile on SEDAR (www.sedar.com) and EDGAR (www.sec.gov). Our 2023 management information circular, which we expect to file on or about April 1, 2023, will have more information about our directors' and officers' remuneration and indebtedness, the principal holders of Enerflex Common Shares, and the securities authorized for issuance under equity compensation plans. Such information, in respect of the prior year, is also contained in our 2022 management information circular, a copy of which is available under our profile on SEDAR. Additional information about the Company, including additional financial information is provided in the financial statements and MD&A, copies of which may be found on SEDAR (www.sedar.com) and EDGAR

(www.sec.gov/edgar). If you would prefer to have printed copies of these documents, we will send them to you free of charge upon request to Investor Relations, Enerflex Ltd., Suite 904 – 1331 Macleod Trail S.E., Calgary, Alberta T2G 0K3, Phone 1.403.387-6377, email ir@enerflex.com, or on the Company's website at www.enerflex.com.

Appendix A

AUDIT COMMITTEE TERMS OF REFERENCE

ORGANIZATION

Enerflex Ltd. (the “Corporation”) has established an Audit Committee of the Board of Directors. These terms of reference govern the operations of the Audit Committee (the “Committee”), as approved by the Board of Directors (the “Board”) of the Corporation. The Committee shall review and reassess the terms of reference annually. The Committee shall be appointed by the Board and shall be comprised of at least three directors, each of whom are independent (as defined by applicable legislation and the rules of any stock exchange on which securities of the Corporation are listed). All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Corporation's financial statements, and at least one Committee member shall have accounting or related financial expertise.

Principal duties of the Committee include oversight responsibility for: financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, approval of all audit and non-audit services provided by the independent auditor, consultation with the auditor independent of management and overseeing the work of the independent auditor, and monitoring and directing, as appropriate, the activities of the Internal Audit group.

STATEMENT OF POLICY

The Committee will provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Corporation's financial statements, and any legal compliance or ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditor and management of the Corporation. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the power to retain and pay outside counsel, or other experts it determines necessary to carry out its duties.

RESPONSIBILITIES AND PROCESSES

The primary responsibility of the Audit Committee is to oversee the Corporation's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. The independent auditor is responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behaviour.

The following shall be the principal recurring processes of the
Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

Relationship with External Auditor

- The Committee shall
oversee the work of the independent auditor and shall have a clear understanding with management and the independent auditor that the independent auditor reports to and is ultimately accountable to the Board and the Committee, as representatives of
the Corporation's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditor. The Committee shall assure itself that the external auditor
is independent from management and the Corporation, and will have access to all information about the audit firm's relationship with the Corporation that is necessary to come to a reasonable conclusion. Annually, the Committee shall review and
recommend to the Board the election of the Corporation's independent auditor by the shareholders.

- The Committee shall
discuss with the independent auditor the overall scope and plans for their audit including the adequacy of staffing and the audit fees. Such audit and fees are subject to the approval of the Committee. The Committee will recommend to the Board the
appointment of the external auditor by the shareholders and the fees for such auditor. In addition, the Committee shall discuss with management, and the independent auditor, the adequacy and effectiveness of the accounting and financial controls,
including the Corporation's system to monitor and manage financial-related risk, and any legal and ethical compliance programs (including complaint mechanisms). The Committee will develop and maintain a relationship with the independent auditor that
allows for full, open, and timely discussion of all material issues, with or without management as appropriate in the circumstances.

- The Committee shall
approve non-audit services to be rendered by the independent auditor and fees associated there-with in advance of such activity taking place. The Committee may delegate this approval to one or more of its members, but such services must be presented
to the full Committee at its next scheduled meeting.

- The Committee shall
approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditor of the Corporation.

Financial Reporting

- The Committee shall
review and recommend for approval by the Board, press releases on quarterly financial results and interim reports to shareholders including the financial statements, note disclosure and Management's Discussion and Analysis included therein, prior to
public disclosure of such information. The Committee will periodically consider the extent of involvement of the independent auditor in connection with the interim financial statements, Management's Discussion and Analysis, and interim note
disclosures.

- The Committee will
review with management and the independent auditor and recommend for approval by the Board the press release on annual financial results, the annual audited consolidated financial statements, Management's Discussion and Analysis and Annual
Information Form.

- The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Corporation of financial information derived from the Corporation's financial statements.

- The Committee shall review any significant adjustments to financial statements, as well as the accounting related to unusual transactions, investments or other transactions that could materially affect the viability of the Corporation, in addition to the accounting related to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.

- The Committee shall review with management and the independent auditor the interim and annual financial statements, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related notes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.

Internal Audit and Controls

- At least annually, the Committee (or its designate) shall review expenses incurred by the Chairman, President and Chief Executive Officer, and Chief Financial Officer.

- At least annually, the Committee shall obtain confirmation that management has complied with the Corporation's Code of Business Conduct.

- At least annually, the Committee shall receive a report from the Corporation's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Corporation's disclosure practices. In addition, the Committee shall receive a report from the Disclosure Committee recommending disclosure of all quarterly and annual financial results press releases, financial statements, Management Discussion & Analysis and other relevant public disclosure materials before the Committee approves such documents.

- At least annually, the Committee shall review the Whistleblower Policy and make any necessary or appropriate modifications to the Whistleblower Policy.

- The Committee shall put in place procedures for:

  - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.[1]

- The Committee will also regularly review complaints to the Corporation's Compliance Hotline regarding financial matters.

[1] NI 52-110, s. 2.3(7).

- The head of the Corporation's Internal Audit group will have a functional reporting relationship directly to the Committee. The Committee will provide such guidance and direction to the Internal Audit group, as it deems necessary to ensure the independence and appropriate functioning of such department. The Committee shall receive an annual report from the head of Internal Audit outlining plans for the subsequent year and quarterly reports describing progress against the plan and any relevant findings.

- At least annually, the Committee shall review and reassess the Corporation's policy with respect to the delegation of authority levels assigned to management.

- The Committee will consider the effectiveness of the Corporation's internal control system, including information technology security and control based on the input of management, external auditors and the Corporation's Internal Audit group.

August 2022


HEAD OFFIC
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL POSITION

TO THE SHAREHOLDERS OF ENERFLEX LTD.

The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls over financial reporting as described in Management's Annual Report on Internal Control Over Financial Reporting on page M-39 of Management's Discussion and Analysis.

The Audit Committee is appointed by the Board of Directors annually and is comprised exclusively of outside, independent directors. The Audit Committee meets with management, as well as with the external auditors, Ernst & Young LLP, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

/s/ Marc E. Rossiter

Marc E. Rossiter

President, Chief Executive Officer, and Director

/s/ Sanjay Bishnoi

Sanjay Bishnoi

Senior Vice President, Chief Financial Officer

March 1, 2023



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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Enerflex Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Enerflex Ltd. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings, comprehensive income, cash flows and changes in equity for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



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Acquisition of Exterran Corporation

Description of the Matter

During 2022, the Company completed its acquisition of Exterran Corporation ("Exterran") for total purchase consideration of $222.6 million, as disclosed in note 3c, 5 and 7 to the consolidated financial statements. The preliminary purchase price allocation includes goodwill of $139.4 million and customer relationship intangible assets of $50.9 million at the acquisition date. The acquisition was accounted for under the acquisition method of accounting. The assets acquired and liabilities assumed have been recorded based on preliminary estimates of fair value, and the values are subject to change based on the finalization of the fair values of the assets acquired and liabilities assumed.

Auditing the Company's preliminary allocation of purchase price for its acquisition of Exterran was determined to be a critical audit matter as it involved significant estimation uncertainty and judgement in evaluating the inputs and assumptions used in determining the fair value of the customer relationship intangible assets as at the date of acquisition. The significant estimation was primarily due to a high degree of management judgement in determining key assumptions that include revenue growth rates, customer attrition rates, operating margins and discount rates. Changes to these assumptions could have a significant impact on the fair value of the customer relationship intangible assets.

How We Addressed the Matter in Our Audit

To test the fair value of the Company's acquired customer relationship intangible assets, our audit procedures included, among others, with assistance of our valuation specialists, evaluating the appropriateness of the Company's valuation methodology and significant assumptions used. We evaluated the reasonableness of significant assumptions and estimates used by management, including revenue growth rates, customer attrition rates and operating margins by considering the past performance of the acquired business, comparing projections to historical performance and to available external data. In addition, we performed sensitivity analyses on significant assumptions to evaluate the changes in the fair value of the acquired customer relationship intangible assets that would result from changes in the assumptions.

Evaluation of goodwill impairment

Description of the Matter

At December 31, 2022, the Company's goodwill was $679.4 million. As disclosed in notes 3f, 5, 15 and 35 to the consolidated financial statements, for the purposes of its impairment assessment, goodwill is allocated to cash generating units, which the Company has determined to be its operating segments. Goodwill is tested for impairment annually, or at any time an indicator of impairment exists. During the year ended December 31, 2022, the Company performed its impairment tests which resulted in the Company recording $48 million of goodwill impairment allocated to its Canada operating segment. No impairment was recorded in the other operating segments. Subsequent to the acquisition of Exterran on October 13, 2022, the Company reorganized its reporting structure and changed the composition of its operating segments. The Company then reassigned goodwill to the new operating segments using a relative fair value allocation.

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Auditing the recoverable amounts in the Company's goodwill impairment tests and the relative fair value used to reassign goodwill was determined to be a critical audit matter as it involved significant estimation uncertainty and judgement primarily due to the sensitivity of the respective operating segments' estimated recoverable amounts and relative fair values to underlying significant assumptions. Significant assumptions included cash flow projections, discount rates, revenue growth rate, operating margins and terminal growth rate, which are affected by expectations about future market and economic conditions.

How We Addressed the Matter in Our Audit

To test the estimated recoverable amounts of the Company's operating segments and the relative fair values used to reassign goodwill, our audit procedures included, among others, assessing management's methodologies and testing the significant assumptions discussed above and the completeness and accuracy of underlying data used by the Company in its analysis. We involved our valuation specialists to assess the Company's impairment model, valuation methodology applied, and certain significant assumptions, including the discount rate and terminal growth rate. We compared commodity price forecasts used in management's estimated bookings calculation to external industry outlook data. We also assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate the changes in the recoverable amounts of the operating segments that would result from changes in the assumptions.

Measurement of revenue recognized from the supply of engineered systems

Description of the Matter

For the year ended December 31, 2022, the Company recognized $953.1 million of revenue from the supply of engineered systems. As described in notes 3q, 5 and 24 to the consolidated financial statements, revenues from the supply of engineered systems typically involve engineering, design, manufacture, installation and start-up of equipment recognized on a percentage-of-completion basis proportionate to the costs incurred in the construction of the project.

Auditing the Company's measurement of the revenue recognized related to engineered systems projects where the Company had not fulfilled all performance obligations of the contract's scope of work at December 31, 2022 was determined to be a critical audit matter as it involved especially subjective auditor judgement because the percentage-of-completion accounting related to these projects involves subjective management assumptions about estimates of the expected margin to be earned and the estimated remaining costs to complete for each project.

How We Addressed the Matter in Our Audit

To test the estimate of the measurement of revenue recognized based on the percentage of completion accounting, we performed audit procedures that included, among others, evaluating a sample of contractual arrangements, including pricing and billing terms, change orders and terms and conditions impacting revenue recognition, if any. For a sample of projects, we obtained an understanding of the projects' performance throughout the year and at year-end through inquiries with project managers from the contract project team. We evaluated the reasonableness of management's assumptions

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for estimated costs to complete by comparing the key inputs in the initial budget to actual costs incurred, and assessing trends based on our knowledge of similar projects. We evaluated the reasonableness of management's historical assumptions of estimated costs to complete by comparing previous cost estimation forecasts to actual results.

/s/ Ernst & Young LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2010.

Calgary, Canada

March 1, 2023

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CONSOLIDATED
FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ Canadian thousands)	**December 31, 2022**	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**$ 253,776**	$ 172,758
Accounts receivable (Note 8)	**456,578**	212,206
Contract assets (Note 8)	**186,259**	82,760
Inventories (Note 9)	**369,298**	172,687
Work-in-progress related to finance leases (Note 9)	**41,986**	36,169
Current portion of finance leases receivable (Note 12)	**60,020**	15,248
Income taxes receivable (Note 21)	**5,460**	3,732
Derivative financial instruments (Note 29)	**901**	294
Prepayments	**71,772**	13,853
Total current assets	**1,446,050**	709,707
Property, plant and equipment (Note 10)	**152,505**	96,414
Energy infrastructure assets (Note 10)	**1,250,338**	610,328
Contract assets (Note 8)	**223,179**	-
Lease right-of-use assets (Note 11)	**78,372**	49,887
Finance leases receivable (Note 12)	**234,484**	88,110
Deferred tax assets (Note 21)	**19,435**	9,293
Other assets (Note 13)	**83,076**	51,315
Intangible assets (Note 14)	**102,773**	10,118
Goodwill (Note 15)	**679,377**	566,270
Total assets	**$ 4,269,589**	$ 2,191,442
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	**$ 627,149**	$ 240,747
Provisions (Note 17)	**18,826**	6,636
Income taxes payable (Note 21)	**78,697**	9,318
Deferred revenues (Note 18)	**366,085**	84,614
Current portion of long-term debt (Note 19)	**27,088**	-
Current portion of lease liabilities (Note 20)	**20,125**	13,906
Derivative financial instruments (Note 29)	**977**	180
Total current liabilities	**1,138,947**	355,401
Deferred revenues (Note 18)	**33,435**	-
Long-term debt (Note 19)	**1,363,237**	331,422
Lease liabilities (Note 20)	**72,908**	43,108
Deferred tax liabilities (Note 21)	**96,397**	91,972
Other liabilities	**21,757**	15,785
Total liabilities	**$ 2,726,681**	$ 837,688
Shareholders' equity		
Share capital (Note 22)	**$ 589,827**	$ 375,524
Contributed surplus (Note 23)	**660,072**	658,615
Retained earnings	**164,200**	274,962
Accumulated other comprehensive income	**128,809**	44,653
Total shareholders' equity	**1,542,908**	1,353,754
Total liabilities and shareholders' equity	**$ 4,269,589**	$ 2,191,442

See accompanying Notes to the consolidated financial statements, including guarantees, commitments, and contingencies (Note 32).

CONSOLIDATED STATEMENTS OF EARNINGS

($ Canadian thousands, except per share amounts)	Years ended December 31, 2022	2021
Revenue (Note 24)	**$ 1,777,798**	$ 960,156
Cost of goods sold	**1,455,082**	757,934
Gross margin	**322,716**	202,222
Selling and administrative expenses (Note 7)	**320,444**	147,931
Operating income	**2,272**	54,291
Gain on disposal of property, plant and equipment (Note 10)	**199**	135
Equity earnings from associates and joint ventures	**4,719**	671
Impairment of goodwill (Note 15)	**(48,000)**	-
Earnings (loss) before finance costs and income taxes	**(40,810)**	55,097
Net finance costs (Note 27)	**38,923**	16,995
Earnings (loss) before income taxes	**(79,733)**	38,102
Income taxes (Note 22)	**21,210**	56,557
Net loss	**$ (100,943)**	$ (18,455)
Loss per share – basic (Note 28)	**$ (1.04)**	$ (0.21)
Loss per share – diluted (Note 28)	**$ (1.04)**	$ (0.21)
Weighted average number of shares – basic	**97,045,917**	89,678,845
Weighted average number of shares – diluted	**97,045,917**	89,678,845

See accompanying Notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ Canadian thousands)	Years ended December 31, 2022	2021
Net loss	**$ (100,943)**	$ (18,455)
Other comprehensive income (loss):		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of derivatives designated as cash flow hedges, net of income tax recovery	**360**	247
Loss on derivatives designated as cash flow hedges transferred to net loss, net of income tax expense	**(389)**	(167)
Unrealized gain on translation of foreign-denominated debt	**11,779**	232
Unrealized gain (loss) on translation of financial statements of foreign operations	**72,406**	(18,958)
Other comprehensive income (loss)	**$ 84,156**	$ (18,646)
Total comprehensive loss	**$ (16,787)**	$ (37,101)

See accompanying Notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Canadian thousands)	Years ended December 31, 2022	2021
Operating Activities		
Net loss	**$ (100,943)**	$ (18,455)
Items not requiring cash and cash equivalents:		
Depreciation and amortization	**128,287**	87,622
Equity earnings from associates and joint ventures	**(4,719)**	(671)
Deferred income taxes (Note 21)	**3,265**	43,422
Share-based compensation expense (Note 25)	**16,162**	12,937
Gain on disposal of property, plant and equipment (Note 10)	**(199)**	(135)
Impairment on property, plant and equipment and energy infrastructure assets (Note 10)	**1,233**	537
Impairment of goodwill (Note 15)	**48,000**	-
	91,086	125,257
Net change in working capital and other (Note 31)	**(71,318)**	82,937
Cash provided by operating activities	**$ 19,768**	$ 208,194
Investing Activities		
Net cash acquired from Acquisition (Note 7)	**$ 133,218**	$ -
Additions to:		
Property, plant and equipment (Note 10)	**(8,043)**	(5,154)
Energy infrastructure assets (Note 10)	**(107,797)**	(52,187)
Proceeds on disposal of:		
Property, plant and equipment (Note 10)	**416**	220
Energy infrastructure assets (Note 10)	**15,907**	4,670
Investment in associates and joint ventures	**(5,950)**	(130)
Dividends received from associates and joint ventures	**3,094**	-
Net change in accounts payable related to the addition of property, plant and equipment, and energy infrastructure assets	**12,403**	3,720
Cash provided by (used in) investing activities	**$ 43,248**	$ (48,861)
Financing Activities		
Net proceeds from the Revolving Credit Facility (Note 19)	**464,624**	-
Issuance of the Notes (Note 19)	**797,629**	-
Issuance of the Term Loan (Note 19)	**207,062**	-
Repayment of assumed debt on Acquisition (Note 7)	**(1,022,112)**	-
Repayment of the Notes (Note 19)	**(285,722)**	(40,000)
Repayment of the Bank Facility (Note 19)	**(31,213)**	(53,891)
Net proceeds from (repayment of) the Asset-Based Facility (Note 19)	**(39,295)**	36,916
Lease liability principal repayment (Note 20)	**(15,758)**	(14,215)
Dividends	**(8,969)**	(7,171)
Stock option exercises (Note 22)	**260**	-
Deferred transaction costs	**(54,652)**	(2,095)
Cash provided by (used in) financing activities	**$ 11,854**	$ (80,456)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**6,148**	$ (1,795)
Increase in cash and cash equivalents	**81,018**	77,082
Cash and cash equivalents, beginning of period	**172,758**	95,676
Cash and cash equivalents, end of period	**$ 253,776**	$ 172,758

See accompanying Notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total
At January 1, 2021	$ 375,524	$ 656,832	$ 301,040	$ 63,270	$ 29	$ 63,299	$ 1,396,695
Net loss	-	-	(18,455)	-	-	-	(18,455)
Other comprehensive loss	-	-	-	(18,726)	80	(18,646)	(18,646)
Effect of stock option plans	-	1,783	-	-	-	-	1,783
Dividends	-	-	(7,623)	-	-	-	(7,623)
At December 31, 2021	$ 375,524	$ 658,615	$ 274,962	$ 44,544	$ 109	$ 44,653	$ 1,353,754
Net loss	-	-	(100,943)	-	-	-	(100,943)
Other comprehensive income	-	-	-	84,185	(29)	84,156	84,156
Common shares issued (Note 7 and 22)	213,942	-	-	-	-	-	213,942
Effect of stock option plans	361	1,457	-	-	-	-	1,818
Dividends	-	-	(9,819)	-	-	-	(9,819)
At December 31, 2022	**$ 589,827**	**$ 660,072**	**$ 164,200**	**$ 128,729**	**$ 80**	**$ 128,809**	**$ 1,542,908**

See accompanying Notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per share amounts or as otherwise noted.)

NOTE 1. NATURE AND DESCRIPTION OF THE COMPANY

Enerflex Ltd. ("Enerflex" or "the Company") delivers energy infrastructure and energy transition solutions to natural gas markets. The Company's vertically integrated suite of product offerings includes processing, cryogenic, compression, electric power, and produced water solutions, spanning all phases of a project's lifecycle, from front-end engineering and design to after-market service. Enerflex has proven expertise in delivering low-carbon solutions, including carbon capture utilization and storage, electrification, renewable natural gas, and hydrogen solutions, and works closely with its customers to help facilitate global decarbonization efforts.

Headquartered in Calgary, Alberta, Canada, Enerflex's registered office is located at 904, 1331 Macleod Trail SE, Calgary, Alberta, Canada. Enerflex has approximately 5,000 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint operations, operate in almost 100 locations in: Canada, the United States of America ("USA"), Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru, the United Kingdom, the Netherlands, United Arab Emirates ("UAE"), Bahrain, Oman, Egypt, Kuwait, India, Iraq, Nigeria, Pakistan, Saudi Arabia, Australia, China, Indonesia, Malaysia, Singapore, and Thailand. Enerflex operates four business segments and reports in three business segments: Canada and USA, which combine into the North America ("NAM") reporting segment, Latin America ("LATAM") which includes our operations in Mexico and South America, and Eastern Hemisphere ("EH") which includes the Company's international operations from Europe, Africa, the Middle East, Australia and Asia.

The following table represents material subsidiaries of the Company as at December 31, 2022:

Name	Jurisdiction of Incorporation	Ownership	Operating Segment
Enerflex Ltd.	Canada	Public Shareholders	North America
Enerflex International Holdings Ltd.	Barbados	100.0 percent	Eastern Hemisphere
Enerflex Energy Systems Inc.	Delaware, USA	100.0 percent	North America
Enerflex US Holdings Inc. [1]	Delaware, USA	100.0 percent	North America
Exterran Energy Solutions, LP	Delaware, USA	100.0 percent	North America
Enerflex Energy Systems (Australia) PTY Ltd.	Australia	100.0 percent	Eastern Hemisphere
Enerflex Middle East LLC	Oman	70.0 percent[2]	Eastern Hemisphere
Enerflex Middle East WLL[3]	Bahrain	100.0 percent	Eastern Hemisphere
Enerflex Holding Company NL B.V.	Netherlands	100.0 percent	Eastern Hemisphere
Exterran Middle East LLC	Oman	100.0 percent	Eastern Hemisphere

[1] Formerly named Exterran Corporation.
[2] Enerflex indirectly owns 100.0 percent of Enerflex Middle East LLC.
[3] Formerly named Enerflex Middle East SPC.

NOTE 2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and were approved and authorized for issue by the Board of Directors (the "Board") on March 1, 2023. Certain prior year amounts have been reclassified to conform with the current period's presentation.

(b) Basis of Measurement

The Financial Statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in Note 3. The accounting policies described in Note 3 and Note 4 have been applied consistently to all periods presented in these Financial Statements. Standards and guidelines issued but not yet effective for the current accounting period are described in Note 6.

(c) Functional Currency and Presentation Currency

These Financial Statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's individual entities are recorded in their own functional currency based on the primary economic environment in which it operates.

(d) Use of Estimates and Judgment

The timely preparation of these Financial Statements requires that Management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the Financial Statements are described in Note 5.

(e) Basis of Consolidation

These Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, income and expenses, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method. Under this method, the investment is carried on the consolidated statements of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate or joint venture. The significant associates and joint ventures held by the Company are as follows:

- 45 percent interest in Roska DBO Inc. ("Roska DBO").
- 65 percent interest in a joint venture in Brazil.

The consolidated statements of earnings reflect the Company's share of the results of operations of associates and joint ventures. Unrealized gains and losses resulting from transactions between the Company and associates are eliminated to the extent of the interest in the associate or joint venture.

The Company's share of profits from associates and joint ventures is shown on the face of the consolidated statements of earnings. This is the profit attributable to equity holders of the associates and joint venture partners and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

(b) Foreign Currency Translation

In the accounts of individual subsidiaries, transactions in currencies other than the individual subsidiaries' functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rates of exchange at the date the fair value was determined.

The assets and liabilities on the statements of financial position of foreign subsidiaries are translated into Canadian dollars at the rates of exchange prevailing at the reporting date. The statements of earnings of foreign subsidiaries are translated at average exchange rates for the reporting period. Exchange differences arising on the translation of net assets are taken to accumulated other comprehensive income.

All foreign exchange gains and losses are taken to the consolidated statements of earnings with the exception of exchange differences arising on monetary assets and liabilities that form part of the Company's net investment in subsidiaries. These are taken directly to other comprehensive income until the disposal of the foreign subsidiary at which time the unrealized gain or loss is recognized in the consolidated statements of earnings.

On the disposal of a foreign subsidiary, accumulated exchange differences are recognized in the consolidated statements of earnings as a component of the gain or loss on disposal.

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the date of the acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses, except for those associated with the issuance of debt, which are included in the initial carrying amount of the liability. Results of operations of businesses acquired are included in the Company's consolidated financial statements from the date of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets and commences when the assets are ready for intended use.

Asset Class	Estimated Useful Life Range
Buildings	5 to 20 years
Equipment	2 to 20 years

Major renewals and improvements are capitalized when they are expected to provide future economic benefit. When significant components of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. No depreciation is charged on land or assets under construction. Repairs and maintenance costs are charged to operations as incurred.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is included in the consolidated statements of earnings when the item is derecognized.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year end, or when factors and circumstances suggest a different useful life for the asset.

(e) Energy Infrastructure Assets

Energy infrastructure assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are generally between five and 20 years.

When the Company is responsible for major maintenance and overhauls, the actual overhaul cost is capitalized and depreciated over the estimated useful life of the overhaul, generally between two and five years. Repairs and maintenance costs are charged to operations as incurred.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year-end, or when factors and circumstances suggest a different useful life for the asset.

(f) Goodwill

Goodwill arising on an acquisition of a business is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill allocated to a group of cash-generating units ("CGUs") is reviewed for impairment annually, or when there is an indication that a related group of CGUs may be impaired. Impairment is determined by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Where the recoverable amount of the group of CGUs is less than the carrying amount of the CGUs and related goodwill, an impairment loss is recognized in the consolidated statements of earnings. Impairment losses on goodwill are not reversed.

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with a finite life are amortized on a straight-line basis over Management's best estimate of their expected useful lives. The amortization charge is included in selling and administrative expenses in the consolidated statements of earnings. The expected useful lives and amortization method are reviewed on an annual basis with any change in the useful life or pattern of consumption adjusted at year end. Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

Acquired identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Customer relationships, software, and other intangible assets have an estimated useful life range of three to 12 years.

(h) Impairment of Non-Financial Assets (excluding Goodwill)

At least annually, the Company reviews the carrying amounts of its tangible and intangible assets with finite lives to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. A corresponding impairment loss is recognized in the consolidated statements of earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Any impairment reversal is recognized in the consolidated statements of earnings.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value. Serialized inventory is determined on afirst-in, first-out basis. Non-serialized inventory is determined based on a weighted average cost.

Cost of equipment, repair and distribution parts, and direct materials, include purchase costs and costs incurred in bringing each product to its present location and condition.

Cost of work-in-progress includes cost of direct materials, labour, and an allocation of overheads, based on normal operating capacity. Costs of work-in-progress related to finance leases pertain to the construction of projects that will be accounted for as finance leases. Once the project is completed and enters service the costs will be reclassified to cost of goods sold.

Cost of inventories includes the transfer from accumulated other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. When circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

(j) Trade Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any amounts estimated to be uncollectible. The Company calculates an expected credit loss based on historical experience of bad debts and specific provisions created when there is objective evidence that the collection of the full amount of a receivable is no longer probable under the terms of the original invoice. The amount of this allowance represents Management's best estimate of expected credit losses. Trade receivables are derecognized when they are assessed as uncollectible.

(k) Cash

Cash includes cash and cash equivalents, which are defined as highly liquid investments with original maturities of three months or less.

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Onerous Contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) Employee Future Benefits

The Company sponsors various defined contribution pension plans, which cover substantially all employees and are funded in accordance with applicable plan and regulatory requirements. Regular contributions are made by the Company to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. The actual cost of providing benefits through defined contribution pension and the 401(k) matched savings plans is charged to earnings in the period in respect of which contributions become payable.

(o) Share-Based Payments

Equity-Settled Share-Based Payments

The Company offers a Stock Option Plan to key employees, measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25.

The fair value of equity-settled share-based payments is expensed over a five-year vesting period with a corresponding increase in equity. Stock options have a seven-year expiry and are exercisable at the designated common share price, which is determined by the average of the market price of the Company's shares on the five days preceding the date of the grant. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Cash-Settled Share-Based Payments

The Company offers Deferred Share Unit ("DSU"), Performance Share Unit ("PSU"), Restricted Share Unit ("RSU"), and Cash Performance Target ("CPT") plans to certain employees. The Company also offers the DSU plan to non-employee directors. For each cash-settled share-based payment plan, a liability is recognized at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings.

The Company also offers a Phantom Share Entitlement ("PSE") plan to certain employees of affiliates located in Australia and the UAE. PSEs are measured at the fair value of the equity instrument at the grant date and expensed over a five-year vesting period and expire on the seventh anniversary. The exercise price of each PSE equals the average of the market price of the Company's shares on the five days preceding the date of the grant. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

(p) Leases

Company as a Lessee

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, and whether the supplier has a substantive substitution right for the asset;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period; and
- The Company has the right to direct the use of the identified asset.

The Company determines if a contractual arrangement is a lease at the inception of the contract term. The Company has identified leases for the following asset types: land and buildings (including manufacturing facilities, office space, and rental accommodations) and equipment (including vehicles, office equipment, and shop equipment). The Company recognizes a right-of-use asset and a lease liability to reflect the benefit the Company obtains from the underlying asset in the lease and the requirement to pay the amounts included in the lease contract, respectively.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to decommission the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lesser of the lease term or the useful life of the underlying asset, where appropriate.

The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee, and amounts owing under purchase or termination options, if the Company is reasonably certain to exercise these options. If the lease contains an extension option that the Company is reasonably certain to exercise, all payments in the renewal period are also included in determining the lease liability.

The lease liability is measured at amortized cost using the effective interest method. The amount of the liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset or is recorded on the consolidated statements of earnings if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments associated with these leases will be recognized as an expense on a straight-line basis over the lease term. Certain leases include both lease and non-lease components, which are generally accounted for separately. For certain equipment leases, the Company applies a portfolio approach to effectively account for the lease right-of-use assets and lease liabilities.

Company as a Lessor

Leases in which the Company is the lessor are assessed upon commencement and are classified as either an operating lease or a finance lease. An operating lease does not transfer substantially all the risks and rewards of the leased asset to the customer.

Lease payments from operating leases are recorded as income on a straight-line basis over the life of the lease. A finance lease exists when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

Amounts due from lessees under finance leases are recorded as finance lease receivables. Finance leases are initially recognized at amounts equal to the net investment in the lease, determined to be the fair value of the underlying asset, or, if lower, the present value of the lease payments discounted using a market rate of interest. Payments that are part of the leasing arrangement are divided between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized to produce a constant rate of return on the Company's investment in the lease and is included in revenues.

(q) Revenue Recognition

Revenue is recognized as the Company satisfies its performance obligations by transferring promised goods or services to customers, regardless of when payment is received. Revenue is measured at the amount of consideration to which the Company expects to be entitled, in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, and may include fixed amounts, variable amounts, or both. Variable amounts are recorded using either the "expected value approach" or the "most likely outcome approach," as determined upon initial recognition of the contract, and are reassessed at each reporting period. The expected value approach measures variable consideration by probability weighting all the potential outcomes. The most likely outcome approach measures variable consideration as Management's best estimate of the variable component. In estimating variable consideration, the Company reviews any potential for returns, refunds, and other similar obligations. For contracts containing multiple performance obligations, the amount of consideration to which the Company expects to be entitled is allocated to individual performance obligations proportionately based on the stand-alone selling price.

Energy Infrastructure

Revenue from energy infrastructure assets is recognized in accordance with the terms of the relevant agreement with the customer on a straight-line basis over the term of the agreement. Payments are typically required on a monthly basis with no unusual payment terms. Certain rental contracts contain an option for the customer to purchase the assets at the end of the rental period. Should the customer exercise this option to purchase, revenue from the sale of the equipment is recognized directly in the consolidated statements of earnings.

Revenue from contracts that have been classified as finance leases relating to existing or pre-owned equipment, are recorded as Energy Infrastructure revenue. At the inception of a contract, all leases are classified as either an operating or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is an operating or finance lease depends on the substance of the transaction rather than the form of the contract. Examples of situations, which typically would lead to a lease being classified as a finance lease, include but are not limited to:

a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

b) the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;

c) the lease term is for the major part of the economic life of the underlying asset even if title is not transferred;

d) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and

e) the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

At the commencement of these finance leases, the Company recognizes revenue and a finance lease receivable equal to the net investment in the lease. Finance income is recognized in Energy Infrastructure revenue reflecting a constant periodic rate of return on the Company's net investment in the lease over the lease term.

After-Market Services

After-Market Services revenues include the sales of parts and equipment, as well as the servicing and maintenance of equipment. For the sale of parts and equipment, revenue is recognized when the transfer of control passes, which is typically at the point of shipping. For servicing and maintenance of equipment, revenue is recognized on a straight-line basis based on performance of the contracted-upon service.

Revenue from long-term service contracts is recognized on a stage of completion basis proportionate to the service work that has been performed based on parts and labour service provided. Payments are typically required on a monthly basis or as work is performed, with no unusual payment terms. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any expected losses on such projects are charged to operations when determined. Long-term service contracts include scheduled milestone maintenance, corrective or crash maintenance, the supply of parts, and the operation of equipment.

Engineered Systems

Revenue from the supply of equipment systems – contracts typically involving engineering, design, manufacture, installation, and start-up of equipment – is accounted for as Engineered Systems revenue. Such revenue is recognized on a percentage-of-completion basis proportionate to the costs incurred in the construction of the project. At the completion of the contract, any remaining profit on the contract is recognized as revenue. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Revenue from Engineered Systems includes the supply of compression, processing, and electric power equipment, as well as retrofit work and construction on integrated turnkey projects. The Company also provides a warranty on manufactured equipment as part of the standard terms and conditions of the contract. No options are provided for the customer to purchase a warranty separately.

For Engineered Systems contracts, the Company generally requires customers to pay based on milestones as manufacturing progresses. These milestones are generally structured to keep the Company cash flow-positive. Contracts are also generally structured to ensure the Company is made whole for costs incurred in the event of a cancellation.

Revenue from contracts that have been classified as finance leases for newly manufactured equipment are recorded as Engineered Systems revenue. At the inception of a contract, all leases are classified as either an operating or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is an operating or finance lease depends on the substance of the transaction rather than the form of the contract. Examples of situations, which typically would lead to a lease being classified as a finance lease include, but are not limited to:

a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

b) the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;

c) the lease term is for the major part of the economic life of the underlying asset even if title is not transferred;

d) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and

e) the underlying asset is of such a specialised nature that only the lessee can use it without major modifications.

Upon commencement of a new finance lease, the Company recognizes revenue, based on the fair value of the underlying assets, and cost of goods sold, determined to be the net book value of those assets, in the consolidated statements of earnings. The finance lease interest portion will be recognized in the Energy Infrastructure product line over the lease term.

Engineered Systems projects are typically completed within a year; however, this timing can be impacted by both internal and external factors such as shop loading and customer delivery requests.

Practical Expedients

The Company has elected to use the practical expedients in IFRS 15 *Revenue from contracts with customers* paragraphs 63 and 94 with regards to the existence of a significant financing component in the contract and incremental costs of obtaining a contract, respectively. For the years ended December 31, 2022 and 2021, the Company had no contracts with a significant financing component that is considered material. Incremental costs of obtaining a contract predominantly relate to commission costs on Engineered Systems projects, which are typically completed within one year. Accordingly, the Company did not recognize commission costs incurred as an asset in the consolidated statements of financial position.

(r) Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For the purposes of measuring financial assets after initial recognition, the Company classifies financial assets as either amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"), based on the contractual cash flow characteristics and the Company's business model for managing the financial asset. For the purposes of measuring financial liabilities after initial recognition, the Company classifies all financial liabilities as amortized cost, except certain financial liabilities, such as derivatives, which are classified as FVTPL.

Preferred shares included in Other assets were recorded at fair value at inception and are subsequently measured at amortized cost.

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an on-going basis;
- Level 2: Fair value measurements are those derived from inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs). In these instances, internally developed methodologies are used to determine fair value.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability, and may affect placement within.

The Company has made the following classifications:

- Cash and cash equivalents are measured at fair value through profit or loss. Gains and losses resulting from the periodic revaluation are recorded in the consolidated statements of earnings;
- Accounts receivable and preferred shares are recorded at amortized cost using the effective interest rate method; and
- Accounts payable, accrued liabilities, and long-term debt are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial instruments classified or designated as FVTPL. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into the consolidated statements of earnings using the effective interest rate method.

(s) Derivative Financial Instruments and Hedge Accounting

The Company formally documents its risk management objectives and strategies to manage exposures to fluctuations in foreign currency exchange rates and interest rates. The risk management policy permits the use of certain derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to manage these fluctuations. The Company does not enter into derivative financial agreements for speculative purposes.

Derivative financial instruments are measured at their fair value upon initial recognition and are remeasured to their fair value at the end of each reporting period. The fair value of quoted derivatives is equal to their positive or negative market value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company elected to apply hedge accounting for foreign exchange forward contracts for anticipated transactions. These are designated as cash flow hedges. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income, net of taxes. The ineffective portion of the fair value changes is recognized in the consolidated statements of earnings. Amounts charged to accumulated other comprehensive income are reclassified to the consolidated statements of earnings when the hedged transaction affects the consolidated statements of earnings.

The Company's U.S. dollar-denominated long-term debt has been designated as a hedge of net investment in self-sustaining foreign operations. As a result, a portion of unrealized foreign exchange gains and losses on the U.S. dollar-denominated long-term debt are included in the cumulative translation account in other comprehensive income.

On an ongoing basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

(t) Income Taxes

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable earnings differ from earnings as reported in the consolidated statements of earnings as it excludes temporary and permanent differences. The Company's current tax assets and liabilities are calculated by using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on all temporary differences at the reporting date based on the difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Deferred income tax assets are recognized only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Current and deferred income taxes are charged or credited directly to equity if it relates to items that are credited or charged to equity in the same period. Otherwise, income tax is recognized in the consolidated statements of earnings.

In accordance with IAS 12 *Income taxes*, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies create temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in the consolidated statements of earnings and the consolidated statement of financial position.

(u) Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the Company's equity-settled share-based compensation plan.

(v) Finance Income and Costs

Finance income comprises interest income on funds invested. Finance income is recognized as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, amortization of the Senior Note discount using the effective interest rate method, and interest incurred on lease liabilities.

(w) Government Grants

Government grants are recorded as a reduction in cost of goods sold and selling and administrative expense within the consolidated statements of earnings in accordance with where the associated expense was recognized. Government grants are recognized when there is reasonable assurance that the grant will be received, and all related conditions are complied with.

NOTE 4. CHANGES IN ACCOUNTING POLICIES

The Company has reviewed amendments to existing accounting standards and determined that no amendments would have a material impact on the financial statements.

NOTE 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The timely preparation of these Financial Statements requires that Management make estimates and assumptions and use judgment. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, uncertainties about the current economic environment including significant market volatility in commodity prices, high inflation, high interest rates, and increasing energy prices.

Uncertainty about these assumptions and estimates could however result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, Management has made the following judgments, estimates and assumptions which have a significant effect on the amounts recognized in the consolidated financial statements:

Revenue Recognition – Performance Obligation Satisfied Over Time

The Company reflects revenues relating to performance obligations satisfied over time using the percentage-of-completion approach of accounting. The Company uses the input method of percentage-of-completion accounting, whereby actual input costs as a percentage of estimated total costs is used as the basis for determining the extent to which performance obligations are satisfied. The input method of percentage-of-completion accounting provides a faithful depiction of the transfer of control to the customer, as the Company is able to recover costs incurred relating to the satisfaction of the associated performance obligation. This approach to revenue recognition requires Management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on cost progression, and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

Certain contracts also include aspects of variable consideration, such as liquidated damages on project delays. For these contracts, Management must make estimations as to the likelihood of the variable consideration being recognized or constrained, based on the status of each project, the potential value of variable consideration, communication received from the customer, and other factors. Enerflex continues to monitor these factors. Changes in estimated cost or revenue associated with a project, including variable consideration, could result in material changes to revenue and gross margin recognized on certain projects.

Revenue Recognition – Performance Obligation Satisfied at a Point in Time

The Company reflects revenues relating to performance obligations satisfied at a point in time when control – indicated by transfer of the legal title, physical possession, significant risks and rewards of ownership, or any combination of these indicators – is transferred to the customer.

Provisions for Warranty

Provisions set aside for warranty exposures either relate to amounts provided systematically based on historical experience under contractual warranty obligations or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. Amounts set aside represent Management's best estimate of the likely settlement and the timing of any resolution with the relevant customer.

Business Acquisitions

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Company relies on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, projected cash flows, customer attrition rates, operating margins, discount rates, and economic lives.

Property, Plant and Equipment, Energy Infrastructure Assets and Intangible Assets

Property, plant and equipment, energy infrastructure assets and intangible assets are stated at cost less accumulated depreciation and accumulated amortization and any impairment losses. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets is reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets requires judgment and is based on currently available information. Property, plant and equipment, energy infrastructure assets and intangible assets are also reviewed for potential impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets constitutes a change in accounting estimate and are applied prospectively.

Right-of-Use Asset and Lease Liability

The Company determines the right-of-use asset and lease liability for each lease upon commencement. In calculating the right-of-use asset and lease liability, the Company is required to determine a suitable discount rate in order to calculate the present value of the contractual payments for the right to use the underlying asset during the lease term. In addition, the Company is required to assess the term of the lease, including if the Company is reasonably certain to exercise options to extend the lease or terminate the lease. Discount rates and lease assumptions are reassessed on a periodic basis.

Finance Lease Receivables

In calculating the value of the Company's finance lease receivables, the Company is required to determine the fair value of the underlying assets included in the finance lease transaction, or, if lower, the present value of the lease payments discounted using a market rate of interest. The fair value of the underlying assets should reflect the amount that the Company would otherwise recognize on a sale of those assets.

Allowance for Doubtful Accounts

Amounts included in allowance for doubtful accounts reflect the full lifetime expected credit losses for trade receivables. The Company determines allowances based on Management's best estimate of future expected credit losses, considering historical default rates, current economic conditions, and forecasts of future economic conditions. Future economic conditions, especially around the oil and gas industry, may have a significant impact on the collectability of trade receivables from customers and the corresponding expected credit losses. Management has implemented additional monitoring processes in assessing the creditworthiness of customers and believes the current provision appropriately reflects the best estimate of its future expected credit losses. Significant or unanticipated changes in economic conditions could impact the magnitude of future expected credit losses.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes, and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or group of assets exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions, in an arm's length transaction of similar assets or observable market prices, less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model, which requires the Company to estimate future cash flows and use judgment to determine a suitable discount rate to calculate the present value of those cash flows.

Impairment of Goodwill

The Company tests goodwill for impairment at least on an annual basis, or when there is any indication that goodwill may be impaired. This requires an estimation of the value-in-use of the groups of CGUs to which the goodwill is allocated. The Company has determined the group of CGUs to be its operating segments for purposes for its impairment assessment. Estimating the value-in-use requires an estimate of the expected future cash flows from each group of CGUs and use judgment to determine a suitable discount rate in order to calculate the present value of those cash flows. The methodology and assumptions used, as well as the results of the assessment performed are detailed in Note 15.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income. The Company establishes provisions for uncertain tax positions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them as required. However, it is possible that, at some future date, current income tax liabilities are in excess of the Company's current income tax provision as a result of these audits, adjustments, or litigation with tax authorities. These differences could materially impact the Company's assets, liabilities, and net income.

Deferred tax assets are recognized for all unused tax losses, carried forward tax credits, or other deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing of reversal, expiry of losses and the level of future taxable profits together with future tax planning strategies. The basis for this estimate is Management's cash flow projections. To the extent the Company determines the recoverability of deferred tax assets is unlikely, the deferred tax asset is not recognized. Management regularly assesses the unrecognized deferred tax asset to determine what portion can be recognized in response to changing economic conditions or recent events.

Share-Based Compensation

The Company employs the fair value method of accounting for stock options and phantom share entitlement. The determination of the share-based compensation expense for stock options and phantom share entitlement requires the use of estimates and assumptions based on exercise prices, market conditions, vesting criteria, length of employment, and past experiences of the Company. Changes in these estimates and future events could alter the determination of the provision for such compensation. Details concerning the assumptions used are described in Note 25.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions associated with the grant are met. If a grant is received, but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until the conditions are fulfilled. As long as the Company is eligible for any such programs the grants received are recorded as a reduction against the associated expenses to which they relate and in the period the expenses are recognized.

Segment Change and Fair Value Allocation

During the fourth quarter of 2022, the Company reassessed its operating and reporting segments. Prior to this assessment, the Company's operating and reporting segments were one and the same, with those segments being Canada, USA, and Rest of World. With the completion of the Exterran acquisition Management noted a change in how the Chief Operating Decision Maker ("CODM") views the organization. On this basis, four operating segments have been identified with no change in the Canada and USA segments, while Rest of World has been bifurcated into LATAM and EH. For external reporting purposes, Enerflex's reportable segments are as follows:

- North America – comprised of operations in Canada and the USA;
- Latin America – comprised of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru; and
- Eastern Hemisphere – comprised of operations in the Middle East, Africa, Europe and Asia Pacific.

The Canada and USA segments have been combined as they have similar economic characteristics including:

- the nature of the products and services provided;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products or provide their services; and
- the nature of the regulatory environment.

Goodwill that was previously allocated to the ROW segment was distributed between the LATAM and EH segments on a basis of the estimated fair value allocation.

NOTE 6. NEW POLICIES, STANDARDS, INTERPRETATIONS, AND AMENDMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company determined that the following amendments may have an impact on future financial statements:

IAS 1 Presentation of Financial Statements ("IAS 1")

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help a company apply materiality judgements to accounting policy disclosures. The amendments seek to help a company provide more useful accounting policy disclosures by replacing the requirement for a company to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, as well as add guidance on how a business applies the concept of materiality in making decisions about accounting policy disclosures. The company will now have to consider both the size of the transactions, other events or conditions, and the nature of them. 'Material' is a defined term in IFRS and is more widely understood by users of financial statements.

In October 2022, the IASB issued amendments to clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least twelve months at the reporting date. The Right needs to exist at the reporting date and must have substance. In addition to the amendment from January 2020 where the IASB issued amendments to IAS 1, to provide a more general approach to the presentation of liabilities as current or non-current, only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

These amendments are effective January 1, 2024 and are to be applied retrospectively. Management has not yet determined the impact this amendment will have on the Company.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Effective January 1, 2023, the definition of accounting estimates will be amended under IAS 8. Under the amended definition, a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment further clarifies that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty.

Under the prior definition, IAS 8 stated that a change in accounting estimates specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

This amendment will impact changes in accounting policies and changes in accounting estimates made after the amendment is adopted by the Company.

IAS 12 Income Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendment is effective January 1, 2023, and clarifies how a business should account for deferred tax related to assets and liabilities arising from a single transaction.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a related asset and liability give rise to taxable and deductible temporary differences that are not equal.

Management believes these amendments will have no impact on the Company.

NOTE 7. ACQUISITION

(a) Summary of the Acquisition

On October 13, 2022, the Company completed the acquisition (the "Transaction") of Exterran Corporation ("Exterran"). Pursuant to the agreement and plan of merger among Enerflex, Enerflex US Holdings Inc., a wholly-owned subsidiary of Enerflex, and Exterran, Enerflex acquired all issued and outstanding Exterran common stock in exchange for 1.021 Enerflex common shares for each whole common stock of Exterran. Enerflex's common shares continue to trade on the Toronto Stock Exchange ("TSX") under the symbol "EFX," and the Company commenced trading on the New York Stock Exchange ("NYSE") under the symbol "EFXT" on October 13, 2022. The Company remains headquartered in Calgary, Alberta, Canada.

The Transaction established an integrated global provider of energy infrastructure and energy transition solutions by combining Enerflex and Exterran's highly complementary product lines, geographies, and asset bases, enhancing the Company's scale and utilization and providing operational efficiencies for Enerflex's customers.

The Transaction was accounted for using the acquisition method pursuant to IFRS 3 "Business Combinations". Under the acquisition method, assets and liabilities are measured at their estimated fair value on the date of acquisition, with the exception of income taxes. The total consideration was allocated to the tangible and intangible assets acquired and liabilities assumed, with any excess recorded as goodwill on the consolidated statements of financial position.

(b) Preliminary Purchase Price Allocation and Capital Structure

The total purchase consideration was approximately $222.6 million. Enerflex issued 34,013,055 common shares with a fair value of $213.9 million, based on the October 12, 2022, closing share price of $6.29, as reported on the TSX. The Company also provided $8.6 million on the fair value of vested stock-based compensation, including cash payments totaling $1.9 million to Exterran stockholders with fractional shares.

The preliminary purchase price allocation is based on Management's best estimate of fair value of the assets acquired and liabilities assumed. The purchase price allocation is preliminary because of property, plant, and equipment, intangible assets, deferred taxes, uncertain tax positions, and certain other assets and liabilities are still being assessed. Upon finalizing the value of net assets acquired, adjustments to initial estimates, including goodwill, may be required.

The following table provides a summary of the consideration and the identifiable assets acquired and liabilities assumed at the date of acquisition:

	October 13, 2022
Purchase consideration	
Shares exchanged	**$ 213,942**
Fair value of vested stock-based compensation[1]	**8,641**
Total purchase consideration	**$ 222,583**
Identifiable assets acquired and liabilities assumed	
Net working capital	**56,715**
Property, plant, and equipment	**60,395**
Energy infrastructure assets	**581,338**
Contract assets	**217,585**
Finance leases receivables	**77,578**
Intangible assets	**102,789**
Other long-term assets	**66,602**
Long-term debt	**(1,019,436)**
Other long-term liabilities	**(60,408)**
Total net identifiable assets	**83,158**
Goodwill	**$ 139,425**

[1] Included in the fair value of vested stock-based compensation is $ 1.9 million of cash payments to Exterran stockholders that held fractional shares on the date of acquisition.

The fair value of trade and other receivables acquired as part of the acquisition was $187.5 million, representing gross contractual amounts receivable of $222.0 million less Management's best estimate of the contractual cash flows not expected to be collected of $34.5 million.

Intangible assets includes $50.9 million of customer relationship intangible assets that were valued based on a discounted cash flow model, which required the Company to estimate future cash flows and use judgment in determining key assumptions that include revenue growth rates, customer attrition rates, operating margins and discount rates.

Factors that contributed to the recognition of goodwill include the expected future growth potential of expanded Energy Infrastructure in LATAM, the completion of two large projects and two in-flight projects nearing completion in the Middle East, expanded opportunities in Energy Transition, and the expected cost synergies. None of the goodwill is expected to be deductible for income tax purposes.

Revenues and net loss for the acquired business from the date of acquisition to December 31, 2022 were $196.0 million and $60.7 million, respectively. Revenue would have been approximately $789.3 million higher and net loss would have increased by approximately $48.6 million if the business was acquired on January 1, 2022.

Transaction costs exclude share issuance costs related to common shares. Total transaction costs, integration costs and restructuring costs directly related to the acquisition and included in SG&A in the consolidated statements of earnings was $70.6 million.

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NOTE 8. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable consisted of the following:

December 31,		2022		2021
Trade receivables	$	**457,850**	$	213,815
Less: allowance for doubtful accounts		**(7,652)**		(10,334)
Trade receivables, net	$	**450,198**	$	203,481
Other receivables		**6,380**		8,725
Total accounts receivable	$	**456,578**	$	212,206

Aging of trade receivables:

December 31,		2022		2021
Current to 90 days	$	**405,196**	$	183,105
Over 90 days		**52,654**		30,710
	$	**457,850**	$	213,815

Movement in allowance for doubtful accounts:

December 31,		2022		2021
Balance, January 1	$	**10,334**	$	11,439
Impairment provision additions on receivables		**628**		275
Amounts settled and derecognized during the period		**(3,499)**		(1,317)
Currency translation effects		**189**		(63)
Closing balance	$	**7,652**	$	10,334

Movement in contract assets:

December 31,		2022		2021
Balance, January 1	$	**82,760**	$	66,722
Acquisition (Note 7)		**281,509**		-
Unbilled revenue recognized		**559,229**		244,372
Amounts billed		**(517,828)**		(228,327)
Currency translation effects		**3,768**		(7)
Closing balance	$	**409,438**	$	82,760
Current contract assets	$	**186,259**	$	82,760
Non-current contract assets		**223,179**		-
	$	**409,438**	$	82,760

Amounts recognized as current contract assets are typically billed to customers within three months and amounts recognized as non-current contract assets will be billed to customers more than twelve months from the date of the balance sheet.

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NOTE 9. INVENTORIES

Inventories consisted of the following:

December 31,		2022		2021
Direct materials	$	**107,575**	$	83,943
Repair and distribution parts		**136,876**		54,156
Work-in-progress		**98,297**		31,298
Equipment		**26,550**		3,290
Total inventories	$	**369,298**	$	172,687

December 31,		2022		2021
Work-in-progress related to finance leases	$	**41,986**	$	36,169

The amount of inventory and overhead costs recognized as an expense and included in COGS during 2022 was $1,455.1 million (December 31, 2021 – $757.9 million). COGS is made up of direct materials, direct labour, depreciation on manufacturing assets, post-manufacturing expenses, and overhead. COGS also includes inventory write-downs pertaining to obsolescence and aging, and recoveries of past write-downs upon disposition. The net change in inventory reserves charged to the consolidated statements of earnings and included in COGS for the year ended December 31, 2022 was $2.1 million (December 31, 2021 – $6.1 million).

The costs related to the construction of energy infrastructure assets determined to be finance leases are accounted for as work-in-progress related to finance leases. Once the project is completed and enters service it is reclassified to COGS. During the year ended December 31, 2022 the Company invested $74.5 million (December 31, 2021 – $36.2 million) related to finance leases.

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NOTE 10. PROPERTY, PLANT AND EQUIPMENT AND ENERGY INFRASTRUCTURE ASSETS

	Land	Building	Equipment	Assets under construction	Total property, plant and equipment	Energy infrastructure assets
Cost						
January 1, 2022	$ 18,411	$ 114,021	$ 64,492	$ 3,068	$ 199,992	$ 839,734
Acquisition (Note 7)	4,237	31,864	22,952	1,342	60,395	581,338
Additions	-	6	2,001	6,036	8,043	107,797
Reclassification	-	885	4,022	(5,314)	(407)	-
Disposals	(6)	(1,100)	(1,925)	-	(3,031)	(23,233)
Currency translation effects	917	5,724	(844)	(547)	5,250	36,318
December 31, 2022	**$ 23,559**	**$ 151,400**	**$ 90,698**	**$ 4,585**	**$ 270,242**	**$ 1,541,954**
Accumulated depreciation						
January 1, 2022	$ -	$ (50,087)	$ (53,491)	$ -	$ (103,578)	$ (229,406)
Depreciation charge	-	(7,205)	(8,352)	-	(15,557)	(83,289)
Impairment	-	-	-	-	-	(1,233)
Disposals	-	987	1,827	-	2,814	9,671
Currency translation effects	-	(2,361)	945	-	(1,416)	12,641
December 31, 2022	$ -	$ (58,666)	$ (59,071)		$ (117,737)	$ (291,616)
Net book value – December 31, 2022	**$ 23,559**	**$ 92,734**	**$ 31,627**	**$ 4,585**	**$ 152,505**	**$ 1,250,338**

	Land	Building	Equipment	Assets under construction	Total property, plant and equipment	Energy infrastructure assets
Cost						
January 1, 2021	$ 18,471	$ 112,179	$ 63,844	$ 4,050	$ 198,544	$ 881,684
Additions	-	-	831	4,323	5,154	52,187
Reclassification	-	2,327	2,566	(5,297)	(404)	-
Disposals	-	(66)	(2,436)	-	(2,502)	(82,304)
Currency translation effects	(60)	(419)	(313)	(8)	(800)	(11,833)
December 31, 2021	$ 18,411	$ 114,021	$ 64,492	$ 3,068	$ 199,992	$ 839,734
Accumulated depreciation						
January 1, 2021	$ -	$ (44,334)	$ (51,574)	$ -	$ (95,908)	$ (243,870)
Depreciation charge	-	(5,956)	(4,451)	-	(10,407)	(55,466)
Impairment	-	-	-	-	-	(537)
Disposals	-	66	2,351	-	2,417	62,990
Currency translation effects	-	137	183	-	320	7,477
December 31, 2021	$ -	$ (50,087)	$ (53,491)	$ -	$ (103,578)	$ (229,406)
Net book value – December 31, 2021	$ 18,411	$ 63,934	$ 11,001	$ 3,068	$ 96,414	$ 610,328

Depreciation of PP&E and energy infrastructure assets included in earnings for the year ended December 31, 2022, was $98.8 million (December 31, 2021 – $65.9 million), of which $94.7 million was included in COGS (December 31, 2021 – $64.6 million) and $4.1 million was included in SG&A (December 31, 2021 – $1.3 million).

Impairment of energy infrastructure assets included in earnings for the year ended December 31, 2022, was $1.2 million (December 31, 2021 – $0.5 million).

NOTE 11. LEASE RIGHT-OF-USE ASSETS

	Land and buildings	Equipment	Total lease right-of-use assets
Cost			
January 1, 2022	$ 58,380	$ 24,359	$ 82,739
Acquisition (Note 7)	31,192	1,240	32,432
Additions	7,173	4,029	11,202
Disposal	(3,935)	(6,129)	(10,064)
Currency translation effects	1,297	1,559	2,856
December 31, 2022	**$ 94,107**	**$ 25,058**	**$ 119,165**
Accumulated depreciation			
January 1, 2022	$ (20,198)	$ (12,654)	$ (32,852)
Depreciation charge	(9,994)	(5,824)	(15,818)
Disposal	3,543	5,731	9,274
Currency translation effects	(508)	(889)	(1,397)
December 31, 2022	**$ (27,157)**	**$ (13,636)**	**$ (40,793)**
Net book value – December 31, 2022	**$ 66,950**	**$ 11,422**	**$ 78,372**

	Land and buildings	Equipment	Total lease right-of-use assets
Cost			
January 1, 2021	$ 56,242	$ 19,360	$ 75,602
Additions	4,097	6,778	10,875
Disposal	(1,644)	(1,583)	(3,227)
Currency translation effects	(315)	(196)	(511)
December 31, 2021	$ 58,380	$ 24,359	$ 82,739
Accumulated depreciation			
January 1, 2021	$ (13,527)	$ (7,891)	$ (21,418)
Depreciation charge	(8,350)	(5,492)	(13,842)
Disposal	1,535	714	2,249
Currency translation effects	144	15	159
December 31, 2021	$ (20,198)	$ (12,654)	$ (32,852)
Net book value – December 31, 2021	$ 38,182	$ 11,705	$ 49,887

Depreciation of lease right-of-use (“ROU”) assets included in earnings for the year ended December 31, 2022 was $15.8 million (December 31, 2021 – $13.8 million), of which $13.1 million was included in COGS (December 31, 2021 – $11.2 million) and $2.7 million was included in SG&A (December 31, 2021 – $2.6 million).

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NOTE 12. FINANCE LEASES RECEIVABLE

The Company has entered into finance lease arrangements for certain of its energy infrastructure assets, with initial terms ranging from three to 10 years.

The value of the finance lease receivable is comprised of the following:

	Minimum lease payments and unguaranteed residual value		Present value of minimum lease payments and unguaranteed residual value	
December 31,	**2022**	2021	**2022**	2021
Less than one year	**$ 73,614**	$ 16,420	**$ 60,020**	$ 15,248
Between one and five years	**196,314**	64,739	**149,052**	49,546
Later than five years	**144,482**	62,827	**85,432**	38,564
	$ 414,410	$ 143,986	**$ 294,504**	$ 103,358
Less: Unearned finance income	**(119,906)**	(40,628)	**-**	-
	$ 294,504	$ 103,358	**$ 294,504**	$ 103,358

December 31,	**2022**	2021
Balance, January 1	**$ 103,358**	$ 64,274
Acquisition (Note 7)	**110,097**	-
Additions	**86,602**	40,154
Interest income	**14,801**	5,417
Billings and payments	**(33,740)**	(6,597)
Currency translation effects	**13,386**	110
Closing balance	**$ 294,504**	$ 103,358

For the years ended December 31, 2022 and 2021 the Company recognized selling profit related to the commencement of finance leases of $17.5 million and $6.2 million, respectively. Additionally, the Company recognized $14.8 million and $5.4 million of interest income on the finance leases receivable, during the years ended December 31, 2022 and 2021. Income related to variable lease payments was nominal during the years ended December 31, 2022 and 2021.

The average interest rates implicit in the leases are fixed at the contract date for the entire lease term. At December 31, 2022, the average interest rate was9.4 percent per annum (December 31, 2021 – 8.0 percent). The finance leases receivables at the end of reporting period are neither past due nor impaired.

NOTE 13. OTHER ASSETS

December 31,	**2022**	2021
Investment in associates and joint ventures	**$ 34,977**	$ 27,064
Long-term receivables[1]	**34,127**	24,172
Prepaid deposits	**13,972**	79
Total other assets	**$ 83,076**	$ 51,315

[1] *Included in long-term receivables are preferred shares in the amount of $28.0 million (December 31, 2021 – $24.2 million). The full amount was settled subsequent to the end of the year.*

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NOTE 14. INTANGIBLE ASSETS

	Customer relationships and other	Software	Total intangible assets
Cost			
January 1, 2022	$ 69,594	$ 49,069	$ 118,663
Acquisition (Note 7)	80,514	22,275	102,789
Disposal	-	(11)	(11)
Reclassification	-	407	407
Currency translation effects	1,202	2,563	3,765
December 31, 2022	**$ 151,310**	**$ 74,303**	**$ 225,613**
Accumulated amortization			
January 1, 2022	$ (63,817)	$ (44,728)	$ (108,545)
Amortization charge	(7,239)	(2,198)	(9,437)
Disposal	-	11	11
Currency translation effects	(2,371)	(2,498)	(4,869)
December 31, 2022	**$ (73,427)**	**$ (49,413)**	**$ (122,840)**
Net book value – December 31, 2022	**$ 77,883**	**$ 24,890**	**$ 102,773**

	Customer relationships and other	Software	Total intangible assets
Cost			
January 1, 2021	$ 69,824	$ 48,698	$ 118,522
Reclassification	-	404	404
Currency translation effects	(230)	(33)	(263)
December 31, 2021	$ 69,594	$ 49,069	$ 118,663
Accumulated amortization			
January 1, 2021	$ (59,296)	$ (42,682)	$ (101,978)
Amortization charge	(4,642)	(2,079)	(6,721)
Currency translation effects	121	33	154
December 31, 2021	$ (63,817)	$ (44,728)	$ (108,545)
Net book value – December 31, 2021	$ 5,777	$ 4,341	$ 10,118

NOTE 15. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

December 31,		2022		2021
Balance, January 1	**$**	**566,270**	$	576,028
Acquisition (Note 7)		**139,425**		-
Impairment		**(48,000)**		-
Currency translation effects		**21,682**		(9,758)
Closing balance	**$**	**679,377**	$	566,270

Goodwill is allocated to CGU's which are the Company's operating segments that represents the lowest level at which goodwill is monitored for internal management purposes. During the fourth quarter of 2022, the Company reassessed its operating and reporting segments, refer to Note 35, and goodwill was re-allocated to the CGU's representing the Company's four operating segments. As a result, the Company performed its annual goodwill assessment on the new operating segments, comparing the carrying value and recoverable amounts for each segment in accordance with IAS 36.10(b). Goodwill acquired through historical business combinations was allocated to the Canada, USA, LATAM, and EH operating segments. Goodwill that was previously allocated to the prior ROW operating segment was re-allocated to LATAM and EH based on the recoverable amount of these operating segments as determined based on value-in-use calculations of these segments, and excluding the impact of the Exterran Transaction.

In assessing whether goodwill has been impaired, the carrying amount of each operating segment (including goodwill) is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use. Goodwill acquired from the Transaction was allocated to the USA and EH segments.

The recoverable amounts for the operating segments have been determined based on value-in-use calculations, using discounted cash flow projections as at December 31, 2022. Management has adopted a five-year projection period to assess each segment's value-in-use. A terminal value is then determined using a perpetual growth methodology based on the fifth year. This five-year projection includes the financial budgets approved by the Board for 2023 and Management's expectations of cash flows for 2024 to 2027.

At September 30, 2022, the Company determined that there was a $48.0 million impairment in Canada.

Key Assumptions Used in Value-In-Use Calculations:

The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for the Canada, USA, LATAM and EH operating segments exceeded the carrying amount using a 12.0 percent (December 31, 2021 – 10.7 percent), 10.7 percent (December 31, 2021 – 9.4 percent), 15.3 percent and 14.5 percent (December 31, 2021 – 12.6 percent on a combined ROW segment) post-tax discount rate, respectively.

The estimation of value-in-use involves significant judgment in the determination of inputs to the discounted cash flow model and is most sensitive to changes in cash flow projections, revenue growth rate, operating margins, terminal growth and discount rates. These key assumptions were tested for sensitivity by applying a reasonable possible change to those assumptions. Future earnings before finance costs and taxes ("EBIT") were changed by ten percent while the discount rate was changed by one percent.

The USA, EH, and Canada operating segments have sufficient room as their recoverable amounts are significantly higher than their carrying values, and therefore, the sensitivities will not indicate an impairment. The sensitivities below would not put Canada in an impairment due to the impairment that was recognized during the third quarter of 2022, and an improved cash flow outlook for the region. LATAM is more sensitive to changes in EBIT and the discount rate as follows:

- EBIT: Management has made estimates relating to the amount and timing of revenue recognition for projects included in backlog, and the assessment of the likelihood of maintaining and growing market share. For each ten percent change in EBIT, the impact on the value-in-use would be $43.7 million for the LATAM segment. A ten percent decrease in EBIT would trigger an impairment in the LATAM segment. A ten percent change in EBIT in the Company's other three segments would not trigger an impairment.
- Discount Rate: Management determines a discount rate for each segment based on the estimated weighted average cost of capital of the Company, using the five-year average of the Company's peer group debt to total enterprise value, adjusted for a number of risk factors specific to each operating segment. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Company's estimated equity market risk premium, the Company's cost of debt, and the tax rate in the local jurisdiction. For each one percent change in the discount rate, the impact on the value-in-use would be $54.8 million for the LATAM segment. A one percent increase in weighted average cost of capital would trigger an impairment in the LATAM segment. A one percent change in the discount rate in the Company's other three segments would not trigger an impairment.

Management will continue to assess the long-term projected cash flows, as certain factors may cause a material variance from previously used cash flow projections. Management notes that there is potential for future impairments as interest rates continue to fluctuate, and as the Company gets more visibility regarding future cash flows.

NOTE 16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31,		**2022**		2021
Accounts payable and accrued liabilities	**$**	**610,579**	$	234,212
Accrued dividend payable		**3,093**		2,242
Cash-settled share-based payments		**13,477**		4,293
Total accounts payable and accrued liabilities	**$**	**627,149**	$	240,747

NOTE 17. PROVISIONS

December 31,		**2022**		2021
Warranty provision	**$**	**13,411**	$	6,636
Legal provision		**3,406**		-
Restructuring provision		**2,009**		-
Total provisions	**$**	**18,826**	$	6,636

2022		Warranty Provision		Legal Provision		Restructuring Provision		Total
Balance, January 1	$	6,636	$	-	$	-	$	6,636
Acquisition (Note 7)		5,888		2,691		-		8,579
Additions during the year		4,395		717		2,009		7,121
Amounts settled and released in the year		(3,669)		-		-		(3,669)
Currency translation effects		161		(2)		-		159
Closing balance	**$**	**13,411**	**$**	**3,406**	**$**	**2,009**	**$**	**18,826**

2021		Warranty Provision		Legal Provision		Restructuring Provision		Total
Balance, January 1	$	10,549	$	-	$	-	$	10,549
Additions during the year		849		-		-		849
Amounts settled and released in the year		(4,681)		-		-		(4,681)
Currency translation effects		(81)		-		-		(81)
Closing balance	$	6,636	$	-	$	-	$	6,636

NOTE 18. DEFERRED REVENUES

December		2022		2021
Balance, January 1	**$**	**84,614**	$	35,409
Acquisition (Note 7)		**135,409**		-
Cash received in advance of revenue recognition		**526,924**		167,956
Revenue subsequently recognized		**(354,531)**		(118,438)
Currency translation effects		**7,104**		(313)
Closing balance	**$**	**399,520**	$	84,614
Current deferred revenues	**$**	**366,085**	$	84,614
Non-current deferred revenues		**33,435**		-
	$	**399,520**	$	84,614

Amounts recognized as current deferred revenues are typically recognized into revenue within six months and amounts recognized as non-current deferred revenues will be recognized into revenue more than twelve months from the date of the balance sheet.

NOTE 19. LONG-TERM DEBT

In October 2022 the Company secured new debt financing as part of the Transaction. The debt financing was comprised of US$625.0 million aggregate principal amount of senior secured notes due 2027 (the "Notes"), a US$150.0 million three-year secured term loan facility (the "Term Loan"), and a US$700 million three-year secured revolving credit facility (the "Revolving Credit Facility"). Together the Notes, Term Loan, Revolving Credit Facility along with cash on hand were used to fully repay the existing Enerflex and Exterran Notes, Bank Facility and Asset-Based Facility.

The Term Loan and the Revolving Credit Facility have a maturity date of October 13, 2025 (the "Maturity Date"). In addition, the Revolving Credit Facility may be increased by US$150.0 million at the request of the Company, subject to the lenders' consent. The Maturity Date of the Revolving Credit Facility may be extended annually on or before the anniversary date with the consent of the lenders.

On the last business day of each quarter end beginning on September 30, 2023 the Company is required to make a US$10.0 million payment to be applied to the outstanding principal of the Term Loan. There are no required or scheduled repayments of principal until the maturity date of the Revolving Credit Facility. Drawings on the Revolving Credit Facility are available by way of Prime Rate loans, U.S. Base Rate loans, Secured Overnight Financing Rate ("SOFR") loans, and Bankers' Acceptance notes. The Company may also draw on the Revolving Credit Facility through bank overdrafts in either Canadian or U.S. dollars and issue letters of credit under the Revolving Credit Facility. The initial drawing as well as subsequent rollovers and conversions on the Term Loan are available through U.S. Base Rate Loans and SOFR Loans.

Pursuant to the terms and conditions of the Revolving Credit Facility and the Term Loan, a margin is applied to drawings on the Revolving Credit Facility in addition to the quoted interest rate. The margin is established in basis points and is based on a consolidated net debt to earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") ratio. The margin is adjusted effective the first day of the third month following the end of each fiscal quarter based on the above ratio.

The Notes consist of US$625.0 million principal amount, bears interest of 9.00 percent, and has a maturity of October 15, 2027.

The Revolving Credit Facility, Term Loan and the Notes are secured. The Revolving Credit Facility and Term Loan rank senior to the Notes. The Company is required to maintain certain covenants on the Revolving Credit Facility, Term Loan and the Notes as follows, all calculated on a rolling four-quarter basis:

- Senior secured net funded debt to EBITDA ratio not to exceed 2.5:1 for each quarter end;
- Net funded debt to EBITDA ratio not to exceed 4.5:1 at each quarter end up to September 30, 2023 where the ratio will be adjusted to a maximum of 4.0:1 for each quarter after September 30, 2023; and
- Interest coverage ratio for each quarter end not to be less than 2.5:1

As at December 31, 2022, the Company was in compliance with its covenants.

The composition of the borrowings on the Revolving Credit Facility, Term Loan, and the Company's Notes were as follows:

December 31		2022		2021
Drawings on the Revolving Credit Facility	**$**	**459,202**	$	-
Drawings on the Term Loan (US$150,000)		**203,160**		-
Notes due October 15, 2027 (US$625,000)		**846,500**		-
Drawings on the Bank Facility		**-**		30,522
Drawings on the Asset-Based Facility		**-**		37,411
Notes due December 15, 2024		**-**		148,119
Notes due December 15, 2027		**-**		118,746
Deferred transaction costs and Notes discount		**(118,537)**		(3,376)
	$	**1,390,325**	$	331,422
Current portion of long-term debt	**$**	**27,088**	$	-
Non-current portion of long-term debt		**1,363,237**		331,422
	$	**1,390,325**	$	331,422

The weighted average interest rate on the Revolving Credit Facility for year ended December 31, 2022 was 7.0 percent (December 31, 2021 – nil), and the weighted average interest rate on the Term Loan for the year ended December 31, 2022 was 7.8 percent (December 31, 2021 – nil). At December 31, 2022 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,508.9 million, and nil thereafter.

NOTE 20. LEASE LIABILITIES

December 31,		2022		2021
Balance, January 1	**$**	**57,014**	$	61,926
Acquisition (Note 7)		**39,845**		-
Additions		**9,977**		9,721
Lease interest		**3,398**		3,029
Payments made against lease liabilities		**(19,156)**		(17,244)
Currency translation effects and other		**1,955**		(418)
Closing balance	**$**	**93,033**	$	57,014
Current portion of lease liabilities	**$**	**20,125**	$	13,906
Non-current portion of lease liabilities		**72,908**		43,108
	$	**93,033**	$	57,014

In addition to the lease payments made above, during the year ended December 31, 2022, the Company paid $0.8 million (December 31, 2021 – $0.3 million) relating to short-term and low-value leases which were expensed as incurred. During the year ended December 31, 2022, the Company also paid $1.7 million (December 31, 2021 – $3.0 million) in variable lease payments not included in the measurement of lease liabilities, of which $0.9 million (December 31, 2021 –$1.8 million) was included in COGS and $0.8 million (December 31, 2021 – $1.2 million) was included in SG&A. Interest expense on lease liabilities was $3.4 million for the year ended December 31, 2022 (December 31, 2021 –$3.0 million). Total cash outflow for leases for the year ended December 31, 2022 was $21.7 million (December 31, 2021 –$20.5 million).

Future minimum lease payments under non-cancellable leases were as follows:

		December 31, 2022
2023	$	23,776
2024		18,427
2025		15,493
2026		12,173
2027		9,848
Thereafter		32,287
	$	112,004
Less:		
Imputed interest		18,811
Short-term leases		156
Low-value leases		4
	$	93,033

NOTE 21. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

Years ended December 31,		2022		2021
Current income taxes	**$**	**17,945**	$	13,135
Deferred income taxes		**3,265**		43,422
	$	**21,210**	$	56,557

(b) Reconciliation of Tax Expense

The provision for income taxes differs from that which would be expected by applying Canadian statutory rates. A reconciliation of the difference is as follows:

Years ended December 31,		2022		2021
Earnings before income taxes	**$**	**(79,733)**	$	38,102
Canadian statutory rate		**23.4%**		23.8%
Expected income tax provision	**$**	**(18,658)**	$	9,068
Add (deduct):				
Change in unrecognized deferred tax asset		**27,664**		44,704
Impairment of goodwill		**11,232**		-
Exchange rate effects on tax basis		**(2,223)**		(2,269)
Earnings taxed in foreign jurisdictions		**543**		2,313
Revaluation of Canadian deferred tax assets due to change in statutory rate		**-**		(660)
Withholding tax on dividends received from foreign subsidiaries		**-**		2,763
Amounts not deductible (taxable) for tax purposes		**4,373**		811
Impact of accounting for associates and joint ventures		**(1,104)**		(160)
Other		**(617)**		(13)
Income tax expense from continuing operations	**$**	**21,210**	$	56,557

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2021 – 15.0 percent) and the Alberta provincial income tax rate of 8.4 percent (2021 – 8.8 percent).

The Company's effective tax rate is subject to fluctuations in the Argentine peso and Mexican peso exchange rate against the U.S. dollar. Since the Company holds significant energy infrastructure assets in Argentina and Mexico, the tax base of these assets is denominated in Argentine peso and Mexican peso, respectively. The functional currency is the U.S. dollar and as a result, the related local currency tax bases are revalued periodically to reflect the closing U.S. dollar rate against the local currency. Any movement in the exchange rate results in a corresponding unrealized exchange rate gain or loss being recorded as part of deferred income tax expense or recovery. During periods of large fluctuation or devaluation of the local currency against the U.S. dollar, these amounts may be significant but are unrealized and may reverse in the future. Recognition of these amounts is required by IFRS, even though the revalued tax basis does not generate any cash tax obligation or liability in the future.

(c) Income Tax Recognized in Other Comprehensive Income

Years ended December 31,	2022	2021
Deferred Tax		
Arising on income and expenses recognized in other comprehensive income:		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**$ (55)**	$ 77
Arising on income and expenses reclassified from other comprehensive income to net earnings:		
Relating to cash flow hedges	**59**	(53)
Total income tax recognized in other comprehensive income	**$ 4**	$ 24

(d) Net Deferred Tax Assets (Liabilities)

Deferred tax assets and liabilities arise from the following:

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total[1]
January 1, 2022	$ 7,022	$ 6,519	$ (86,255)	$ 511	$ (10,476)	$ -	$ (82,679)
Acquisition (Note 7)	756	49,513	(30,308)	-	(6,538)	-	13,423
Charged to net earnings	(7,467)	1,325	1,022	-	1,858	(4)	(3,266)
Charged to OCI	-	-	-	-	-	4	4
Exchange differences	51	(860)	(2,511)	(511)	(613)	-	(4,444)
December 31, 2022	**$ 362**	**$ 56,497**	**$ (118,052)**	**-**	**$ (15,769)**	**-**	**$ (76,962)**

[1]Net deferred tax liabilities at December 31, 2022 of $ 77.0 million consist of liabilities of $ 96.4 million net of assets of $ 19.4 million.

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total[1]
January 1, 2021	$ 18,058	$ 28,969	$ (73,956)	$ 544	$ (12,799)	$ (8)	$ (39,192)
Charged to net earnings	(10,945)	(21,808)	(12,398)	(572)	2,269	32	(43,422)
Charged to OCI	-	-	-	-	-	(24)	(24)
Exchange differences	(91)	(642)	99	539	54		(41)
December 31, 2021	$ 7,022	$ 6,519	$ (86,255)	$ 511	$ (10,476)	$ -	$ (82,679)

[1]Net deferred tax liabilities at December 31, 2021 of $ 82.7 million consist of liabilities of $ 92.0 million net of assets of $ 9.3 million.

(e) Unrecognized Deferred Tax Assets

As at December 31, 2022, the Company did not recognize deductible temporary differences of $2,172.3 million (December 31, 2021 - $225.9 million) and unused Canadian tax credits of $1.1 million (December 31, 2021 – $1.1 million) for which it is unlikely that sufficient future taxable income will be available to offset against. An additional $122.4 million of U.S. tax credits were acquired but utilization is restricted and therefore the benefit is not recognized.

The deductible temporary differences consist of:

Years ended December 31,		**2022**		2021
Canadian:				
Tax losses	**$**	**215,703**	$	138,408
Long-term assets		**23,896**		22,758
Accounting provisions and other accruals		**29,143**		26,363
Foreign[1]:				
Tax losses		**2,089,604**		38,374
Long-term assets		**(59,931)**		-
Accounting provisions and other accruals		**(126,117)**		-
	$	**2,172,298**	$	225,903

[1] The movement in foreign tax losses, long-term assets, and accounting provisions and other accruals for 2022 were primarily acquired as part of the Transaction .

The Company's unused tax losses and tax credits are subject to expiration in the years 2023 through 2042 with some having an indefinite life.

NOTE 22. SHARE CAPITAL AUTHORIZED

The Company is authorized to issue an unlimited number of common shares. Share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and a right to a dividend.

Issued and Outstanding

	2022		2021	
December 31,	**Number of common shares**	**Common share capital**	Number of common shares	Common share capital
Balance, January 1	**89,678,845**	**$ 375,524**	89,678,845	$ 375,524
Issued on Acquisition (Note 7)	**34,013,055**	**213,942**	-	-
Exercise of stock options	**47,120**	**361**	-	-
Closing balance	**123,739,020**	**$ 589,827**	89,678,845	$ 375,524

Enerflex acquired all issued and outstanding Exterran common stock in exchange for 1.021 Enerflex common shares. Enerflex issued 34,013,055 million Enerflex common shares with a fair value of $213.9 million, based on the October 12, 2022, closing share price of $6.29.

Total dividends declared in the year were $9.8 million, or $0.10 per share (December 31, 2021 – $7.6 million, or $0.085 per share).

NOTE 23. CONTRIBUTED SURPLUS

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

December 31,		2022		2021
Balance, January 1	**$**	**658,615**	$	656,832
Share-based compensation		**1,558**		1,783
Exercise of stock options		**(101)**		-
Closing balance	**$**	**660,072**	$	658,615

NOTE 24. REVENUE

Years ended December 31,		2022		2021
Energy Infrastructure[1,2]	**$**	**381,087**	$	278,653
After-Market Services		**443,660**		327,376
Engineered Systems		**953,051**		354,127
Total revenue	**$**	**1,777,798**	$	960,156

[1] Energy Infrastructure revenue for 2022 and 2021 includes the recognition of revenue from finance lease transactions. Upon commencement of the lease, the Company recognized the sale of the related energy infrastructure assets and a corresponding finance lease receivable. Refer to Note 12 for further details on finance leases.

[2] During the year ended December 31, 2022, the Company recognized $ 111.3 million of revenue related to operating leases in its LATAM and EH segments (December 31, 2021 –$ 64.3 million). Additionally, the Company recognized $127.0 million of revenue related to its NAM contract compression fleet (December 31, 2021 – $ 102.0 million).

Revenue by geographic location, which is attributed by destination of sale, was as follows:

Years ended December 31,		2022		2021
United States	**$**	**890,899**	$	451,675
Canada		**261,865**		173,181
Oman		**119,906**		84,486
Bahrain		**85,540**		40,361
Argentina		**80,524**		34,321
Australia		**65,618**		61,520
Mexico		**64,325**		27,355
Brazil		**45,367**		17,289
Iraq		**25,917**		-
Colombia		**21,278**		17,795
United Arab Emirates		**20,995**		2,494
Egypt		**20,319**		7,323
Other		**75,245**		42,356
Total revenue	**$**	**1,777,798**	$	960,156

The following table outlines the Company's unsatisfied performance obligations, by product line, as at December 31, 2022:

	Less than one year	One to two years	Greater than two years	Total
Energy Infrastructure	$ 550,009	$ 492,096	$ 1,826,923	**$ 2,869,028**
After-Market Services	76,260	26,176	49,583	**152,019**
Engineered Systems	1,483,773	22,097	-	**1,505,870**
	$ 2,110,042	**$ 540,369**	**$ 1,876,506**	**$ 4,526,917**

NOTE 25. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

The share-based compensation expense included in the determination of net earnings was:

Years ended December 31,	2022	2021
Equity settled share-based payments	**$ 1,558**	$ 1,783
Deferred share units	**3,622**	3,053
Phantom share entitlement plan	**117**	102
Performance share units	**4,172**	3,470
Restricted share units	**4,454**	2,751
Cash performance target	**2,239**	1,778
Share-based compensation expense	**$ 16,162**	$ 12,937

(b) Equity-Settled Share-Based Payments

	2022		2021	
Years ended December 31,	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**4,456,444**	**$ 11.66**	4,057,142	$ 12.78
Granted	**-**	**-**	654,847	7.85
Exercised[1]	**(47,120)**	**5.51**	-	-
Forfeited	**(27,286)**	**13.51**	(24,267)	9.25
Expired	**(1,292,809)**	**13.98**	(231,278)	20.75
Options outstanding, end of period	**3,089,229**	**$ 10.77**	4,456,444	$ 11.66
Options exercisable, end of period	**1,671,421**	**$ 12.48**	2,445,230	$ 13.62

[1] The weighted average share price of options at the date of exercise for the year ended December 31, 2022 was $ 8.03 (December 31, 2021 – nil).

The Company did not grant stock options for the year ended December 31, 2022 (December 31, 2021 –654,847). Using the Black-Scholes option pricing model, the weighted average fair value of stock options granted for the period ended December 31, 2021 was $2.89 per option.

The following table summarizes options outstanding and exercisable at December 31, 2022:

	Options Outstanding			Options Exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price
$5.51 – $6.68	783,880	4.62	$ 5.51	286,552	4.62	$ 5.51
$6.69 – $13.51	1,072,991	4.30	9.81	460,251	2.95	11.48
$13.52 – $16.12	1,232,358	2.86	14.95	924,618	2.70	15.14
Total	**3,089,229**	**3.81**	**$ 10.77**	**1,671,421**	**3.10**	**$ 12.48**

(c) Deferred Share Units

The Company offers a DSU plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their annual bonus, or retainer and fees, respectively, in DSUs. In addition, the Board may grant discretionary DSUs to executives. A specified component of non-employee directors' compensation must be received in DSUs. A DSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the implied market value calculated as the number of DSUs multiplied by the weighted average price per share on the TSX for the five trading days immediately preceding the grant.

Additional Enerflex DSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

DSUs may be granted to eligible participants on an annual basis and will vest upon being credited to the executive ornon-employee director's account. Participants are not able to cash in their DSUs until they are no longer employed by or cease to be directors of Enerflex. The Company satisfies its payment obligation through cash payments to the participant.

DSUs represent an indexed liability of the Company relative to the Company's share price. For the year ended December 31, 2022, the value of directors' compensation and executive bonuses elected to be received in DSUs totalled $2.2 million (December 31, 2021 – $2.1 million). The Company paid $0.6 million for the year ended December 31, 2022 representing units vested in the year (December 31, 2021 – nil).

	Number of DSUs	Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2022	1,406,170	$ 10.51
Granted	307,037	7.12
In lieu of dividends	20,806	6.86
Vested	**(108,500)**	5.45
DSUs outstanding, December 31, 2022	**1,625,513**	**$ 10.16**

The carrying amount of the liability relating to DSUs as at December 31, 2022 included in current liabilities was $3.4 million (December 31, 2021 – nil) and in other long-term liabilities was $10.5 million (December 31, 2021 – $10.8 million).

(d) Phantom Share Entitlement Plan

The Company utilizes a PSE plan for key employees of affiliates located in Australia and the UAE, for whom the Company's Stock Option Plan would have negative personal taxation consequences.

The exercise price of each PSE equals the average of the market price of the Company's shares on the TSX for the five days preceding the date of the grant. The PSEs vest at a rate of one-fifth on each of the first five anniversaries of the date of the grant and expire on the seventh anniversary. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

In 2022, no PSEs were granted to employees (December 31, 2021 –24,715). The intrinsic value of the vested awards at December 31, 2022 was $0.8 million (December 31, 2021 – $0.9 million).

	Number of PSEs	Weighted average grant date fair value per unit
PSEs outstanding, January 1, 2022	222,920	$ 12.15
Expired	(22,669)	11.69
PSEs outstanding, December 31, 2022	**200,251**	**$ 12.21**

The carrying amount of the liability relating to the PSEs as at December 31, 2022 included in current liabilities was $0.3 million (December 31, 2021 – $0.2 million) and in other long-term liabilities was $0.1 million (December 31, 2021 – $0.1 million).

(e) Performance Share Units

The Company offers a PSU plan for executive officers of the Company. A PSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested PSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the grant. Vesting is based on the achievement of performance measures and objectives specified by the Board of Directors. The Board of Directors assess performance to determine the vesting percentage, which can range from zero percent to 200 percent. Within 14 days after the determination of the vesting percentage, the holder will be paid for the vested PSUs either in cash or in shares of the Company acquired on the open market on behalf of the holder, at the discretion of the Company.

Additional Enerflex PSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

The Company paid $2.2 million for the year ended December 31, 2022 representing units vested in the year (December 31, 2021 – $1.0 million).

	Number of PSUs	Weighted average grant date fair value per unit
PSUs outstanding, January 1, 2022	1,308,416	$ 9.02
Granted	634,382	6.29
In lieu of dividends	17,835	6.93
Vested	(318,887)	6.10
PSUs outstanding, December 31, 2022	**1,641,746**	**$ 8.51**

The carrying amount of the liability relating to PSUs as at December 31, 2022 included in current liabilities was $4.0 million (December 31, 2021 – $2.0 million) and in other long-term liabilities was $2.5 million (December 31, 2021 – $2.6 million).

(f) Restricted Share Units

The Company offers a RSU plan to executive officers and other key employees of the Company or its related entities. RSUs may be granted at the discretion of the Board. An RSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested RSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the vesting date. Unless otherwise determined by the Board, RSUs vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested RSUs. Executive officers receive payment in the form of Company shares acquired on the open market, and other key employees receive either cash or Company shares, at the discretion of the Company.

Additional Enerflex RSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

In 2022, the Board granted 995,336 RSUs to executive officers and other key employees of the Company (2021 –472,819). In connection with the Transaction, Enerflex replaced the Exterran cash-settled share-based with 572,260 units RSU's to executive officers and other key employees. The Company paid $2.4 million for units vested during the year ended December 31, 2022 (December 31, 2021 – $2.3 million).

	Number of RSUs	Weighted average grant date fair value per unit
RSUs outstanding, January 1, 2022	896,474	$ 7.62
Granted	995,336	6.29
Acquisition (Note 7)	572,260	6.29
In lieu of dividends	11,344	6.98
Vested	(394,537)	6.15
Forfeited	(79,044)	6.73
RSUs outstanding, December 31, 2022	**2,001,833**	**$ 6.90**

The carrying amount of the liability included in current liabilities relating to RSUs at December 31, 2022 was $4.3 million (December 31, 2021 – $1.3 million) and in other long-term liabilities was $0.7 million (December 31, 2021 – nil).

(g) Cash Performance Target Plan

The Company offers a CPT plan to certain non-executive, U.S.-based employees of the Company or its related entities. The plan is denominated in U.S. dollars and may be granted at the discretion of the Board. Although the liability associated with the CPT plan follows Enerflex's share performance, no actual shares or securities are issued under the plan. The cash payment fluctuates based on the percentage of appreciation or depreciation in the share price over the life of the award, which is calculated using the last five days immediately preceding the vesting date. The cash grants are held for three years, and vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested cash grants, at the discretion of the Company.

During 2022, the Board of Directors distributed $3.1 million of CPT cash grants (2021 – $2.2 million). The Company paid $1.6 million for the year ended December 31, 2022, representing units vested in the year (December 31, 2021 – $1.5 million). The weighted average grant fair value per unit was $6.29 (December 31, 2021 – $7.85), using the average share price over the five days preceding the grant date.

The carrying amount of the liability included in current liabilities relating to CPT plan at December 31, 2022 was $1.4 million (December 31, 2021 – $0.8 million).

(h) Employee Share Purchase Plan

The Company offers an employee share purchase plan whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to $1,000 per employee per annum based on contributions by the Company of $1 for every $3 contributed by the employee. Company contributions vest to the employee immediately. Company contributions are charged to SG&A when paid. This plan is administered by a third party.

NOTE 26. RETIREMENT BENEFITS PLAN

The Company sponsors arrangements for substantially all of its employees through defined contribution plans in Canada, UK, Asia, and Australia, and a 401(k) matched savings plan in the United States. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Both in the case of the defined contribution plans and the 401(k) matched savings plan, the pension expenses recorded in earnings are the amounts of actual contributions the Company is required to make in accordance with the terms of the plans.

Years ended December 31,	2022	2021
Defined contribution plans	**$ 5,169**	$ 4,567
401(k) matched savings plan	**4,110**	3,025
Net pension expense	**$ 9,279**	$ 7,592

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NOTE 27. FINANCE COSTS AND INCOME

Years ended December 31,		2022		2021
Finance Costs				
Short and long-term borrowings[1]	**$**	**46,009**	$	17,252
Interest on lease liability		**3,398**		3,029
Total finance costs	**$**	**49,407**	$	20,281
Finance Income				
Interest income	**$**	**10,484**	$	3,286
Net finance costs	**$**	**38,923**	$	16,995

[1] Finance costs on short and long-term borrowings primarily relate to interest on the Company's newly issued Notes, Term Loan and Revolving Credit Facility. Refer to Note 19 for more information on interest rates on the Notes, Term Loan and Revolving Credit Facility.

NOTE 28. RECONCILIATION OF EARNINGS PER SHARE CALCULATIONS

Year ended December 31, 2022		**Net loss**	**Weighted average shares outstanding**		**Per share**
Basic	**$**	**(100,943)**	**97,045,917**	**$**	**(1.04)**
Dilutive effect of stock option conversion		**-**	**-**		**-**
Diluted	**$**	**(100,943)**	**97,045,917**	**$**	**(1.04)**

Year ended December 31, 2021		Net loss	Weighted average shares outstanding		Per share
Basic	$	(18,455)	89,678,845	$	(0.21)
Dilutive effect of stock option conversion		**-**	-		-
Diluted	$	(18,455)	89,678,845	$	(0.21)

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NOTE 29. FINANCIAL INSTRUMENTS

Designation and Valuation of Financial Instruments

The Company has designated its financial instruments as follows:

December 31, 2022	Carrying value	Estimated fair value
Financial Assets		
Cash and cash equivalents	$ 253,776	$ 253,776
Derivative instruments in designated hedge accounting relationships	901	901
Loans and receivables:		
Accounts receivable	456,578	456,578
Preferred shares receivable	27,954	28,702
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	977	977
Other financial liabilities:		
Accounts payable and accrued liabilities	627,149	627,149
Long-term debt – Revolving Credit Facility	459,202	459,202
Long-term debt – Term Loan	203,160	203,160
Long-term debt – Notes	846,500	869,288
Other long-term liabilities	21,757	21,757

December 31, 2021	Carrying value	Estimated fair value
Financial Assets		
Cash and cash equivalents	$ 172,758	$ 172,758
Derivative instruments in designated hedge accounting relationships	294	294
Loans and receivables:		
Accounts receivable	212,206	212,206
Preferred shares receivables	24,172	27,471
Financial Liabilities		
Derivative instruments in designated hedge accounting relationships	180	180
Other financial liabilities:		
Accounts payable and accrued liabilities	240,747	240,747
Long-term debt – Bank Facility	30,522	30,522
Long-term debt – Asset-Based Facility	37,411	37,411
Long-term debt – Notes	266,865	280,295
Other long-term liabilities	15,785	15,785

Fair Values of Financial Assets and Liabilities

The following table presents information about the Company's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2022 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. During the year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Fair values are determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values determined using inputs including forward market rates and credit spreads that are readily observable and reliable, or for which unobservable inputs are determined not to be significant to the fair value, are categorized as Level 2. If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments. Where this is not feasible, inputs such as liquidity risk, credit risk, and volatility are used.

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Derivative financial instruments	$ 901	$ -	$ 901	$ -
Preferred shares receivable	$ 27,954	$ -	$ 28,702	$ -
Financial Liabilities				
Derivative financial instruments	$ 977	$ -	$ 977	$ -
Long-term debt – Notes	$ 846,500	$ -	$ 869,288	$ -

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other liabilities are reported at amounts approximating their fair values on the consolidated statement of financial position. The fair values approximate the carrying values for these instruments due to their short-term nature.

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on prevailing exchange rates. The financial institution's credit risk is also taken into consideration in determining fair value.

Long-term debt associated with the Company's Notes is recorded at amortized cost using the effective interest rate method. Transaction costs associated with the debt were deducted from the debt and are being recognized using the effective interest rate method over the life of the related debt. The fair value of these Notes, determined on a discounted cash flow basis using a weighted average discount rate of 9.0 percent, was $869.3 million at December 31, 2022.

Preferred Shares

The Company holds preferred shares that were initially recorded at fair value and subsequently measured at amortized cost and recognized as long-term receivables in Other assets. The carrying value and estimated fair value of the preferred shares at December 31, 2022 was $28.0 million and $28.7 million, respectively (December 31, 2021 – $24.2 million and $27.5 million, respectively).

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts are transacted with financial institutions to hedge foreign currency denominated obligations and cash receipts related to purchases of inventory and sales of products.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at December 31, 2022:

		Notional amount	Maturity
Canadian Dollar Denominated Contracts			
Purchase contracts	USD	**$ 29,182**	January 2023 – November 2023
Sales contracts	USD	**(26,180)**	January 2023 – November 2023
Purchase contracts	EUR	**3,568**	January 2023 – March 2023
Sales contracts	EUR	**(2,453)**	March 2023

Management estimates that a loss of $0.1 million would be realized if the contracts were terminated on December 31, 2022. Certain of these forward contracts are designated as cash flow hedges and accordingly, a gain of $0.4 million has been included in other comprehensive income for the year ended December 31, 2022 (December 31, 2021 – gain of $0.2 million). These gains are not expected to affect net earnings as the gains will be reclassified to net earnings and will offset losses recorded on the underlying hedged items, namely foreign currency denominated accounts payable and accounts receivable. The amount removed from other comprehensive income during the year and included in the carrying amount of the hedged items for the year ended December 31, 2022, was a loss of $0.4 million (December 31, 2021 – loss of $0.2 million).

All hedging relationships are formally documented, including the risk management objective and strategy. On an on-going basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

Risks Arising from Financial Instruments and Risk Management

In the normal course of business, the Company is exposed to financial risks that may potentially impact its operating results in any or all of its business segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Foreign Currency Translation Exposure

In the normal course of operations, the Company is exposed to movements in the U.S. dollar, the Australian dollar, and the Brazilian real. In addition, Enerflex has significant international exposure through export from its Canadian operations, as well as a number of foreign subsidiaries, the most significant of which are located in the United States, Argentina, Brazil, Colombia, Mexico, Bahrain, Oman, the UAE, and Australia.

The types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction Exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the U.S. dollar. Most of Enerflex's international orders are manufactured in the United States if the contract is denominated in U.S. dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company identifies and hedges all significant transactional currency risks. The Company has implemented a hedging policy, applicable primarily to the Canadian domiciled business units, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract.

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The Company is also exposed to the translation risk of monetary items in their local currency to their functional currency. The currencies with the most significant impact are the U.S. dollar, Australian dollar, Brazilian real, and Argentine peso. Enerflex currently uses U.S. dollar denominated borrowings to hedge against a portion of the foreign exchange exposure that arises from U.S. foreign subsidiaries as a net investment hedge. As a result, exchange gains and losses on the translation of US$615.8 million in designated foreign currency borrowings are included in accumulated other comprehensive income for the year ended December 31, 2022.

With the ongoing devaluation of the Argentine peso, caused by high inflation, the Company is at risk for significant foreign exchange losses. The Company has implemented risk-mitigating strategies to minimize future exposure to this currency devaluation.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rates in effect at the reporting dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. The following table shows the effect of a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real on net earnings before tax for the year ended December 31, 2022, all else being equal. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis is provided as an indicative range in a volatile currency environment.

Canadian dollar weakens by five percent	USD	AUD	BRL
Earnings from foreign operations			
Earnings before income taxes	$ 4,024	$ (113)	$ 216

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and other comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable, and derivative financial instruments. The following table shows the Company's sensitivity to a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis relates to the position as at December 31, 2022 and for the year then ended.

Canadian dollar weakens by five percent	USD	AUD	BRL
Financial instruments held in foreign operations			
Other comprehensive income	$ 17,625	$ 634	$ 342
Financial instruments held in Canadian operations			
Earnings before income taxes	$ (23,450)	$ -	$ -

The movement in net earnings before tax in Canadian operations is a result of a change in the fair values of financial instruments. The majority of these financial instruments are hedged.

Interest Rate Risk

The Company's liabilities include long-term debt that is subject to fluctuations in interest rates. The Company's Notes outstanding at December 31, 2022 has a fixed interest rate and therefore the related interest expense will not be impacted by fluctuations in interest rates. Conversely, the Company's Revolving Credit Facility and Term Loan are subject to changes in market interest rates.

For each one percent change in the rate of interest on the Revolving Credit Facility and Term Loan, the change in annual interest expense would be $4.6 million. All interest charges are recorded on the annual consolidated statements of earnings as finance costs.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents, accounts receivable, net investment in finance lease, and derivative financial instruments.

The Company has accounts receivable from clients engaged in various industries. These specific industries may be affected by economic factors that may impact accounts receivable. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Credit is extended based on an evaluation of the customer's financial condition and, generally, advance payment is not required. Outstanding customer receivables are regularly monitored and an allowance for doubtful accounts is established based expected credit losses.

The Company evaluates the concentration of risk at December 31, 2022 with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. At December 31, 2022 and 2021, the Company had no individual customers that accounted for more than 10 percent of its revenue or accounts receivable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Company does not hold collateral as security.

The credit risk associated with the net investment in finance leases arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into finance lease transactions only in select circumstances. Close contact is maintained with the customer over the duration of the lease to ensure visibility to issues as and if they arise.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. In managing liquidity risk, the Company has access to a significant portion of its Revolving Credit Facility for future drawings to meet the Company's future growth targets. As at December 31, 2022, the Company held cash and cash equivalents of $253.8 million and had drawn $662.4 million against the Revolving Credit Facility and Term Loan, leaving it with access to $313.8 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Revolving Credit Facility, Term Loan and Notes, with a senior secured net funded debt to EBITDA ratio of 1.1:1, compared to a maximum ratio of 2.5:1, and a net funded debt to EBITDA ("bank-adjusted net debt to EBITDA") ratio of 3.3:1, compared to a maximum ratio of 4.5:1. The Company also finished the year with an interest coverage ratio of 4.4:1 compared to a minimum ratio of 2.5:1. The interest coverage ratio is calculated by dividing the trailing 12-month EBITDA, as defined by the Company's lenders, by interest expense over the same timeframe.

A liquidity analysis of the Company's financial instruments has been completed on a maturity basis. The following table outlines the cash flows, including interest associated with the maturity of the Company's financial liabilities, as at December 31, 2022:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 712	$ 265	$ -	$ 977
Accounts payable and accrued liabilities	627,149	-	-	627,149
Long-term debt – Revolving Credit Facility	-	-	459,202	459,202
Long-term debt – Term Loan	-	27,088	176,072	203,160
Long-term debt – Notes	-	-	846,500	846,500
Other long-term liabilities	-	-	21,757	21,757

The Company expects that cash flows from operations in 2023, together with cash and cash equivalents on hand, the Revolving Credit Facility and the Term Loan, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

NOTE 30. CAPITAL DISCLOSURES

The capital structure of the Company consists of shareholders' equity plus net debt. The Company manages its capital to ensure that entities in the Company will be able to continue to grow while maximizing the return to shareholders through the optimization of the debt and equity balances. The Company adjusts its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new Company shares, or access debt markets.

The Company formally reviews the capital structure on an annual basis and monitors it on anon-going basis. As part of this review, the cost of capital and the risks associated with each class of capital are considered. The Company uses the following measure to monitor its capital structure:

Net Debt to EBITDA Ratio

Net debt to EBITDA is defined as short and long-term debt less cash and cash equivalents at the end of the period, divided by annualized EBITDA. At December 31, 2022, the net debt to EBITDA ratio was:

Years ended December 31,		2022		2021
Long-term debt	$	**1,390,325**	$	331,422
Cash and cash equivalents		**(253,776)**		(172,758)
Net debt	$	**1,136,549**	$	158,664
Earnings before finance costs and income taxes	$	**(40,810)**	$	55,097
Depreciation and amortization		**128,287**		87,622
EBITDA	$	**87,477**	$	142,719
Net debt to EBITDA ratio		**12.99:1**		1.11:1

The net debt to EBITDA ratio, as defined above is not equivalent to the senior secured net funded debt to EBITDA or the bank-adjusted net debt to EBITDA ratio as defined by the Company's lenders. The bank-adjusted net debt to EBITDA ratio at December 31, 2022 was 3.3:1. As at December 31, 2022, the Company was in compliance with its covenants.

NOTE 31. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,		2022		2021
Net change in working capital and other[1]				
Accounts receivable	$	**(56,861)**	$	1,169
Contract assets		**(45,169)**		(16,038)
Inventories		**(78,697)**		39,564
Work-in-progress related to finance leases		**(5,817)**		(36,169)
Finance leases receivable		**(81,049)**		(39,084)
Income taxes receivable		**3,097**		19,986
Prepayments		**(35,198)**		(4,806)
Accounts payable and accrued liabilities and provisions[2]		**77,875**		50,510
Income taxes payable		**(11,042)**		4,931
Deferred revenue		**179,497**		49,205
Foreign currency and other		**(17,954)**		13,669
	$	**(71,318)**	$	82,937

[1] *The net change in working capital and other excludes the impact of assets acquired and liabilities assumed as a part of the Exterran Transaction.*
[2] *The change in accounts payable and accrued liabilities and provisions represents only the portion relating to operating activities.*

Cash interest and taxes paid and received during the period:

Years ended December 31,		2022		2021
Interest paid – short- and long-term borrowings	$	**29,640**	$	17,315
Interest paid – lease liabilities		**3,398**		3,029
Total interest paid	$	**33,038**	$	20,344
Interest received		**1,269**		454
Taxes paid		**27,813**		13,725
Taxes received		**5,399**		23,137

Changes in liabilities arising from financing activities during the period:

Years ended December 31,		2022		2021
Long-term debt, opening balance	$	**331,422**	$	389,712
Debt assumed on Acquisition (Note 7)		**1,022,112**		-
Changes from financing cash flows		**90,973**		(56,975)
The effect of changes in foreign exchange rates		**(4,099)**		(406)
Amortization of deferred transaction costs		**4,046**		1,186
Accretion of Notes discount		**2,070**		-
Debt transaction costs		**(56,199)**		(2,095)
Long-term debt, closing balance	$	**1,390,325**	$	331,422

NOTE 32. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At December 31, 2022, the Company had outstanding letters of credit of $175.1 million (December 31, 2021 - $42.1 million).

The Company has purchase obligations over the next three years as follows:

2023	$	**775,339**
2024		**19,306**
2025		**1,005**

Legal Proceedings

Upon closing of the Transaction, Enerflex assumed a legal dispute from Exterran. On January 31, 2022 the Local Labor Board of the State of Tabasco in Mexico (the "Labor Board") awarded a former employee MXN$2,151.7 million (CAD$149.2 million) in connection with a dispute relating to the employee's severance pay following termination of their employment. On February 24, 2022 this decision was served on Exterran. In March 2015, this employee was terminated and was paid the undisputed portion of their severance pay, as determined by a local labor board. From March 2015 to the present, the former employee has challenged various aspects of the severance payment through court proceedings. The Company has prevailed in these earlier processes and certain facts of the dispute were established by court rulings, including the fact that the employee's salary was approximately MXN$3,500 per day (US$170 per day at the prevailing exchange rate).

We believe the order of the Labor Board is in error and has no credible basis in law or fact. For instance, in 2017, the Labor Board ruled that the former employee was entitled to approximately MXN$1.4 million (approximately US$70,000 at the prevailing exchange rate) as severance based on an appellate court's determination based on Company records that the employee's salary was approximately MXN$3,500 per day. However, the Labor Board's February 2022 order increased the amount the employee is owed to approximately US$120 million, an increase of over 170,000 percent, ignoring the actual salary that had been established and using approximately US$21,000 per day, an increase of over 12,000 percent and an amount the former employee never actually received while working for Exterran's subsidiary. Effectively, the Labor Board awarded the employee approximately 1,900 years of severance based on the correct wage rate.

Exterran appealed the decision, and the appeal is pending before the First Collegiate Court of the Tenth Circuit in Labor Matters, in Villahermosa, Tabasco. Among other errors that are the subject of the appeal is the Labor Board's (a) violation of principles of *res judicata* by disregarding prior court decisions establishing that the former employee's salary was roughly MXN$3,500 per day (US$170 per day at the prevailing exchange rate), (b) ignoring the applicable one-year statute of limitations in these types of matters, and (c) award of salary differences that were never part of the former employee's original or subsequent claims.

The Company is pursuing all available avenues to preserve its rights, including potentially asserting claims against the Mexican government should the First Collegiate Court of the Tenth Circuit in Labor Matters fail to reverse the Labor Board's order.

The Company is involved in litigation and claims associated with normal operations against which certain provisions may be made in the Financial Statements. Management is of the opinion that any resulting settlement arising from the litigation would not materially affect the consolidated financial position, results of operations, or liquidity of the Company.

NOTE 33. RELATED PARTY TRANSACTIONS

(a) Key Management Compensation

Key management includes members of the Board and executive management. Remuneration of directors and executive management is determined by the Board having consideration of overall performance of individuals and market trends. Information on key management compensation is shown below:

Years ended December 31,		2022		2021
Salaries, Director fees and other short-term benefits	$	6,350	$	5,711
Post-employment compensation[1]		721		580
Share-based payments		8,315		6,979

[1]*Post-employment compensation represent the present value of future pension benefits earned during the year.*

(b) Other Related Party Transactions

Enerflex transacts with certain related parties in the normal course of business. Related parties include the Company's 45 percent equity investment in Roska DBO and the Company's 65 percent interest in a joint venture in Brazil.

All transactions occurring with related parties were in the normal course of business operations under the same terms and conditions as transactions with unrelated companies. A summary of the financial statement impacts of all transactions with all related parties is as follows:

Years ended December 31,		2022		2021
Associate – Roska DBO				
Revenue	$	1,755	$	352
Purchases		4		-
Accounts receivable		22		128

All related party transactions are settled in cash.

NOTE 34. SEASONALITY

The energy sector in Canada and in some parts of the USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher revenues in the fourth quarter of each year while Energy Infrastructure and After-Market Services product line revenues have been stable throughout the year. Energy Infrastructure revenues are also impacted by both the Company's and its customers' capital investment decisions. The USA, LATAM and EH segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating.

NOTE 35. SEGMENTED INFORMATION

During the fourth quarter of 2022, the Company re-assessed its operating and reporting segments. Prior to this assessment, the Company's operating and reporting segments were one and the same, with those segments being Canada, USA, and ROW. With the completion of the Exterran acquisition Management noted a change in how the CODM views the organization. On this basis, four operating segments have been identified with no change in the Canada and USA segments, while ROW has been bifurcated into LATAM and EH. For external reporting purposes, Enerflex's reportable segments are as follows:

- North America – comprised of operations in Canada and the USA;
- Latin America – comprised of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru; and
- Eastern Hemisphere – comprised of operations in the Middle East, Africa, Europe and Asia Pacific.

Each of the reporting segments are supported by the Corporate head office. Corporate overheads are allocated to the operating segments based on revenue. In assessing its reportable operating segments, the Company considered economic characteristics, the nature of products and services provided, the nature of production processes, the types of customers for its products and services, and distribution methods used. These considerations factored into the decision to combine Canada and USA into one reporting segment. For each of the operating segments, the CODM reviews internal management reports on at least a quarterly basis.

Goodwill that was previously allocated to the ROW segment was distributed between the LATAM and EH segments on a basis of a relative fair value allocation. The fair value allocation was determined based on the value-in-use for LATAM and EH stand-alone segments and applying that percentage to the goodwill held in ROW.

For the year ended December 31, 2022, the Company had no individual customers which accounted for more than 10 percent of its revenue (December 31, 2021 - none).

The following summary describes the operations of each of the Company's reportable segments:

- NAM generates revenue from manufacturing natural gas infrastructure under contract, refrigeration, processing, and electric power equipment, including custom and standard compression packages and modular natural gas processing equipment, refrigeration systems and water treatment services, in addition to generating revenue from mechanical services and parts, and maintenance solutions, and operating our compression assets under contract for oil and gas and midstream customers;
- LATAM generates revenue from operating our Energy Infrastructure assets under take or pay contracts, providing after-market services, including parts and components, as well as operations, maintenance, and overhaul services; and
- EH generates revenue by operating our Energy Infrastructure assets under take or pay contracts, manufacturing (focusing on large-scale process equipment), after-market services, including parts and components, as well as operations, maintenance, and overhaul services, and rentals of compression and processing equipment.

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies.

The following tables provide certain financial information by geographic area.

Revenues and Operating Income

Years ended December 31,	NAM 2022	NAM 2021	LATAM 2022	LATAM 2021	EH 2022	EH 2021	Total 2022	Total 2021
Segment revenue	**$ 1,303,885**	$ 680,062	**$ 221,628**	$ 106,160	**$ 349,247**	$ 203,585	**$ 1,874,760**	$ 989,807
Intersegment revenue	**(93,778)**	(29,463)	**(434)**	(95)	**(2,750)**	(93)	**(96,962)**	(29,651)
Revenue	**$ 1,210,107**	$ 650,599	**$ 221,194**	$ 106,065	**$ 346,497**	$ 203,492	**$ 1,777,798**	$ 960,156
Revenue – Energy Infrastructure	**141,900**	103,096	**129,723**	66,069	**109,464**	109,488	**381,087**	278,653
Revenue – After-Market Services	**298,333**	215,876	**38,057**	24,158	**107,270**	87,342	**443,660**	327,376
Revenue – Engineered Systems	**769,874**	331,627	**53,414**	15,838	**129,763**	6,662	**953,051**	354,127
Operating income (loss)[1]	**$ 14,769**	$ 18,041	**$ (14,654)**	$ 6,575	**$ 2,157**	$ 29,675	**$ 2,272**	$ 54,291

[1] The company did not receive any government grants during the twelve months ended December 31, 2022 (December 31, 2021 – $ 16.4 million). Government grants are recorded in COGS and SG&A within the interim condensed consolidated statements of earnings in accordance with where the associated expenses were recognized.

Segment Assets

As at December 31,	NAM 2022	NAM 2021	LATAM 2022	LATAM 2021	EH 2022	EH 2021	Total 2022	Total 2021
Segment assets	**$ 1,638,195**	$ 1,547,005	**$ 838,063**	$ 214,340	**$ 831,652**	$ 440,629	**$ 3,307,910**	$ 2,201,974
Goodwill[1]	**224,992**	242,804	**89,264**	85,622	**365,121**	237,844	**679,377**	566,270
Corporate	**-**	-	**-**	-	**-**	-	**282,302**	(576,802)
Total segment assets	**$ 1,863,187**	$ 1,789,809	**$ 927,327**	$ 299,962	**$ 1,196,773**	$ 678,473	**$ 4,269,589**	$ 2,191,442

[1] The total amount of goodwill in the Canada operating segment is $ 40.4 million and, in the USA , operating segment is $184.6 million.

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NOTE 36. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on April 6, 2023, to shareholders of record on March 16, 2023. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

MANAGEMENT'S DISCUSSION AND ANALYSIS March 1, 2023

The Management's Discussion and Analysis ("MD&A") for Enerflex Ltd. ("Enerflex" or "the Company") should be read in conjunction with the audited consolidated financial statements (the "Financial Statements") for the years ended December 31, 2022 and 2021, and the cautionary statements regarding forward-looking information in the "Forward-Looking Statements" section of this MD&A.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise stated.

The MD&A focuses on information and key statistics from the Financial Statements, and considers known risks and uncertainties relating to the energy sector. This discussion should not be considered all-inclusive, as it excludes possible future changes that may occur in general economic, political, and environmental conditions. Additionally, other factors may or may not occur, which could affect industry conditions and/or Enerflex in the future. Additional information relating to the Company can be found in the Company's Annual Information Form ("AIF") and Management Information Circular, which are available on the Company's website as www.enerflex.com and under the Company's SEDAR and EDGAR profiles at www.sedar.com and www.sec.gov/edgar, respectively.

THE COMPANY

On October 13, 2022, Enerflex and Exterran Corporation ("Exterran") combined, creating a premier integrated global provider of energy infrastructure and energy transition solutions. With enhanced scale and capabilities, Enerflex is optimally positioned to serve customers in key natural gas, energy transition, and water treatment markets, which is expected to enhance long-term shareholder value through sustainable improvements in efficiency, profitability, and cash flow generation. Exterran's operations were very complementary to Enerflex, and the combined company will diversify operations across key growth regions where the Company already has a presence, and to provide offerings to a broader base of customers. Additionally, Enerflex's scale of operations and depth of technical expertise provides an advantage over competitors. Our product offerings have also been improved. Energy Infrastructure includes critical infrastructure that Enerflex owns, operates, and manages under contract to its customers' operations. Engineered Systems is the sale of customized modular natural gas-handling and low-carbon solutions, further enhanced by Exterran's expanded capabilities which enable deeper removal of NGL's, oil processing technology, and water treatment applications. After-Market Services offerings include installation, commissioning, O&M, and parts sales, along with global support for all product lines.

Enerflex's Vision of *Transforming Energy for a Sustainable Future* is supported by a long-term strategy that is founded upon the following key pillars: technical excellence in modularized energy solutions; profitable growth achieved through vertically integrated and geographically diverse product offerings; financial strength and discipline; and sustainable returns to shareholders. Through consistent execution of this strategy and regular evaluation of the Company's capital allocation priorities and decisions, Enerflex has managed a resilient business to create shareholder value over its 40-plus-year history.

Enerflex delivers energy infrastructure and energy transition solutions across the globe by leveraging its enhanced presence in growing natural gas markets. The Company's vertically integrated suite of product offerings includes processing, cryogenic, compression, electric power, and produced water solutions, spanning all phases of a project's lifecycle, from front-end engineering and design to after-market service. Enerflex has proven expertise in delivering low-carbon solutions, including carbon capture utilization and storage, electrification, renewable natural gas ("RNG"), and hydrogen solutions, and works closely with its customers to help facilitate global decarbonization efforts.

Headquartered in Calgary, Alberta, Canada, the Company has approximately 5,000 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint operations, operate in over 90 locations globally, including in: Canada, the United States of America ("USA"), Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru, the United Kingdom, the Netherlands, United Arab Emirates ("UAE"), Bahrain, Oman, Egypt, Kuwait, India, Iraq, Nigeria, Pakistan, Saudi Arabia, Australia, China, Indonesia, Malaysia, Singapore, and Thailand.

Enerflex has state-of-the-art fabrication and workshop facilities in Calgary, Alberta, Canada; Houston, Texas, USA; Broken Arrow, Oklahoma, USA; Sharjah, UAE; Brisbane, Queensland, Australia; and Singapore, delivering standard or custom, long-life operating systems – globally. Enerflex is one of the leading suppliers of natural gas compression infrastructure within the energy infrastructure market in the USA, Canada, Latin America, and the Middle East, with a global energy infrastructure fleet of nearly two million horsepower. The Company is a highly qualified service provider with industry-certified mechanics and technicians strategically situated across a network of service locations across the globe.

REPORTING SEGMENT CHANGE

During the fourth quarter of 2022, the Company re-assessed its operating and reporting segments. Prior to this assessment, the Company's operating and reporting segments were one and the same, with those segments being Canada, USA, and Rest of World ("ROW"). With the completion of the Exterran acquisition Management noted a change in how the Chief Operating Decision Maker ("CODM") views the organization. On this basis, four operating segments have been identified with no change in the Canada and USA segments, while ROW has been bifurcated into Latin America ("LATAM") and Eastern Hemisphere ("EH"). For external reporting purposes, Enerflex's reportable segments are as follows:

- North America ("NAM") – comprised of operations in Canada and the USA;
- Latin America – comprised of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru; and
- Eastern Hemisphere – comprised of operations in the Middle East, Africa, Europe and Asia Pacific.

The segments and their product lines are described below.

NORTH AMERICA

- The Energy Infrastructure product line provides natural gas compression infrastructure under contract to oil and natural gas customers in the USA under its Contract Compression operations, primarily operating in crude oil and liquids-rich plays, managing a fleet of low- to high-horsepower packages. These compressor packages are typically used in natural gas gathering systems, gas-lift, wellhead, and other applications primarily in connection with natural gas, natural gas liquids ("NGLs"), and oil production. In addition, power generation rental solutions are available in Canada.
- The Engineered Systems product line consists of custom and standard compression packages for reciprocating and screw compressor applications from Enerflex's manufacturing facilities located in Houston, Texas; Broken Arrow, Oklahoma; and Calgary, Alberta. In addition, the Company engineers, designs, manufactures, constructs, and installs modular natural gas processing equipment, energy transition solutions, cryogenic systems, electric power solutions, water solutions, and carbon capture solutions. Retrofit provides re-engineering, re-configuration, and re-packaging of compressors for various field applications.
- Enerflex provides integrated turnkey ("ITK") power generation, gas compression, and processing facilities. Retrofit solutions provide re-engineering, re-configuration, and re-packaging of compressors for various field applications from certain service branches.
- The After-Market Services product line provides after-market mechanical services and parts distribution, as well as maintenance solutions to the oil and natural gas industry.

LATIN AMERICA

- The Energy Infrastructure product line provides natural gas compression and processing infrastructure under contract to oil and gas customers in the region. Enerflex has several operating Build-Own-Operate-Maintain ("BOOM") facilities of varying size and scope in this region, providing customers with alternate solutions to meet their energy needs. These BOOM facilities provide for the receipt of contracted long-term lease payments and are treated as either operating or finance leases.
- The region provides Engineered Systems products, including ITK natural gas compression, processing, electric power solutions, and water solutions, with local construction and installation capabilities. Most of the equipment deployed in the region is fabricated in Houston, Texas.
- The After-Market Services product line focuses on after-market mechanical services, parts, and components, as well as operations, maintenance, and overhaul services.

EASTERN HEMISPHERE

- The EH segment, comprises of operations in the UK, the Netherlands, UAE, Bahrain, Oman, Egypt, Kuwait, India, Iraq, Nigeria, Pakistan, Saudi Arabia, Australia, China, Indonesia, Malaysia, Singapore, and Thailand.
- The Energy Infrastructure product line provides natural gas compression, power generation, and processing infrastructure under contract to oil and gas customers in the region. Enerflex has several BOOM facilities of varying size and scope in this region providing customers with alternate solutions to meet their energy and water needs. These BOOM facilities provide for the receipt of contracted long-term lease payments and are treated as either operating or finance leases. This segment also provides engineering, design, procurement, project management, and construction services for compression, process, and power generation equipment, as well as rentals, after-market service, parts, and operations and maintenance services for gas compression, power generation, and processing facilities in the region. Manufacturing capabilities are sourced from Enerflex's facilities in Houston, Texas; Sharjah, UAE; and Singapore.
- The Australia region is headquartered in Brisbane, Queensland with additional locations throughout Queensland, Western Australia providing after-market services, equipment supply, parts supply, and general asset management. The Brisbane facility also packages power generation equipment for use across the region.

ENERGY INFRASTRUCTURE

The Energy Infrastructure product line includes infrastructure solutions under contract for natural gas processing, compression, produced water, and electric power equipment. Our infrastructure is deployed across the globe, and provides comprehensive contract operations services to customers in each of those regions. Our Energy Infrastructure product line provides customers with trained personnel, equipment, tools, materials, and supplies to meet their natural gas processing, compression, produced water, and power generation needs, as well as designing, sourcing, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services. These activities give rise to the receipt of future cash payments of varying terms, even though they have different accounting treatments depending on the terms of the lease.

AFTER-MARKET SERVICES

Enerflex's After-Market Services product line provides after-market mechanical services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, long-term service agreements, and technical services to our global customers. The product line operates through an extensive network of branch offices and generally provides its services at the customer's wellsite location using trained technicians and mechanics. Enerflex's after-market service and support business includes distribution and remanufacturing facilities, with significant presence situated in active natural gas producing areas.

ENGINEERED SYSTEMS

The Engineered Systems product line is comprised of the following product offerings: processing, compression, cryogenic, electric power, produced water, and carbon capture solutions. Enerflex can combine one or more of these product offerings into an ITK solution, including civil works, piping and structural fabrication, and electrical, instrumentation, controls, and automation, as well as installation and commissioning. Enerflex's ITK offerings allows customers to simplify their supply chain, eliminate interface risk, and reduce the concept-to-commissioning cycle time of major projects.

Compression packages range from low-specification field compressors to high-specification process compressors for onshore and offshore applications. The Company provides retrofit solutions, including re-engineering, re-configuration, and re-packaging of compressors for various field applications. Processing equipment includes dehydration and liquids recovery, refrigeration and cryogenic processing, oil and natural gas separators, and amine sweetening to remove hydrogen sulfide or carbon dioxide. Electric power units can be natural-gas fired or electric. The Company also delivers systems to treat water from engineering to manufacturing, construction, and commissioning ranging in volumes from approximately 158 m^3 to 160,000 m^3 of water per day.

The Company is exploring opportunities with customers to evaluate decarbonization, carbon capture technology, and supporting infrastructure for renewable energy by leveraging its expertise in providing modularized engineer-to-order process solutions.

FINANCIAL OVERVIEW

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands, except percentages and horsepower)	**2022**	2021[1]	**2022**	2021[1]
Revenue	**$ 689,839**	$ 321,347	**$ 1,777,798**	$ 960,156
Gross margin	**126,814**	55,330	**322,716**	202,222
Selling and administrative expenses ("SG&A")	**175,192**	35,406	**320,444**	147,931
Operating income (loss)	**(48,378)**	19,924	**2,272**	54,291
Earnings before finance costs and income taxes ("EBIT")[2]	**(44,747)**	20,555	**(40,810)**	55,097
Net loss	**$ (81,118)**	$ (32,707)	**$ (100,943)**	$ (18,455)
Key Financial Performance Indicators ("KPI")[3]				
Engineered Systems bookings	**$ 415,073**	$ 324,382	**$ 1,312,883**	$ 768,703
Engineered Systems backlog	**1,505,870**	557,549	**1,505,870**	557,549
Gross margin as a percentage of revenue	**18.4%**	17.2%	**18.2%**	21.1%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")	**$ 17,897**	$ 43,723	**$ 87,477**	$ 142,719
Adjusted EBITDA[4]	**86,143**	36,056	**223,601**	135,053
Distributable cash flow[4]	**(25,806)**	25,271	**44,955**	99,097
Return on capital employed ("ROCE")[5]	**(2.2)%**	3.5%	**(2.2)%**	3.5%

[1] Comparative figures throughout this MD&A represent only Enerflex's results prior to the closing of the Transaction on October 13, 2022, and therefore do not reflect pre-acquisition historical data from Exterran.

[2] EBIT includes a $48.0 million goodwill impairment for the year ended December 31, 2022 (December 31, 2021 – nil).

[3] These KPI's are non-IFRS measures. Further detail is provided in the Non-IFRS Measures section of this MD&A.

[4] Please refer to the Non-IFRS Measures section of this MD&A for more information on distributable cash flow.

[5] Determined by using the trailing 12-month period.

FOURTH QUARTER 2022 OVERVIEW

For the three months ended December 31, 2022:

- On October 13, 2022, the Company completed its acquisition of Exterran. Enerflex acquired Exterran by issuing 1.021 common shares of Enerflex for each share of Exterran common stock held. The total purchase consideration was approximately $222.6 million which included a total share value of $213.9 million on the exchange of shares; $8.6 million on the fair value of vested stock-based compensation.
- On October 12, 2022, Enerflex successfully closed its private offering (the "Offering") of US$625 million aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Upon closing of the Transaction, Enerflex used the net proceeds of the Offering, together with its US$150 million three-year secured term loan facility, an initial draw under its US$700 million three-year secured revolving credit facility (the "Revolving Credit Facility"), and cash on hand, to fully repay the existing Enerflex and Exterran notes and revolving credit facilities and put in place a new debt capital structure. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes and will provide liquidity for Enerflex.
- Engineered Systems bookings totaled $415.1 million, up significantly from $324.4 million in the same period of 2021, reflecting the increased activity in the manufacturing business, particularly in NAM.
- Engineered Systems backlog at December 31, 2022 was $1.5 billion compared to the backlog of $557.5 million at December 31, 2021. This $948.3 million increase was driven by the contracts acquired from Exterran, as well as a significant increase in Engineered Systems bookings, reflecting increased manufacturing activity in NAM.
- The Company recorded revenue of $689.8 million compared to $321.3 million in the comparable period. This increase is due to the contributions of the acquired Exterran businesses, a stronger opening backlog leading to improved Engineered Systems revenues, an increase in After-Market Services activities from improved parts sales and customer maintenance activities, and higher Energy Infrastructure revenue, primarily from higher contract compression utilizations in the USA, and the commencement of a finance lease project in the Middle East.
- Gross margin was $126.8 million, and 18.4 percent for the fourth quarter of 2022 compared to $55.3 million, and 17.2 percent for the comparable period. The higher gross margin is primarily due to the additional revenues contributed from Exterran, a higher margin opening backlog, primarily in the NAM segment, and an overall increased volume of work.
- SG&A of $175.2 million in the fourth quarter of 2022 was up from $35.4 million in the same period last year. This increase is primarily the result of $56.5 million of one-time Transaction costs, foreign exchange losses due to the ongoing devaluation of the Argentine peso, higher total compensation costs, increased share-based compensation on mark-to-market movements and increased third party service costs.
- The ongoing devaluation of the Argentine peso, caused by high inflation, resulted in foreign exchange losses of $18.0 million. Foreign exchange losses were partially offset by $6.7 million of interest income from associated instruments, though such offsets are not reflected in operating loss. The Company has implemented risk-mitigating strategies to minimize future exposure to this currency devaluation.
- A reported operating loss of $48.4 million was lower than the prior period operating income of $19.9 million, primarily due to the significantly higher SG&A in the fourth quarter of 2022, offset by increased gross margin from higher revenue.
- The Company invested $66.5 million in Energy Infrastructure assets; the majority of which was directed at major projects in EH which are now in commercial operation, while further expenditures were made towards the organic expansion of the USA contract compression fleet. The Company also invested $14.8 million for the construction of a natural gas infrastructure asset that was awarded in the fourth quarter of 2021 and will be accounted for as a finance lease. At December 31, 2022, the USA contract compression fleet totaled approximately 397,000 horsepower and its average fleet utilization was a record 95 percent for the quarter.
- At December 31, 2022, the Company's senior secured net funded debt to EBITDA ratio was 1.1:1, compared to a maximum ratio of 2.5:1, and the Company's net funded debt to EBITDA ("bank-adjusted net debt to EBITDA") ratio was 3.3:1, compared to a maximum ratio of 4.5:1.
- Subsequent to December 31, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on April 6, 2023, to shareholders of record on March 16, 2023. The Board of Directors (the "Board") will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

For the twelve months ended December 31, 2022:

- Engineered Systems bookings totaled $1.3 billion, up significantly from $768.7 million in the same period last year, reflecting the increased activity in Enerflex's manufacturing business. Movement in foreign exchange rates resulted in an increase of $35.5 million on foreign currency denominated backlog during the twelve months of 2022.
- Enerflex generated revenue of $1,777.8 million compared to $960.2 million in the prior year. Higher revenue generated in 2022 resulted from strengthened business activity including contributions from Exterran. Furthermore, revenue was driven by a higher opening backlog, a considerable increase in After-Market Services activities from improved parts sales and customer maintenance activities, and higher energy infrastructure utilizations in the USA.
- Gross margin was $322.7 million, and 18.2 percent compared to $202.2 million, and 21.1 percent in the comparative period. This increase to gross margin is primarily due to higher revenues from the increased volume of work, as well as contributions from Exterran. However, the Company reported a lower gross margin percent due to a shift in the product mix.
- The Company recognized a $48.0 million goodwill impairment in the Canada segment during the third quarter of 2022.
- SG&A of $320.4 million increased from $147.9 million in 2021. This increase is primarily the result of $70.6 million of one-time Transaction costs and losses on foreign exchange during the fourth quarter of 2022. The unfavorable variance is further driven by higher total compensation costs, foreign exchange impacts in Latin America, increased share-based compensation on mark-to-market movements, and increased third party service costs, all due to the higher activity levels for the Company.

ADJUSTED EBITDA

The Company's results include items that are unique and items that Management and users of the financial statements adjust for when evaluating the Company's results. The presentation of Adjusted EBITDA should not be considered in isolation from EBIT or EBITDA. Adjusted EBITDA may not be comparable to similar measures presented by other companies and should not be considered in isolation or as a replacement for measures prepared as determined under IFRS.

The Company defines Adjusted EBITDA as earnings before finance costs, taxes , and depreciation and amortization. Further adjustments for items that are unique or not in the normal course of continuing operations and increases the comparability across items within the financial statements or between periods of financial statements. An example of items that are considered unique are transaction costs, while items that increase comparability include stock-based compensation which fluctuates based on share price, which can be influenced based on items directly relevant to the current period of operations of the Company. Items the Company have considered in the past, but not limited to include transaction costs, share-based compensation, severance costs associated with restructuring activities, government grants, the impact of finance leases, impairments or gains on idle facilities and impairment of goodwill, which are unique, non-recurring and non-cash transactions, that are not indicative of the ongoing normal operations of the Company.

The Company modified its Adjusted EBITDA metric in the fourth quarter of 2022 to include the impact of finance leases. Where Enerflex is the lessor, leases are assessed upon commencement and classified as either an operating or finance lease. For finance leases, an upfront gain is recognized equal to the fair value of the equipment, or if lower, the present value of the minimum lease payments at a market rate of interest. Subsequent to this initial recognition, financing income is recognized reflecting a constant rate of return on the outstanding lease receivable from the end customer. The Company believes that the inclusion of finance leases in its Adjusted EBITDA calculation provides a better understanding of Enerflex's cash generating capabilities and also improves comparability for similar assets with different contract terms.

($ thousands)	Three months ended December 31, 2022 Total	NAM	LATAM	EH
EBIT	**$ (44,747)**	**$ (5,551)**	**$ (22,632)**	**$ (16,564)**
Transaction and integration costs	**56,502**	**30,092**	**14,206**	**12,204**
Share-based compensation	**11,683**	**6,921**	**2,622**	**2,140**
Depreciation and amortization	**62,644**	**23,211**	**18,565**	**20,868**
Finance leases	**61**	**21**	**663**	**(623)**
Adjusted EBITDA[1]	**$ 86,143**	**$ 54,694**	**$ 13,424**	**$ 18,025**

[1] Included in LATAM's EBIT is a foreign exchange loss of $18.0 million based on the devaluation of the Argentine peso, caused by high inflation. The Company did recognize an offsetting interest income of $6.7 million from associated instruments that are not reflected in EBIT. If this interest income was presented in EBIT, Adjusted EBITDA for the three months ended December 31, 2022 would have been $20.1 million for LATAM and $92.8 million for Consolidated Enerflex.

($ thousands)	Three months ended December 31, 2021 Total	NAM	LATAM	EH
EBIT	$ 20,555	$ 9,368	$ 3,134	$ 8,053
Government grants in COGS and SG&A	(2,011)	(2,001)	-	(10)
Share-based compensation	(224)	31	42	(297)
Depreciation and amortization	23,168	13,288	6,807	3,073
Finance leases	(5,432)	106	-	(5,538)
Adjusted EBITDA	$ 36,056	$ 20,792	$ 9,983	$ 5,281

($ thousands)	Twelve months ended December 31, 2022 Total	NAM	LATAM	EH
EBIT	**$ (40,810)**	**$ (28,414)**	**$ (14,550)**	**$ 2,154**
Transaction and integration costs	**70,554**	**40,288**	**15,790**	**14,476**
Share-based compensation	**16,162**	**9,746**	**3,488**	**2,928**
Depreciation and amortization	**128,287**	**63,973**	**34,344**	**29,970**
Impairment of goodwill	**48,000**	**48,000**	**-**	**-**
Finance leases	**1,408**	**181**	**663**	**564**
Adjusted EBITDA[1]	**$ 223,601**	**$ 133,774**	**39,735**	**$ 50,092**

[1] Included in LATAM's EBIT is a foreign exchange loss of $18.0 million based on the devaluation of the Argentine peso, caused by high inflation. The Company did recognize an offsetting interest income of $6.7 million from associated instruments that are not reflected in EBIT. If this interest income was presented in EBIT, Adjusted EBITDA for the twelve months ended December 31, 2022 would have been $46.4 million for LATAM and $230.3 million for Consolidated Enerflex.

($ thousands)	Twelve months ended December 31, 2021 Total	NAM	LATAM	EH
EBIT	$ 55,097	$ 18,712	$ 6,745	$ 29,640
Severance costs in COGS and SG&A	749	547	142	60
Government grants in COGS and SG&A	(16,361)	(16,351)	-	(10)
Share-based compensation	12,937	7,995	2,529	2,413
Depreciation and amortization	87,622	50,329	22,783	14,510
Finance leases	(4,991)	547	-	(5,538)
Adjusted EBITDA	$ 135,053	$ 61,779	$ 32,199	$ 41,075

Please refer to the section "Segmented Results" for additional information about results by geographic location.

ENGINEERED SYSTEMS BOOKINGS AND BACKLOG

Enerflex monitors its Engineered Systems bookings and backlog as indicators of future revenue generation and business activity levels. Bookings are recorded in the period when a firm commitment or order is received from customers. Bookings increase backlog in the period they are received, while revenue recognized on Engineered Systems products decreases backlog in the period the revenue is recognized.

The following tables set forth the Engineered Systems bookings and backlog by reporting segment:

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021
Engineered Systems Bookings				
NAM	**$ 352,566**	$ 189,012	**$ 1,213,254**	$ 582,724
LATAM	**44,157**	20,442	**75,118**	29,335
EH	**18,350**	114,928	**24,511**	156,644
Total bookings	**$ 415,073**	$ 324,382	**$ 1,312,883**	$ 768,703

($ thousands)	**December 31, 2022**	December 31, 2021
Engineered Systems Backlog		
NAM	**$ 1,074,151**	$ 377,894
LATAM	**52,825**	24,221
EH	**378,894**	155,434
Total backlog	**$ 1,505,870**	$ 557,549

Reflecting continued operational momentum in its manufacturing business, Enerflex recorded strong bookings of $415.1 million and $1.3 billion during the three months and twelve months ended December 31, 2022. Fourth quarter 2022 bookings were the Company's largest quarterly bookings since 2018. Significant increases from 2021 were primarily driven by higher bookings in NAM, while the year-over-year decrease in EH bookings is primarily resulted from a large, manufactured equipment booking being recorded in the fourth quarter of 2021.

The Engineered Systems backlog of $1.5 billion at December 31, 2022 has grown from December 31, 2021, as a result of the backlog acquired from Exterran, $588.5 million and the strong bookings outpacing revenue recognized in the period. The change in exchange rates resulted in a decrease in foreign currency-denominated backlog of $16.3 million during the three months ended December 31, 2022, and an increase of $35.5 million during the year ended December 31, 2022, compared to an increase of $0.9 million and $5.7 million in the same periods of 2021.

The global demand for natural gas remains robust, and Enerflex is well positioned to expand its Engineered Systems business by serving the growing natural gas markets in the Company's key operating regions. However, continued volatility in commodity prices and recessionary fears could affect the Company's ability to secure future bookings.

SEGMENTED RESULTS

Enerflex has three reportable operating segments: NAM, LATAM and EH, each of which are supported by Enerflex's corporate function. Corporate overheads are allocated to the operating segments based on revenue. In assessing its operating segments, the Company considers economic characteristics, the nature of products and services provided, the nature of production processes, the types of customers for its products and services, and distribution methods used.

NORTH AMERICA SEGMENT RESULTS

($ thousands, except percentages)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
Engineered Systems bookings	**$ 352,566**	$ 189,012	**$ 1,213,254**	$ 582,724
Engineered Systems backlog	**1,074,151**	377,894	**1,074,151**	377,894
Segment revenue	**$ 443,006**	$ 229,844	**$ 1,303,885**	$ 680,062
Intersegment revenue	**(22,333)**	(7,316)	**(93,778)**	(29,463)
Revenue	**$ 420,673**	$ 222,528	**$ 1,210,107**	$ 650,599
Revenue – Energy Infrastructure	**$ 36,673**	$ 27,518	**$ 141,900**	$ 103,096
Revenue – After-Market Services	**$ 88,688**	$ 60,700	**$ 298,333**	$ 215,876
Revenue – Engineered Systems	**$ 295,312**	$ 134,310	**$ 769,874**	$ 331,627
Operating income (loss)	**$ (9,081)**	$ 8,843	**$ 14,769**	$ 18,041
EBIT	**$ (5,551)**	$ 9,368	**$ (28,414)**	$ 18,712
EBITDA	**$ 17,660**	$ 22,656	**$ 35,559**	$ 69,041
NAM revenue as a % of consolidated revenue	**61.0%**	69.2%	**68.1%**	67.8%
Operating income (loss) as a % of revenue	**(2.2)%**	4.0%	**1.2%**	2.8%
EBIT as a % of revenue	**(1.3)%**	4.2%	**(2.3)%**	2.9%
EBITDA as a % of revenue	**4.2%**	10.2%	**2.9%**	10.6%

NAM recorded Engineered Systems bookings of $352.6 million in the fourth quarter of 2022, which is a considerable increase of $163.6 million compared to the same period in the prior year. The increase is attributable to a large volume of bookings in both Canada and the USA. Increased bookings reflect improved activity levels in the oil and natural gas industry in Canada and the USA. Sold margins continue to increase on new bookings.

Revenue increased by $198.1 million and $559.5 million during the three and twelve months ended December 31, 2022 compared to the same periods last year. These increases are primarily due to higher Engineered Systems revenue on improved activity levels, a stronger opening backlog and continuing upward trend in bookings as well as the contribution from Exterran. After-Market Services revenues increased on strong parts sales, inflationary price adjustments and increased volume of work. Finally, Energy Infrastructure revenue was higher from increased contract compression utilizations, a larger fleet and improved pricing, as well as a non-recurring equipment sale of approximately $11.6 million during the third quarter of 2022, contributing to the increase over the prior year. Gross margin increased during the three and twelve months ended December 31, 2022 compared to last year, which is attributable to the increased activity and higher revenues generated by all product lines. During the year, the Company proactively worked with its customers and vendors, where possible, to mitigate supply chain challenges and inflationary pressures. As a result, the Company was able to trigger certain contract clauses to increase cost recoveries, rates, and pricing practices to better align with the current market environment.

SG&A was higher during the three and twelve months ended December 31, 2022 compared to the same periods last year as a result of allocated one-time Transaction costs, increased total compensation and higher share-based compensation.

The Company recorded an operating loss during the three months ended December 31, 2022 when compared to the same period in 2021, and lower operating income during the twelve months ended December 31, 2022 when compared to 2021. The decreases are due to the increase in SG&A, partially offset by the increased revenue generated by all three product lines.

At December 31, 2022, the USA contract compression fleet totaled approximately 397,000 horsepower. The average utilization of the USA contract compression fleet for the three months and twelve months ended December 31, 2022 was 95 percent and 94 percent, significant increases from 82 percent and 83 percent in the comparative periods in 2021 due to strengthening customer demand and improving market fundamentals.

NAM recognized a $48.0 million goodwill impairment in Canada during the third quarter of 2022 due to rising interest rates.

LATIN AMERICA SEGMENT RESULTS

($ thousands, except percentages)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
Engineered Systems bookings	**$ 44,157**	$ 20,442	**$ 75,118**	$ 29,335
Engineered Systems backlog	**52,825**	24,221	**52,825**	24,221
Segment revenue	**$ 98,964**	$ 33,576	**$ 221,628**	$ 106,160
Intersegment revenue	**(399)**	(29)	**(434)**	(95)
Revenue	**$ 98,565**	$ 33,547	**$ 221,194**	$ 106,065
Revenue – Energy Infrastructure	**$ 76,801**	$ 18,807	**$ 129,723**	$ 66,069
Revenue – After-Market Services	**$ 16,923**	$ 8,657	**$ 38,057**	$ 24,158
Revenue – Engineered Systems	**$ 4,841**	$ 6,083	**$ 53,414**	$ 15,838
Operating income (loss)	**$ (22,736)**	$ 3,028	**$ (14,654)**	$ 6,575
EBIT	**$ (22,632)**	$ 3,134	**$ (14,550)**	$ 6,745
EBITDA	**$ (4,067)**	$ 9,941	**$ 19,794**	$ 29,528
LATAM revenue as a % of consolidated revenue	**14.3%**	10.4%	**12.4%**	11.0%
Operating income as a % of revenue	**(23.1)%**	9.0%	**(6.6)%**	6.2%
EBIT as a % of revenue	**(23.0)%**	9.3%	**(6.6)%**	6.4%
EBITDA as a % of revenue	**(4.1)%**	29.6%	**8.9%**	27.8%

Engineered Systems bookings were higher during the three and twelve months ended December 31, 2022 compared to the same period of 2021 by $23.7 million and $45.8 million, respectively. These increases were the result of increased activity in the segment, as well as favourable foreign exchange impacts.

During the three and twelve months ended December 31, 2022, LATAM revenues increased by $65.0 million and $115.1 million when compared to the same periods last year. Generally, the increase in revenue reflects the contribution of Exterran, especially in the Energy Infrastructure product line. Engineered Systems revenue for the fourth quarter of 2022 was lower than the same period in 2021 due to a smaller opening backlog position. After-Market Services revenues improved due to higher parts sales. Gross margins increased in the three and twelve months of 2022 compared to the same periods last year on higher overall revenues, partially offset by the impact of supply chain disruptions and inflation.

SG&A was higher during the three and twelve months ended December 31, 2022 compared to the same periods last year as a result of one-time Transaction costs, foreign exchange losses from the ongoing devaluation of the Argentine peso, increased total compensation, and higher share-based compensation.

The LATAM segment had an operating loss in the three and twelve months ended December 31, 2022 compared to operating income in the same periods of 2021. These losses are a result of higher SG&A, partially offset by much improved activity levels that resulted in higher revenues.

EASTERN HEMISPHERE SEGMENT RESULTS

($ thousands, except percentages)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
Engineered Systems bookings	**$ 18,350**	$ 114,928	**$ 24,511**	$ 156,644
Engineered Systems backlog	**378,894**	155,434	**378,894**	155,434
Segment revenue	**$ 173,022**	$ 65,291	**$ 349,247**	$ 203,585
Intersegment revenue	**(2,421)**	(19)	**(2,750)**	(93)
Revenue	**$ 170,601**	$ 65,272	**$ 346,497**	$ 203,492
Revenue – Energy Infrastructure	**$ 49,449**	$ 41,905	**$ 109,464**	$ 109,488
Revenue – After-Market Services	**$ 39,915**	$ 21,497	**$ 107,270**	$ 87,342
Revenue – Engineered Systems	**$ 81,237**	$ 1,870	**$ 129,763**	$ 6,662
Operating income (loss)	**$ (16,561)**	$ 8,053	**$ 2,157**	$ 29,675
EBIT	**$ (16,564)**	$ 8,053	**$ 2,154**	$ 29,640
EBITDA	**$ 4,304**	$ 11,126	**$ 32,124**	$ 44,150
EH revenue as a % of consolidated revenue	**24.7%**	20.3%	**19.5%**	21.2%
Operating income (loss) as a % of revenue	**(9.7)%**	12.3%	**0.6%**	14.6%
EBIT as a % of revenue	**(9.7)%**	12.3%	**0.6%**	14.6%
EBITDA as a % of revenue	**2.5%**	17.0%	**9.3%**	21.7%

During the fourth quarter of 2022, the EH region successfully commenced operations on a previously announced finance lease project and a previously announced water infrastructure project. These projects will help provide further revenue stability in the region as we continue to support our customers.

Bookings in the fourth quarter of 2022 decreased to $18.4 million compared to $114.9 million in the comparable period. The year-over-year decrease is due to the booking of two large 10-year natural gas infrastructure contracts that were awarded in the fourth quarter of 2021, which did not repeat in the current quarter. EH's backlog significantly increased in the fourth quarter of 2022 as a result of the addition from Exterran, however the increase was partially offset by the commencement of one of the aforementioned 10-year natural gas infrastructure contracts that were booked during the fourth quarter of 2021.

Revenue increased by $105.3 million and $143.0 million during the three and twelve months ended December 31, 2022 compared to the same periods last year. Generally, the increase in revenue reflects the contribution from Exterran's operations in the fourth quarter of 2022. Additionally, higher Engineered Systems revenue from the commencement and recognition of a finance lease project. And After-Market Services revenues increased from higher customer maintenance activities and parts sales. Energy Infrastructure revenue increased during the fourth quarter of 2022, supported by the aforementioned water infrastructure project, and the contribution from the Exterran transaction. Energy Infrastructure revenue decreased for the full year of 2022 compared to 2021 due to the recognition of a larger finance lease project through the Energy Infrastructure product line in the prior year, partially offset by the addition of Exterran's business. Gross margins in the three and twelve months ended December 31, 2022 were higher than the comparable periods in 2021 primarily due to increased revenue, partially offset by availability bonuses in 2021 that did not repeat.

SG&A was higher in the three and twelve months ended December 31, 2022 compared to the same periods in 2021. This unfavorable variance is the result of one-time transaction costs, increased share-based compensation on mark-to-market movements, and increased overall total compensation costs.

The EH segment reported an operating loss during the three months ended December 31, 2022 compared to operating income in the same period of 2021. These losses are a result of higher SG&A and a lower gross margin percentage from Exterran's contracts. EH reported a lower operating income for the twelve months ended December 31, 2022 compared to last year as a result of higher revenues, partially offset by higher SG&A.

GROSS MARGIN BY PRODUCT LINE

Each of Enerflex's regional business segments participates in each of the three main product lines described above: Energy Infrastructure, After-Market Services and Engineered Systems.

The Company considers its Energy Infrastructure and After-Market Services product lines to be recurring in nature, given that revenues are typically contracted and extend into the future. The Company aims to diversify and expand Energy Infrastructure and After-Market Services offerings, which the Company believes offer longer-term stability in earnings compared to Engineered Systems revenue, which historically have been dependent on the cyclical demand for new compression, process, and electric power equipment. While individual Energy Infrastructure and After-Market Services contracts are subject to cancellation or have varying lengths, the Company does not believe these characteristics preclude these product lines from being considered recurring in nature.

The components of each product line's gross margins are disclosed in the tables below.

	Three months ended December 31, 2022			
($ thousands)	**Total**	**Energy Infrastructure**	**After-Market Services**	**Engineered Systems**
Revenue	**$ 689,839**	**$ 162,923**	**$ 145,526**	**$ 381,390**
Cost of goods sold:				
Operating expenses	**512,604**	**64,843**	**116,636**	**331,125**
Depreciation and amortization	**50,421**	**43,205**	**2,831**	**4,385**
Gross margin	**$ 126,814**	**$ 54,875**	**$ 26,059**	**$ 45,880**
Gross margin %	**18.4%**	**33.7%**	**17.9%**	**12.0%**

	Three months ended December 31, 2021			
($ thousands)	Total	Energy Infrastructure	After-Market Services	Engineered Systems
Revenue	$ 321,347	$ 88,230	$ 90,854	$ 142,263
Cost of goods sold:				
Operating expenses	245,908	44,951	73,927	127,030
Depreciation and amortization	20,109	12,577	3,552	3,980
Gross margin	$ 55,330	$ 30,702	$ 13,375	$ 11,253
Gross margin %	17.2%	34.8%	14.7%	7.9%

	Twelve months ended December 31, 2022			
($ thousands)	**Total**	**Energy Infrastructure**	**After-Market Services**	**Engineered Systems**
Revenue	**$ 1,777,798**	**$ 381,087**	**$ 443,660**	**$ 953,051**
Cost of goods sold:				
Operating expenses	**1,347,098**	**151,570**	**362,058**	**833,470**
Depreciation and amortization	**107,984**	**88,239**	**10,355**	**9,390**
Gross margin	**$ 322,716**	**$ 141,278**	**$ 71,247**	**$ 110,191**
Gross margin %	**18.2%**	**37.1%**	**16.1%**	**11.6%**

($ thousands)	Total	Energy Infrastructure	After-Market Services	Engineered Systems
				Twelve months ended December 31, 2021
Revenue	$ 960,156	$ 278,653	$ 327,376	$ 354,127
Cost of goods sold:				
Operating expenses	682,574	110,107	264,133	308,334
Depreciation and amortization	75,360	54,758	10,679	9,923
Gross margin	$ 202,222	$ 113,788	$ 52,564	$ 35,870
Gross margin %	21.1%	40.8%	16.1%	10.1%

INCOME TAXES

The Company had an income tax expense of $10.3 million and $21.2 million for the three and twelve months ended December 31, 2022, compared to an income tax expense of $50.9 million and $56.6 million in the same periods of 2021. Income tax expense for 2022 was lower due to the reduction in taxable income driven by lower operating income. The decrease is partially offset by the goodwill impairment recognized during the year, and the impact of unrecognized losses in foreign jurisdictions.

ACQUISITION OF EXTERRAN

On October 13, 2022, the Company completed the previously announced acquisition of Exterran. Pursuant to the Transaction, Enerflex acquired all issued and outstanding Exterran common stock in exchange for 1.021 Enerflex common shares for each whole common stock of Exterran. Enerflex's common shares continue to trade on the Toronto Stock Exchange ("TSX") under the symbol "EFX", and the Company commenced trading on the New York Stock Exchange ("NYSE") under the symbol "EFXT" on October 13, 2022. The Company will remain headquartered in Calgary, Alberta, Canada.

As consideration for the Transaction, Enerflex issued 34,013,055 common shares with a fair value of $213.9 million, based on the October 12, 2022 closing share price of $6.29, as reported by the TSX. Enerflex also provided consideration of $8.6 million representing the fair value of vested stock-based compensation. Goodwill of approximately $139.4 million was generated as a result of the Transaction.

Headquartered in Houston, Texas, Exterran had approximately 3,000 employees with operations in the USA, Argentina, Bolivia, Brazil, Mexico, Bahrain, Iraq, Oman, Nigeria, the UAE, China, Indonesia, Singapore and Thailand. Exterran's operations were very complementary to Enerflex as they provide processing, treating, compression and water treatment services through the operation of natural gas compression equipment, crude oil and natural gas production and process equipment and water treatment equipment through their contract operations line of business. In their after-market service business line, Exterran sold parts and components, and provided operations, maintenance, repair, overhaul, upgrade, start-up and commissioning and reconfiguration services that own their own oil and natural gas compression, production, treating and related equipment. And in their product sales, Exterran designed, engineered, manufactured, installed and sold equipment used in the treating and processing of crude oil, natural gas and water as well as natural gas compression packages. These were offered on either a contract operations basis or a sale basis.

Concurrent with the closing of the Transaction, Enerflex successfully closed its previously announced private offering of US$625 million aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Enerflex used the net proceeds of approximately US$578 million of the Offering, together with its US$150 million three-year secured term loan facility, an initial draw under its US$700 million three-year secured revolving credit facility, and cash on hand, to fully repay the existing Enerflex and Exterran notes and revolving credit facilities and put in place a new debt capital structure. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes and will provide significant liquidity for Enerflex.

The Company is subject to covenants under its new structure, all calculated on a rolling four-quarter basis:

- Senior secured net funded debt to EBITDA ratio not to exceed 2.5:1 for each quarter end;
- Net funded debt to EBITDA ratio not to exceed 4.5:1 at each quarter end up to September 30, 2023, where the ratio will be adjusted to a maximum of 4.0:1 for each quarter after September 30, 2023; and
- Interest coverage ratio for each quarter end not to be less than 2.5:1

Legal Proceedings

Upon closing of the Transaction, Enerflex assumed a legal dispute from Exterran. On January 31, 2022 the Local Labor Board of the State of Tabasco in Mexico (the "Labor Board") awarded a former employee MXN$2,151.7 million (CAD$149.2 million) in connection with a dispute relating to the employee's severance pay following termination of their employment. On February 24, 2022 this decision was served on Exterran. In March 2015, this employee was terminated and was paid the undisputed portion of their severance pay, as determined by a local labor board. From March 2015 to the present, the former employee has challenged various aspects of the severance payment through court proceedings. The Company has prevailed in these earlier processes and certain facts of the dispute were established by court rulings, including the fact that the employee's salary was approximately MXN$3,500 per day (US$170 per day at the prevailing exchange rate).

We believe the order of the Labor Board is in error and has no credible basis in law or fact. For instance, in 2017, the Labor Board ruled that the former employee was entitled to approximately MXN$1.4 million (approximately US$70,000 at the prevailing exchange rate) as severance based on an appellate court's determination based on Company records that the employee's salary was approximately MXN$3,500 per day. However, the Labor Board's February 2022 order increased the amount the employee is owed to approximately US$120 million, an increase of over 170,000 percent, ignoring the actual salary that had been established and using approximately US$21,000 per day, an increase of over 12,000 percent and an amount the former employee never actually received while working for our subsidiary. Effectively, the Labor Board awarded the employee approximately 1,900 years of severance based on the correct wage rate.

Exterran appealed the decision, and the appeal is pending before the First Collegiate Court of the Tenth Circuit in Labor Matters, in Villahermosa, Tabasco. Among other errors that are the subject of the appeal is the Labor Board's (a) violation of principles of res judicata by disregarding prior court decisions establishing that the former employee's salary was roughly MXN$3,500 per day (US$170 per day at the prevailing exchange rate), (b) ignoring the applicable one-year statute of limitations in these types of matters, and (c) award of salary differences that were never part of the former employee's original or subsequent claims.

The Company is pursuing all available avenues to preserve its rights, including potentially asserting claims against the Mexican government should the First Collegiate Court of the Tenth Circuit in Labor Matters fail to reverse the Labor Board's order.

The Company is involved in litigation and claims associated with normal operations against which certain provisions may be made in the Financial Statements. Management is of the opinion that any resulting settlement arising from the litigation would not materially affect the consolidated financial position, results of operations, or liquidity of the Company.

OUTLOOK

The underlying macro drivers for Enerflex's business are robust, with the ongoing focus on global energy security and the growing need for low-emission natural gas resulting in significant demand for Enerflex's energy infrastructure and energy transition solutions.

2023 Priorities

Following the completion of the Transaction, Enerflex's focus has shifted to integration efforts and realizing the benefits identified through the evaluation process. The Company has identified US$60 million of annual run-rate synergies, which are expected to be captured within 12 to 18 months of the closing of the Transaction and be attained primarily through increased operational efficiencies and reductions in overhead. To date, Enerflex has captured approximately US$40 million of synergies.

In 2023, Enerflex will advance the following in-flight project in the Middle East toward completion:

- The delivery of a modularized cryogenic natural gas processing facility that will be accounted for as a product sale. The facility, which experienced customer delays in 2022, has recently been reanimated and is now expected to be completed in 2024.

Three additional projects in the Middle East were recently completed:

• A BOOM produced water facility that started operations in the fourth quarter of 2022, and is underpinned by a four-year take-or-pay contract with a national oil company.
• A natural gas infrastructure asset that started operations in early 2023, and is underpinned by a 10-year take-or-pay contract with a national oil company.
• A BOOM produced water facility that started operations in early 2023, and is underpinned by a 10-year take-or-pay contract with a joint venture between a national oil company and an international super-major oil and gas company. The project will commence generating contracted revenue upon introduction of hydrocarbons and water, which is expected to occur late in the first quarter of 2023.

Upon completion of the four projects, Enerflex anticipates generating significant excess cash flow, which will be used to strengthen the Company's financial position. Enerflex expects to lower its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of 2023.

Additionally, work has recommenced on the modularized cryogenic natural gas processing facility that was temporarily suspended by the customer. The project will be accounted for as a product sale and is expected to be completed in 2024.

Once its debt reduction target has been met, Enerflex anticipates it will have the ability to deliver increased capital returns to shareholders and the optionality to profitably invest in strategic growth projects. The Company expects to continue paying its quarterly dividend of at least $0.025 per share and will continue to be disciplined in its investments and discretionary spending to protect its financial position.

2023 Guidance

To reflect Enerflex's full-year 2022 results and updated completion dates of in-flight projects, , the Company has revised certain items of its 2023 guidance:

• Enerflex reaffirms its expectations for Adjusted EBITDA for 2023. Deleveraging remains a top priority for Enerflex, with the Company continuing to expect that it will reduce its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of 2023.
• Increased work-in-progress ("WIP") for 2023 relates to the recommencement of work at the Cryogenic Facility, including restoration activities resulting from site inactivity.

	2023 Guidance	
US$ millions, except ratios and percentages	August 10, 2022[1]	**March 1, 2023**
Annual run-rate synergies[2]	60	**60**
Adjusted EBITDA[2]	380 – 420	**380 – 420**
Bank-adjusted net debt to EBITDA[3]	<2.5x	**<2.5x**
Capital expenditures and WIP		
Maintenance capital expenditures	40 – 50	**40 – 50**
WIP	–	**40 – 50**
Total non-discretionary expenses[4]	170 – 210	**210 – 260**
Accretion to shareholders[5]		
Earnings per share[6]	20%	**20%**
Cash flow per share	11%	**20%**

[1] *See the previously announced transaction-related guidance in our MD&A for the three months ended June 30, 2022, dated August 10, 2022.*
[2] *Synergy capture is subject to timing considerations of being realized within 12 to 18 months of Transaction close.*
[3] *Calculated in accordance with the Company's debt covenants, which permit the exclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months.*
[4] *Includes capital expenditures and WIP, net working capital, finance costs, income taxes, and dividends.*
[5] *Subject to potential purchase price allocation adjustments.*
[6] *Excludes amortization of refinancing costs and amortization of intangible assets.*

Energy Transition

As the transition to a lower-carbon economy continues to unfold, Enerflex is collaborating with customers to advance projects that decarbonize and electrify operations and support infrastructure for RNG, biofuels, and new hydrogen solutions. In the USA, the roll-out of the Inflation Reduction Act has accelerated the development of numerous carbon capture projects, growing the opportunity set for Enerflex given its expertise in delivering modularized engineer-to-order process solutions. Enerflex also continues to evaluate carbon capture and other low-carbon solutions through piloting activities with a number of its Canadian customers.

Over the long term, Enerflex will continue to evaluate and create paths that will allow for participation in developing and growing markets, which is expected to shape the energy transition landscape of the next several decades.

OUTLOOK BY SEGMENT

North America

Capital discipline continues to be at the forefront for North American upstream E&P companies, particularly in the context of potential inflationary impacts to input costs. Early 2023 capital expenditure guidance set by upstream E&P companies indicates that production will grow modestly year-over-year. In the USA, natural gas production growth is expected to be driven by the Haynesville, Permian, and Marcellus Basins. In Canada, the recent resolution of outstanding issues between the Blueberry River First Nations and the Government of British Columbia has provided clarity on future resource development in the province; however, the pace at which activity levels return to historical levels is still unknown. Over the medium term, the Company anticipates that future LNG exports associated with LNG Canada Phase 1 will be a positive tailwind for Enerflex's Canadian business.

Given the strong demand profile for natural gas and LNG exports in the USA, Enerflex anticipates that utilization rates for its contract compression fleet will remain elevated and that sold margins on new Engineered Systems bookings will continue to expand from current levels. The Exterran Cryogenic product line is also expected to be a synergistic revenue-generating business in the region.

The Company expects that the recent increase in After-Market Services-related activities across the region continues into 2023, including overhaul and retrofitting activities.

Latin America

With its expanded Energy Infrastructure platform, Enerflex expects continued stability within its recurring businesses in Latin America. In the near term, the Company will look to increase its contract compression fleet utilization through re-contracting and redeployment of idle fleet to meet rising local demand. Over the longer term, many nations throughout the region have indicated a growing need for reliable power and a desire to reduce their overall dependency on imported natural gas, which Enerflex expects will be a constructive market driver for the Company.

Eastern Hemisphere

As Middle Eastern nations respond to the increasing need for reliable power, Enerflex continues to observe significant demand for larger-scale, long-term energy infrastructure assets and ITK projects. With two large projects recently completed and two in-flight projects being advanced toward completion, Enerflex's near-term focus in the Middle East is strong operational execution and delivering cost improvements within existing operations. Enerflex continues to explore new markets and opportunities requiring modular solutions to bolster cash flow stability in the region.

In Australia, a strong LNG export market, as well as recent legislation surrounding emissions-reduction targets for the nation, is expected to strengthen the demand for natural gas and energy transition solutions in the region.

ENERFLEX STRATEGY

Enerflex's Vision of *Transforming Energy for a Sustainable Future* is supported by a long-term strategy that is founded upon the following key pillars: technical excellence in modularized energy solutions; profitable growth achieved through vertically integrated and geographically diverse product offerings; financial strength and discipline; and sustainable returns to shareholders. Through consistent execution of this strategy and regular evaluation of the Company's capital allocation priorities and decisions, Enerflex has managed a resilient business to create shareholder value over its 40-plus-year history.

Enerflex delivers energy infrastructure and energy transition solutions across the globe by leveraging its enhanced presence in growing natural gas markets. The Company's vertically integrated suite of product offerings includes processing, cryogenic, compression, electric power, and produced water solutions, spanning all phases of a project's lifecycle, from front-end engineering and design to after-market service. Enerflex has proven expertise in delivering low-carbon solutions, including carbon capture utilization and storage, electrification, RNG, and hydrogen solutions, and works closely with its customers to help facilitate global decarbonization efforts.

Enerflex will continue to build an increasingly resilient and sustainable business through its Energy Infrastructure and After-Market Services product lines over the long term, stabilizing cash flows and reducing cyclicality in the business.

To support its overarching corporate strategy, Enerflex has developed region-specific strategies:

North America

In North America, Enerflex provides natural gas solutions to support the development of upstream resources and the midstream infrastructure required to meet local demand. Enerflex benefits from a growing LNG export industry in the USA and anticipates that a future LNG export industry in Canada will provide additional opportunities for the Company.

- **Energy Infrastructure**: In the USA, Enerflex profitably invests in the organic expansion of its contract compression fleet by engineering, designing, fabricating, and operating compression units to customers on a contracted basis. Enerflex focuses on natural gas compression packages and electric power equipment rentals in Canada.
- **After-Market Services**: Enerflex services a large installed base of compression solutions across key resource plays in the USA and, in Canada, looks to secure long-term service and maintenance contracts with customers.
- **Engineered Systems**: Enerflex engineers, designs, fabricates, and sells modularized processing, cryogenic, compression, electric power, and carbon capture solutions.

Latin America

In Latin America, Enerflex focuses primarily on long-term growth opportunities through energy infrastructure ownership and its contract compression fleet.

- **Energy Infrastructure**: Enerflex targets long-term BOOM solutions and other infrastructure leases of varying size and scope to support the Company's ongoing strategy to grow the recurring nature of its business.
- **After-Market Services**: Leveraging its large Energy Infrastructure and Engineered Systems footprint, Enerflex continues to grow its after-market service capabilities.
- **Engineered Systems**: Enerflex delivers electric power solutions to meet the rising need for reliable power, and engineers, designs, compression and processing solutions which require construction and installation support at site.

Eastern Hemisphere

Across the Eastern Hemisphere region, Enerflex focuses primarily on long-term growth opportunities through energy infrastructure ownership.

- **Energy Infrastructure**: Enerflex targets long-term BOOM solutions and other infrastructure leases of varying size and scope to support the Company's ongoing strategy to grow the recurring nature of its business.
- **After-Market Services**: Leveraging its large Energy Infrastructure and Engineered Systems footprint to grow its after-market service capabilities.
- **Engineered Systems**: Enerflex delivers electric power solutions to meet the rising need for reliable power, and engineers, designs, and manufactures compression and processing solutions which require construction and installation support at site.

DEFINITIONS

Enerflex measures its financial performance using several key financial performance indicators, some of which do not have standardized meanings as prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Refer to the *Non-IFRS Measures* section of this MD&A.

Bookings and Backlog

Bookings and backlog are monitored by Enerflex as an indicator of future revenue and business activity levels for the Engineered Systems product line. Bookings are recorded in the period when a firm commitment or order is received from customers. Bookings increase backlog in the period that they are received. Revenue recognized on Engineered Systems products decreases backlog in the period that the revenue is recognized. Accordingly, backlog is an indication of revenue to be recognized in future periods using percentage-of-completion accounting. Revenue from contracts that have been classified as finance leases for newly built equipment is recorded as Engineered Systems bookings. The full amount of revenue is removed from backlog at the commencement of the lease.

Recurring Revenue

Recurring revenue is defined as revenue from the Energy Infrastructure and After-Market Services product lines, as well as the impact of finance leases where Enerflex is the lessor by removing margin recognized on commencement and the non-cash interest income earned, and adding the cash received from the customer. These revenue streams are typically contracted and extend into the future, rather than only being recognized as a single transaction. Energy Infrastructure revenues relate to compression, processing, and electric power equipment. After-Market Services revenues are derived from the ongoing maintenance of equipment that produces gas over the life of a field. Conversely, revenue from the Company's Engineered Systems product line are for the manufacturing and delivery of equipment and are non-recurring once the goods are delivered. While the contracts are subject to cancellation or have varying lengths, the Company does not believe that these characteristics preclude them from being considered recurring in nature.

Operating Income

Operating income assists the reader in understanding the net contributions made from the Company's core businesses after considering SG&A. Each operating segment assumes responsibility for its operating results as measured by, amongst other factors, operating income, which is defined as income before income taxes, interest (or finance) costs (net of interest income), equity earnings or loss, and gain or loss on sale of assets. Financing and related charges are not attributable to business segments on a meaningful basis. Business segments and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the operating performance of business segments.

EBIT

EBIT provides the results generated by the Company's primary business activities prior to consideration of how those activities are financed or taxed in the various jurisdictions in which the Company operates.

EBITDA

EBITDA provides the results generated by the Company's primary business activities prior to consideration of how those activities are financed, how its assets are amortized, or how the results are taxed in various jurisdictions.

Net Debt to EBITDA

Net debt is defined as short- and long-term debt less cash and cash equivalents at the end of the period which is then divided by EBITDA for the trailing 12 months.

ROCE

ROCE is a measure to analyze operating performance and efficiency of the Company's capital allocation process. The ratio is calculated by taking EBIT for the 12-month trailing period divided by capital employed. Capital employed is debt and equity less cash for the trailing four quarters.

NON-IFRS MEASURES

Enerflex measures its financial performance using several key financial performance indicators, some of which do not have standardized meanings as prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. These non-IFRS measures are also used by Management in its assessment of relative investments in operations and include Engineered Systems bookings and backlog, recurring revenue, EBITDA, net debt to EBITDA ratio, and ROCE, and should not be considered as an alternative to net earnings or any other measure of performance under IFRS. The reconciliation of these non-IFRS measures to the most directly comparable IFRS measure is provided below where appropriate. Engineered Systems bookings and backlog do not have a directly comparable IFRS measure.

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021
EBITDA and Adjusted EBITDA				
EBIT	**$ (44,747)**	$ 20,555	**$ (40,810)**	$ 55,097
Depreciation and amortization	**62,644**	23,168	**128,287**	87,622
EBITDA	**$ 17,897**	$ 43,723	**$ 87,477**	$ 142,719
Adjusted EBITDA[1]	**86,143**	36,056	**223,601**	135,053
Recurring Revenue				
Energy Infrastructure	**$ 162,923**	$ 88,230	**$ 381,087**	$ 278,653
After-Market Services	**145,526**	90,854	**443,660**	327,376
Impact of Finance leases	**11,036**	(20,593)	**18,939**	(20,152)
Total Recurring Revenue	**$ 319,485**	$ 158,491	**$ 843,686**	$ 585,877
ROCE				
Trailing 12-month EBIT	**$ (40,810)**	$ 55,097	**$ (40,810)**	$ 55,097
Capital employed – beginning of period				
Net debt[2]	**$ 169,626**	$ 243,030	**$ 158,664**	$ 294,036
Shareholders' equity	**1,419,844**	1,394,047	**1,353,754**	1,396,695
	$ 1,589,470	$ 1,637,077	**$ 1,512,418**	$ 1,690,731
Capital employed – end of period				
Net debt[2]	**$ 1,136,549**	$ 158,664	**$ 1,136,549**	$ 158,664
Shareholders' equity	**1,542,908**	1,353,754	**1,542,908**	1,353,754
	$ 2,679,457	$ 1,512,418	**$ 2,679,457**	$ 1,512,418
Average capital employed[3]	**$ 1,848,678**	$ 1,595,281	**$ 1,848,678**	$ 1,595,281
ROCE	**(2.2)%**	3.5%	**(2.2)%**	3.5%

[1] Please refer to the "Adjusted EBITDA" section of this MD&A.

[2] Net debt is defined as short- and long-term debt less cash and cash equivalents.

[3] Based on a trailing four-quarter average.

Distributable Cash Flow

The Company has introduced a new key performance indicator for distributable cash flow. Distributable cash flow may not be comparable to similar measures presented by other companies as it does not have a standardized meaning under IFRS. Management has adopted this non-IFRS measure as a way to help users of the financial statements assess the level of free cash generated and to fund other non-operating activities such as capital expenditures, dividends and payments to creditors.

The Company defines distributable cash flow as cash provided by operating activities adjusted for the net change in working capital and other, less maintenance capital expenditures and lease payments. The following tables reconciles distributable cash flow to the most directly comparable IFRS measure, cash provided by operating activities:

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021
Cash provided by (used in) operating activities	**$ (16,330)**	$ 123,750	**$ 19,768**	$ 208,194
Add (deduct):				
Net change in working capital and other	**14,994**	(88,798)	**71,318**	(82,937)
	$ (1,336)	$ 34,952	**$ 91,086**	$ 125,257
Maintenance capital expenditures	**(19,669)**	(5,357)	**(30,373)**	(11,945)
Leases	**(4,801)**	(4,324)	**(15,758)**	(14,215)
Distributable cash flow[1]	**$ (25,806)**	$ 25,271	**$ 44,955**	$ 99,097

[1] *If the Company were to add back the non-recurring transaction and integration costs incurred in relation to the Exterran Transaction of $56.5 million and $70.6 million for the three and twelve months ended December 31, 2022, distributable cash flow would be $30.7 million and $115.5 million for the same periods.*

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

Enerflex distinguishes capital expenditures invested in energy infrastructure equipment as either growth or maintenance. Growth expenditures are intended to expand the Company's energy infrastructure fleet, while maintenance expenditures are necessary costs to continue utilizing existing energy infrastructure equipment. The Company also incurred costs related to the construction of energy infrastructure assets determined to be finance leases. These costs are accounted for as work-in-progress related to finance leases, and once the project is completed and enters service, it is reclassified to COGS. Capital expenditures and expenditures for finance leases are shown in the table below:

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021
Additions to property, plant and equipment	**$ 3,132**	$ 1,305	**$ 8,043**	$ 5,154
Additions to energy infrastructure assets:				
Growth	**46,821**	11,468	**77,424**	40,242
Maintenance	**19,669**	5,357	**30,373**	11,945
Total capital expenditures	**$ 69,622**	$ 18,130	**$ 115,840**	$ 57,341
Expenditures for finance leases	**$ 14,526**	$ 13,037	**$ 74,543**	$ 36,169
Total capital expenditures and expenditures for finance leases	**$ 84,148**	$ 31,167	**$ 190,383**	$ 93,510

FINANCIAL POSITION

The following table outlines significant changes in the consolidated statements of financial position as at December 31, 2022 compared to December 31, 2021:

($ millions)	Increase (Decrease)	Explanation
Current assets	**$736.3**	The increase in current assets is primarily due to significantly higher inventories and accounts receivable, work-in-progress related to finance leases and cash and cash equivalents primarily from the acquisition of Exterran's current assets, increased activity levels, and foreign exchange from the strengthened US dollar.
Contract assets	**$223.2**	The non-current portion of contract assets is from the addition of Exterran, and represents amounts to be billed to customers more than 12 months from the date of the balance sheet.
Energy infrastructure assets	**$640.0**	Energy infrastructure assets increased primarily due to the acquisition of Exterran's energy infrastructure assets, and organic investments in the Company's energy infrastructure fleet. The increases were offset by depreciation, disposals, and impairments.
Finance leases receivable	**$146.4**	The increase in the long-term portion of finance leases receivable is due to the recognition of two 10-year natural gas infrastructure project in the Middle East that began operations during the current year, as well as the addition of finance leases from Exterran, and the impact of foreign exchange from the strengthened US dollar.
Intangible assets	**$92.7**	The increase in intangible assets is the result of certain customer relationships and contracts, and software acquired from Exterran, partially offset by amortization.
Goodwill	**$113.1**	The increase in goodwill is due to the addition of the preliminary calculated goodwill on the Exterran Transaction and foreign exchange from the strengthened US dollar, offset by the impairment of goodwill in Canada in the third quarter of 2022 due to movements in interest rates.
Current liabilities	**$783.5**	The increase in current liabilities is primarily due to movements in accounts payable and accrued liabilities, and deferred revenues, driven by increased activity levels and the assumption of current liabilities from Exterran, as well as foreign exchange from the strengthened US dollar.
Long-term debt	**$1,031.8**	The increase in long-term debt is primarily due to the issuance of new Notes, Term Loan and Revolving Credit Facility, which the Company used to extinguish the assumed Exterran debt as well as Enerflex's existing debt, including its previous Notes, the Bank Facility and Asset-Based Facility. The increase is partially offset by the recognition of deferred transaction costs.
Total shareholders' equity	**$189.2**	Total shareholders' equity increased primarily due to the shares issued on the Transaction, $213.9 million, $84.2 million impact on unrealized gains on the translation of foreign operations and the impact of stock options, $1.8 million, offset by net loss of $100.9 million and dividends of $9.8 million.

LIQUIDITY

The Company expects that cash flows from operations in 2022, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets. As at December 31, 2022, the Company held cash and cash equivalents of $253.8 million and had cash drawings of $662.4 million against the Revolving Credit Facility and Term Loan, leaving the Company with significant liquidity and access to $313.8 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Revolving Credit Facility, Term Loan and Notes, with a senior secured net funded debt to EBITDA ratio of 1.1:1, compared to a maximum ratio of 2.5:1, and a bank-adjusted net debt to EBITDA ratio of 3.3:1, compared to a maximum ratio of 4.5:1. The Company also finished the year with an interest coverage ratio of 4.4:1 compared to a minimum ratio of 2.5:1. The interest coverage ratio is calculated by dividing the trailing 12-month EBITDA, as defined by the Company's lenders, by interest expense over the same timeframe.

SUMMARIZED STATEMENTS OF CASH FLOW

	Three months ended December 31,		Twelve months ended December 31,	
($ thousands)	**2022**	2021	**2022**	2021
Cash and cash equivalents, beginning of period	**$ 198,787**	$ 102,273	**$ 172,758**	$ 95,676
Cash provided by (used in):				
Operating activities	**(16,330)**	123,750	**19,768**	208,194
Investing activities	**54,184**	(35,519)	**43,248**	(48,861)
Financing activities	**20,730**	(19,040)	**11,854**	(80,456)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(3,595)**	1,294	**6,148**	(1,795)
Cash and cash equivalents, end of period	**$ 253,776**	$ 172,758	**$ 253,776**	$ 172,758

Operating Activities

For the three and twelve months ended December 31, 2022, cash provided by (used in) operating activities was lower than the comparative period, primarily driven by net changes in working capital, and a significant net loss due to higher SG&A from Exterran and related Transaction costs. Movements in the net change in working capital are explained in the "Financial Position" section of this MD&A.

Investing Activities

Cash provided by investing activities for the three and twelve months ended December 31, 2022 is higher when compared to the same periods in 2021 primarily due to the cash acquired from the Transaction, partially offset by increased capital expenditures on energy infrastructure assets and increased investment in associates and joint ventures.

Financing Activities

Cash provided by financing activities is higher for the three and twelve months ended December 31, 2022 compared to the previous year primarily due to the issuance of new Notes and Term Loan and the net proceeds on the Revolving Credit Facility, partially offset by the repayment of Enerflex's previous Notes and Bank and Asset-Based Facilities.

QUARTERLY SUMMARY

($ thousands, except per share amounts)	Revenue	Net earnings (loss)	Earnings (loss) per share – basic	Earnings (loss) per share – diluted
December 31, 2022	**$ 689,839**	**$ (81,118)**	**$ (0.68)**	**$ (0.68)**
September 30, 2022	392,813	(32,808)	(0.37)	(0.37)
June 30, 2022	372,077	13,352	0.15	0.15
March 31, 2022	323,069	(369)	(0.00)	(0.00)
December 31, 2021	321,347	(32,707)	(0.36)	(0.36)
September 30, 2021	231,097	6,958	0.08	0.08
June 30, 2021	204,507	4,291	0.05	0.05
March 31, 2021	203,205	3,003	0.03	0.03
December 31, 2020	298,837	32,668	0.36	0.36
September 30, 2020	265,037	10,736	0.12	0.12
June 30, 2020	287,438	7,415	0.08	0.08
March 31, 2020	365,740	37,438	0.42	0.42

SELECTED ANNUAL INFORMATION

($ thousands, except per share amounts)	Total Assets	Total Non-Current Financial Liabilities	Cash Dividends Declared Per Share
December 31, 2022	**$ 4,269,589**	**$ 1,363,237**	**$ 0.100**
December 31, 2021	2,191,442	331,422	0.085
December 31, 2020	2,179,576	349,712	0.175

RISK FACTORS

An investment in Enerflex Common Shares involves a number of risks including, but not necessarily limited to, those set forth below.

Energy Prices, Industry Conditions, and the Cyclical Nature of the Energy Industry

The industry in which Enerflex operates is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. The capital expenditures of these companies, along with those midstream companies who service these oil and gas explorers and producers, impact the demand for Enerflex's equipment and services. Capital expenditure decisions are based on various factors, including but not limited to: demand for hydrocarbons and prices of related products; exploration and development prospects in various jurisdictions; reserve production levels; oil and natural gas prices; regulatory compliance; and access to capital, none of which can be accurately predicted. Any downturn in commodity prices may lead to reduced levels of capital expenditures, which may negatively impact the demand for the products and services that Enerflex offers. Even the perception of lower oil or gas prices over the long term can result in a decision to cancel or postpone exploration and production capital expenditures, which may lead to reduced demand for products and services offered by Enerflex. If economic conditions or international markets decline unexpectedly and oil and gas producing customers decide to cancel or postpone major capital expenditures, the Company's business may be adversely impacted.

The supply and demand for oil and gas is influenced by a number of factors, including political, economic, or military circumstances throughout the energy producing regions of the world. This has been highlighted over the past year with the Russian invasion of Ukraine which is continuing to have wide ranging consequences on the world economy. As Russia is a major exporter of oil and natural gas, the disruption of supply from Russia has triggered a significant and worldwide supply shortage resulting in significant and rapid commodity price increases which has heightened many of the other risks described in this "Risk Factors" section. As the Russian-Ukraine conflict continues, the impact to the Enerflex business is difficult to predict and depends on many factors that are evolving and not within the control of Enerflex and such impact could have a material adverse effect on the Company's business, financial condition, and results of operations.

Competition

The business in which Enerflex operates is highly competitive with lower barriers to entry for natural gas processing and compression services, contract compression, the processing and compression fabrication business, and the produced water business. Several companies target the same customers as Enerflex in markets where margins can be low and contract negotiations can be challenging. Enerflex has several competitors in all aspects of its business, both domestically and abroad. Some of these competitors, particularly in the Energy Infrastructure and Engineered Systems product lines, are large, multi-national companies who may be able to adapt more quickly to technological changes within the industry or changes in economic and market conditions, more readily take advantage of acquisitions and other opportunities, and adopt more aggressive pricing policies. In addition, the Company could face significant competition from new entrants. Some of Enerflex's existing competitors or new entrants may expand or fabricate new equipment that would create additional competition for the products, equipment, or services that Enerflex offers to customers. Further, the Company may not be able to take advantage of certain opportunities or make certain investments because of capital constraints, debt levels, and other obligations.

Any of these competitive pressures could have a material adverse effect on the Company's business, financial condition, and results of operations. See *"Description of the Business – Competitive Conditions"*.

Project Execution Risk

Enerflex engineers, designs, manufactures, constructs, commissions, operates, and services systems that process and/or compress products in a gaseous state. Enerflex's expertise encompasses field production facilities, gas compression and processing plants, gas lift compression, refrigeration systems, and electric power equipment, primarily serving the natural gas production industry. The Company participates in some projects that have a relatively larger size and scope than the majority of its projects, which may translate into more technically challenging conditions or performance specifications for its products and services. These projects typically specify delivery dates, performance criteria, and penalties for the failure to perform. The Company's ability to profitably execute on these solutions for customers is dependent on numerous factors which include, but are not limited to: changes in project scope; the availability and timeliness of external approvals and other required permits; skilled labor availability and productivity; availability and cost of materials, parts, and services; the accuracy of design, engineering, and construction; the ability to safely access the job site; and the availability of contractors to support execution of the Company's scope on these projects. Any failure to execute on these larger projects in a timely and cost-effective manner could have a material adverse effect on the business, financial condition, results of operations, and cash flows of the Company.

The Company pursues continuous improvement initiatives to achieve accurate, complete, and timely provision of deliverables. Nonetheless, project risks can translate into performance issues and project delays, as well as project costs exceeding cost estimates. While the Company will assess the recoverability of any cost overruns, there can be no assurance that these costs will be reimbursed, which may result in a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Climate Change Risks

Regulatory and Policy Risks

Climate change policy is quickly evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. While Enerflex does not currently exceed the applicable thresholds for emissions-reduction initiatives in its jurisdictions of operations, there is a global trend in recent periods towards greater regulation of GHG emissions. Although it is not possible at this time to predict how new laws or regulations would impact the Company's business, any such future requirements imposing carbon pricing schemes, carbon taxes, or emissions-reduction obligations on the Company's energy infrastructure, equipment, and operations could require it to incur costs to reduce emissions or to purchase emission credits or offsets, and may cause delays or restrictions in its ability to offer its products and services. Failure to comply with such laws and regulations could result in significant liabilities or penalties being imposed on Enerflex. There is also a risk that Enerflex could face claims initiated by third parties relating to climate or related laws and regulations. Any such claims, laws or regulations could also increase the costs of compliance for Enerflex's customers, and thereby negatively impact demand for the Company's products and services. The direct or indirect costs of such claims, and compliance with such laws or regulations may have a material adverse effect on the business, financial condition, results of operations, and prospects of the Company.

Physical Risks

There has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, flooding, droughts, forest fires, thunderstorms, tornados, and snow or ice storms, as well as rising sea levels and other acute (event-driven) and chronic (long-term) climate events. Another possible consequence of climate change is increased volatility

in seasonal temperatures with some studies suggesting that climate change could cause some areas to experience temperatures substantially colder or warmer than their historical averages.

To the extent there are significant climate changes in the markets Enerflex serves or areas where Company assets reside, Enerflex could incur increased costs, its assets could be damaged, operations could be materially impacted (for instance, shut-down requirements), there may be health implications for its employees, and its customers may experience operational disruptions causing reduced demand for the Company's products. At this time, the Company is unable to determine the extent to which climate change may affect its operations.

Technological Risks

Demand for the Company's products may also be affected by the development and demand for new technologies in response to global climate change. Many governments provide, or may in the future provide, tax incentives and other subsidies to support the use and development of alternative energy technologies. Technological advances and cost declines in alternative energy sources (such as hydrogen and renewables), electric grids, electric vehicles, and batteries may reduce demand for hydrocarbons, which could lead to a lower demand for the Company's low-carbon products and services. If customer preferences shift, the Company may also be required to develop new technologies, requiring significant investments of capital and resources, which may or may not be recoverable in the marketplace and which could result in certain products becoming less profitable or uneconomic. At this time, the Company is unable to determine the extent to which such technological risks may detrimentally impact its business prospects, financial condition, and operations.

ESG and Investor Sentiment

A number of factors, including the impact of oil and natural gas operations on the environment, the effects of the use of hydrocarbons on climate change, ecological damage relating to spills of petroleum products during production and transportation, and human rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail, and governmental investors have announced that they are no longer willing to fund or invest in companies in the oil and natural gas industry or are reducing the amount of their investment over time. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry may result in limiting Enerflex's access to capital, increasing its cost of capital, and decreasing the price and liquidity of Enerflex's securities.

In addition, practices and disclosures relating to ESG matters (including but not limited to governance practices, climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste, and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, EMT, and employees of Enerflex. Failing to implement the policies and practices, as requested, or expected by Enerflex's stakeholders, may result in such investors reducing their investment in Enerflex, or not investing in Enerflex at all. The Company's response to addressing ESG matters, and any negative perception thereof can also impact Enerflex's reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect Enerflex's business, future operations, and profitability.

Compliance with HSE Regulations

The Company and many of its customers are subject to a variety of federal, provincial, state, local, and international laws and regulations relating to HSE. These laws and regulations are complex, subject to periodic revision, and are becoming increasingly stringent. The cost of compliance with these requirements may increase over time, thereby increasing the Company's operating costs or negatively impacting the demand for the Company's products and services. Failure to comply with these laws and regulations may result in reputational damage, as well as the imposition of administrative, civil, and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance.

Compliance with environmental laws is a priority across Enerflex operations and in the manufacturing of the Company's products, as the Company uses and stores hazardous substances in its operations. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Certain environmental laws may impose joint and several and strict liability for environmental contamination, which may render the Company liable for remediation costs, natural resource damages, and other damages as a result of Company conduct or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is possible that neighbouring landowners and other third parties may file claims for personal injury, property damage, and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations could be substantial and could negatively impact financial condition, profitability, and results of operations.

Enerflex may need to apply for or amend facility permits or licenses from time to time with respect to storm water, waste handling, or air emissions relating to manufacturing activities or equipment operations, which may subject Enerflex to new or revised permitting conditions. These permits and authorizations may contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits, which may be onerous or costly to comply with. Given the large number of jurisdictions and facilities in which Enerflex operates, and the numerous environmental permits and other authorizations that are applicable to its operations, the Company may occasionally identify or be notified of technical violations of certain compliance requirements and could be subject to penalties related thereto.

The adoption of new HSE laws or regulations, or more vigorous enforcement of existing laws or regulations, may also negatively impact Enerflex's customers and demand for the Company's products and services, which in turn would have a negative impact on the Company's financial results and operations.

The Company is also subject to various federal, provincial, state, and local laws and regulations relating to safety and health conditions in its manufacturing facilities and other operations. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any noncompliance, as well as potential business disruption if any of its facilities, or a portion of any facility, is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See *"Risk Factors – Health and Safety Risks"*.

Inflationary Pressures

Strong economic conditions and competition for available personnel, materials, and major components may result in significant increases in the cost of obtaining such resources. To the greatest extent possible, Enerflex passes such cost increases on to its customers and attempts to reduce these pressures through proactive supply chain and human resource practices. Should these efforts not be successful, the gross margin and profitability of Enerflex could be adversely affected.

Interest Rate Risk

The Company's liabilities include long-term debt that may be subject to fluctuations in interest rates. The Company's 9.00% Notes outstanding at December 31, 2022 are at fixed interest rates and therefore will not be impacted by fluctuations in market interest rates. The Company's Revolving Credit Facility and Term Loan, however, are subject to changes in market interest rates. As at December 31, 2022 the Company had $662.4 million of indebtedness that is effectively subject to floating interest rates. Changes in economic conditions outside of Enerflex's control could result in higher interest rates, thereby increasing Enerflex's interest expense which may have a material adverse impact on Enerflex's financial results, financial condition, or ability to declare and pay dividends. See *"Dividends – Restrictions on Paying Dividends"*.

For each one per cent change in the rate of interest on the Revolving Credit Facility and Term Loan, the change in interest expense for the twelve months ended December 31, 2022 would be approximately $4.6 million. All interest charges are recorded in finance costs on the consolidated statements of earnings. Any increase in market interest rates could have a material adverse impact on the Company's financial results, financial condition, or ability to declare and pay dividends.

International Operations

Enerflex's operations in countries outside of North America account for a significant amount of the Company's revenue. Enerflex is exposed to risks inherent in conducting international operations, including, but not limited to: social, political, and economic instability; changes in foreign government policies, laws, regulations, and regulatory requirements, or the interpretation, application and/or enforcement thereof; tax increases or changes in tax laws or in the interpretation, application and/or enforcement thereof; difficulties in staffing and managing foreign operations including logistical, safety, security, and communication challenges; difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions; recessions and other economic crises that may impact the Company's cost of conducting business in those countries; the adoption of new, or the expansion of existing, trade restrictions, or embargoes; limitations on the Company's ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada; difficulty or expense of enforcing contractual rights due to the lack of a developed legal system or otherwise; confiscation, expropriation, or nationalization of property without fair compensation; and difficulties in engaging third-party agents to interface with clients or otherwise act on the Company's behalf in certain jurisdictions.

In addition, Enerflex may expand the business to markets where the Company has not previously conducted business. The risks inherent in establishing new business ventures, especially in international markets where local customs, laws, and business procedures present special challenges, may affect Enerflex's ability to be successful in these ventures.

To the extent Enerflex's international operations are affected by unexpected or adverse economic, political, and other conditions, the Company's business, financial condition, and results of operations may be adversely affected.

Information Technology and Information Security

The Company is dependent upon the availability, capacity, reliability, and security of information technology infrastructure and the Company's ability to expand and continually update this infrastructure, to conduct daily operations. Information technology assets and protocols become increasingly important to Enerflex as it continues to expand internationally, provide information technology access to global personnel, develop web-based applications, monitoring of products, and improve its business software applications. If any such programs or systems were to fail or create erroneous information in the Company's hardware or software network infrastructure, it could have a material adverse effect on the Company's business activities and reputation.

Enerflex may be threatened by or subjected to cyberattack risks such as cyber-fraud, viruses, malware infections, or social engineering activities like phishing and employee impersonation, which may result in adverse outcomes including, but not limited to, the exposure of sensitive data, disruption of operations, and diminished operating results. In recent years, cyberattacks have become more prevalent and much harder to detect and defend against. These threats may arise from a variety of sources, all ranging in sophistication from an individual hacker to alleged state-sponsored attacks. A cyberattack may be generic, or it may be custom crafted to target the specific information technology used by Enerflex. The occurrence of any such cyberattacks could adversely affect the Company's financial condition, operating results, and reputation.

The Company may be targeted by parties using fraudulent spoof and phishing emails to misappropriate Enerflex information, or the information of customers and suppliers, or to introduce viruses or other malware through "trojan horse" programs into computer networks of the Company, its customers, or suppliers. These phishing emails may appear upon a cursory review to be legitimate emails sent by an employee or representative of Enerflex, its customers, or suppliers. If a member of Enerflex or a member of one of its customers or suppliers fails to recognize that a phishing email has been sent or received and responds to or forwards the phishing email, the attack could corrupt the computer networks and/or access confidential information of Enerflex, its customers, employees, and/or suppliers, including passwords, through email or downloaded malware. In addition to spoof and phishing emails, network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance, or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by them.

Security measures, such as incident monitoring, vulnerability testing, tabletop exercises, response planning, and employee education and training have been implemented to protect the Company's information security and network infrastructure. However, the Company's mitigation measures cannot provide absolute security, and the information technology infrastructure may be vulnerable to criminal cyberattacks or data security incidents due to employee or customer error, malfeasance, or other vulnerabilities. Additionally, Enerflex is reliant on third-party service providers for certain information technology applications. While the Company conducts due-diligence and believes that these third-party service providers have adequate security measures, there can be no assurance that these security measures will prevent any cyber events or computer viruses from impacting the applications upon which Enerflex relies.

If Enerflex's information technology systems were to fail and the Company was unable to recover in a timely way, the Company might be unable to fulfill critical business functions, which could damage the Company's reputation and have a material adverse effect on the business, financial condition, and results of operations. A breach of Enerflex's information security measures or controls could result in losses of material or confidential information, reputational consequences, financial damages, breaches of privacy laws, higher insurance premiums, damage to assets, safety issues, operational downtime or delays, and revenue losses. The significance of any such event is difficult to quantify but may in certain circumstances be material to the Company and could have adverse effects on the Company's business, financial condition, and results of operations. See also *"Risk Factors – Insurance"*.

Personnel and Contractors

The Company's ability to attract and retain qualified personnel and provide the necessary organizational structure, programs, and culture to engage and develop employees is crucial to its growth and achieving its business results.

Enerflex's Engineered Systems product line requires skilled engineers and design professionals to maintain customer satisfaction through industry-leading design, build, and installation of the Company's product offerings. Enerflex competes for these professionals,

not only with other companies in the same industry, but with companies in other industries such as oil and natural gas producers. In periods of high activity, demand for the skills and expertise of these professionals increases, making the hiring and retention of these individuals more difficult.

Enerflex's After-Market Services product line relies on the skills and availability of trained and experienced tradespeople, mechanics, and technicians to provide efficient and appropriate services to Enerflex and its customers. Hiring and retaining such individuals is critical to the success of Enerflex's business. Demographic trends are reducing the number of individuals entering the trades, making Enerflex's access to skilled individuals more difficult.

There are certain jurisdictions where Enerflex relies on third-party contractors to carry out the operation and maintenance of its equipment. The ability of third-party contractors to find and retain individuals with the proper technical background and training is critical to the continued success of the contracted operations in these jurisdictions. If Enerflex's third-party contractors are unable to find and retain qualified operators, or the cost of these qualified operators increases substantially, the contract operations business could be materially impacted.

There are few barriers to entry in a number of Enerflex's businesses, so retention of qualified staff is essential in order to differentiate Enerflex's businesses and compete in its various markets. Enerflex's success depends on key personnel and its ability to hire and retain skilled personnel. The loss of skilled personnel could delay the completion of certain projects or otherwise adversely impact certain operational and financial results.

Contract Compression Operations

The duration of Enerflex's Energy Infrastructure arrangements with customers varies based on operating conditions and customer needs. Initial contract terms typically are not long enough to enable the Company to recoup the cost of the equipment deployed in the Energy Infrastructure segment. Many of Enerflex's North American Energy Infrastructure contracts have short initial terms, and after the initial term, are cancelable on short notice. While these contracts are frequently extended beyond their initial terms, Enerflex cannot accurately predict which of these contracts will be extended or renewed beyond the initial term or that any customer will continue to contract with Enerflex. The inability to negotiate extensions or renew a substantial portion of the Company's Energy Infrastructure contracts, the renewal of such contracts at reduced rates, the inability to contract for additional services with customers, or the loss of all or a significant portion of such contracts with any customer could lead to a reduction in revenues and net income, which reduction could have a material adverse effect upon Enerflex's business, financial condition, results of operations and cash flows.

Contracted Revenue

Many of Enerflex's customers finance their exploration and development activities through cash flow from operations, incurrence of debt, or issuance of equity. If customers experience decreased cash flow from operations and limitations on their ability to incur debt or raise equity, for example due to weak commodity prices, then they may seek to preserve capital by pursuing price concessions on revenue contracts, cancelling contracts, or determining not to renew contracts. Under these circumstances, the Company may be unable to renew recurring revenue contracts with customers on favorable commercial terms, if at all. Terms of new contracts or renegotiated contracts may also transfer additional risk of liquidated damages, consequential loss, liability caps, and indemnities to the Company. These factors may lead to a reduction in revenue and net income, which reduction could have a material adverse effect on Enerflex's business, financial condition, results from operations and cash flows.

Health and Safety Risks

Enerflex's business is susceptible to health and safety risks inherent in manufacturing, construction, and operations. These risks include but are not limited to: explosions caused by natural gas leaks; fires; malfunctioning or improperly used tools and equipment; and vehicle collisions and other transportation incidents.

Failure to mitigate, prevent, or appropriately respond to a safety or health incident could result in injuries or fatalities among employees, contractors, visitors, or residents in communities near Company operations. Such incidents may lead to liabilities arising out of personal injuries or death, property damage, operational interruptions, and shutdown or abandonment of affected facilities, including government-imposed orders to remedy unsafe conditions or circumstances, penalties associated with the contravention of applicable health and safety legislation, and potential civil liability. Preventing or responding to accidents could require Enerflex to expend significant time and effort, as well as financial resources to remediate safety issues, compensate injured parties, and repair damaged facilities. Any of the foregoing could have an adverse impact on the Company's operations, financial results, and reputation.

Customer Credit Risk

A substantial portion of Enerflex's accounts receivable balances are with customers involved in the oil and natural gas industry. Many customers finance their exploration and development activities through cash flow from operations, the incurrence of debt, or the issuance of equity. During times when the oil or natural gas markets weaken, customers may experience decreased cash flow from operations, or a reduction in their ability to access capital. A reduction in borrowing bases under reserve-based credit facilities, the lack of availability of debt or equity financing or other factors that negatively impact customers' financial condition may impair their ability to pay for products or services rendered.

Enerflex may extend credit to certain customers for products and services that it provides during its normal course of business. Enerflex monitors its credit exposure to its customers, but there can be no certainty that a credit-related loss will not materialize or have a material adverse impact on the organization. The financial failure of a customer may impair the Company's ability to collect on all or a portion of the accounts receivable balance from that customer.

Corruption, Sanctions, and Trade Compliance

The Company is required to comply with Canadian, USA, and international laws and regulations regarding corruption, anti-bribery, sanctions, and trade compliance. Enerflex conducts business in many parts of the world that experience high levels of corruption, relies on third-party agents to interface with its clients and otherwise act on the Company's behalf in some jurisdictions where the Company does not have a presence, and is subject to various laws that govern the import and export of its equipment.

While Enerflex has developed policies, procedures, screening protocols, and training designed to achieve and maintain compliance with applicable laws, the Company could be exposed to investigations, claims, and other regulatory proceedings for alleged or actual violations of laws related to Company operations, including anti-corruption and anti-bribery legislation, trade laws, and sanctions laws. The Canadian government, the US Department of Justice, the SEC, the US Office of Foreign Assets Control, and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against companies and individuals for violations, including injunctive relief, disgorgement, fines, penalties, and modifications to business practices and compliance programs, among other things. While Enerflex cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on the Company's reputation, business, financial condition, results of operations, and cash flow.

Foreign Exchange

Enerflex reports its financial results to the public in Canadian dollars; however, a significant percentage of its revenues and expenses are denominated in currencies other than Canadian dollars. The Company identifies and hedges significant transactional currency risks, and its hedging policy remains unchanged in the current year. Further information on Enerflex's hedging activities is provided in Note 29 *"Financial Instruments"* in the audited consolidated financial statements for the year ended December 31, 2022.

Transaction Exposure

The Canadian operations of the Company source the majority of their products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the US dollar. Most of Enerflex's international orders are manufactured in the United States where the contracts are primarily denominated in US dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company has implemented a hedging policy, applicable primarily to the Canadian operations, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract. The Company utilizes a combination of foreign denominated debt and currency forward contracts to meet its hedging objectives.

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The Company is also exposed to the translation risk of monetary items in their local currency to their functional currency. The currencies with the most significant impact are the US dollar, Australian dollar, Brazilian real, and Argentine peso.

Assets and liabilities of foreign subsidiaries are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The

cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. Such exchange rate fluctuations could be material year-over-year relative to the overall earnings or financial position of the Company.

Litigation Risk and Liability Claims

The Company's operations entail inherent risks, including but not limited to equipment defects, malfunctions and failures, and natural disasters that could result in uncontrollable flows of natural gas, untreated water or well fluids, fires, and explosions. Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury or loss of life, or damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these incidents, the Company could face litigation and may be held liable for those losses.

In the normal course of Enerflex's operations, the Company may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions related to contract disputes, property damage, environmental matters, employment matters, and personal injury. The Company may not be able to adequately protect itself contractually and insurance coverage may not be available or adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able to maintain insurance in the future at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies may cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See also *"Risk Factors – Insurance"*.

Defense and settlement costs associated with lawsuits and claims can be substantial, even with respect to lawsuits and claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on Enerflex's operating results or financial performance.

Availability of Raw Materials, Component Parts, or Finished Products

Enerflex purchases a broad range of materials and components in connection with its manufacturing and service activities. Some of the components used in Enerflex's products are obtained from a single source or a limited group of suppliers. While Enerflex makes it a priority to maintain and enhance these strategic relationships in its supply chain, there can be no assurance that these relationships will continue. Reliance on suppliers involves several risks, including price increases, delivery delays, inferior component quality, and unilateral termination. In particular, long-lead times for high demand components, such as engines, can result in project delays. While Enerflex has long standing relationships with recognized and reputable suppliers and OEMs, it does not have long-term contracts with all of them, and the partial or complete loss of certain of these sources could have a negative impact on Enerflex's results of operations and could damage customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on Enerflex's operational or financial results.

Though Enerflex is generally not dependent on any single source of supply, the ability of suppliers to meet performance, quality specifications, and delivery schedules is important to the maintenance of Enerflex customer satisfaction. If the availability of certain OEM components and repair parts, which are generally in steady demand, is constrained or delayed, certain of Enerflex's operational or financial results may be adversely impacted.

Public Health Crises, Including COVID-19

The Company's business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics, or other health crises, including the COVID-19 pandemic. Such public health crises may adversely affect Enerflex, causing a slowdown or temporary suspension of Enerflex's operations in geographic locations impacted by an outbreak, including due to: reduced global economic activity and a corresponding decrease in demand for oil and natural gas, which could result in producers being forced to shut-in production and serve to lower demand for the Company's products and services; impaired supply chain as a result of mass quarantines, lockdowns, or border closures, thereby limiting the supply and increasing the cost of goods and services used in Enerflex's operations; and restricted workforce as a result of quarantines and health impacts, rendering employees unable to work or travel.

The Company continues to monitor the potential impacts of the COVID-19 pandemic, focusing on the jurisdictions in which the Company and its subsidiaries operate. In particular, Enerflex continues to adhere to public health orders and governmental guidance

and maintains communication with suppliers, customers, stakeholders, and other business partners to identify and monitor potential risks to our ongoing operations. Although the COVID-19 pandemic improved in 2022 and restrictions and limitations were eased, any future developments or a subsequent outbreak of COVID-19 could materially and adversely impact the Company's business, operations, financial condition, and cash flows. As the situation continues to evolve, the extent of any future material adverse effect on the Company cannot be predicted with confidence.

Insurance

Enerflex's operations are subject to risks inherent in the oil and natural gas services industry, such as equipment defects, malfunctions and failures, and natural disasters with resultant uncontrollable flows of oil and natural gas, fires, spills, and explosions. These risks could expose Enerflex to substantial liability for personal injury, loss of life, business interruption, property damage, pollution, and other liabilities. Enerflex carries prudent levels of insurance to protect the Company against these unforeseen events, subject to appropriate deductibles and the availability of coverage. In addition, the Company has procured a dedicated cyber insurance policy designed to help mitigate against the risk of cyber-related events (see "Risk Factors – Information Technology and Information Security") and executive liability insurance to limit exposure to unforeseen incidents. However, there can be no assurance that any such insurance policies will cover all losses or liabilities that may arise from the operation of Enerflex's business. An annual review of insurance coverage is completed to assess the risk of loss and risk mitigation alternatives.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to increases in insurance costs and limitations on coverage. It is anticipated that appropriate insurance coverage will be maintained in the future, but there can be no assurance that such insurance coverage will be available on commercially reasonable terms or on terms as favourable as Enerflex's current arrangements. The occurrence of a significant event outside of the scope of coverage of the Enerflex insurance policies could have a material adverse effect on the results of the organization.

Access to Capital

Enerflex relies on its cash, as well as the credit and capital markets, to provide some of the capital required to continue operations. Significant instability or disruptions to the capital markets, including the credit markets, may impact the Company's ability to access capital on reasonable commercial terms, if at all, and this turn may result in adverse consequences including: making it more difficult to satisfy contractual obligations; increasing vulnerability to general adverse economic conditions and industry conditions; limiting the ability to fund future working capital, capital expenditures, or acquisitions; limiting the ability to refinance debt in the future or borrow additional funds to fund ongoing operations; and paying future dividends to shareholders.

The Company's Revolving Credit Facility also contains a number of covenants and restrictions with which Enerflex and its subsidiaries must comply, including, but not limited to, use of proceeds, limitations on the ability to incur additional indebtedness, transactions with affiliates, mergers and acquisitions, and the Company's ability to sell assets. The Company's ability to comply with these covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial, and industry conditions. If market or other economic conditions deteriorate, the Company's ability to comply with these covenants may be impaired. Failure to meet any of these covenants, financial ratios, or financial tests could result in events of default which require the Company to repay its indebtedness and could impair the Company's ability to access the capital markets for financing. While Enerflex is currently in compliance with all covenants, financial ratios, and financial tests, there can be no assurance that it will be able to comply with these covenants, financial ratios, and financial tests in future periods. These events could restrict the Company's and other guarantors' ability to fund its operations, meet its obligations associated with financial liabilities, or declare and pay dividends. See *"Dividends – Restrictions on Paying Dividends"*.

Payment of Future Cash Dividends

The amount and frequency of future cash dividends paid by the Company, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, significant declines and volatility in commodity prices, demand for Enerflex products and services, restricted cash flows, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates, the risk factors described in this Annual Information Form, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which are beyond the control of Enerflex, future cash dividends could be reduced or suspended entirely or made less frequently. The market value of Enerflex Common Shares may deteriorate if cash dividends are reduced or suspended.

Tax Matters

The Company and its subsidiaries are subject to income and other taxes in Canada, the United States, and numerous foreign jurisdictions. Changes in tax laws or interpretations thereof, or tax rates in the jurisdictions in which the Company or its subsidiaries do business could adversely affect the Company's results from operations, returns to shareholders, and cash flow. Our effective tax rates could also be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. While management believes the Company and its subsidiaries are in compliance with current prevailing tax laws and requirements, one or more taxing jurisdictions could seek to impose incremental or new taxes on the Company or its subsidiaries, or the Company or its subsidiaries could be subject to assessment, reassessment, audit, investigation, inquiry, or judicial or administrative proceedings by any such taxing jurisdiction. The timing or impacts of any such assessment, reassessment, audit, investigation, inquiry, or judicial or administrative proceedings, or any future changes in tax laws, including the impacts of proposed regulations, cannot be predicted. Any adverse tax developments, including legislative changes, judicial holdings, or administrative interpretations, could have a material and adverse effect on the results of operations, financial condition, and cash flows of the Company.

Terrorism

Terrorist activities (including environmental terrorism), anti-terrorist efforts, and other armed conflicts may adversely affect the global economies and could prevent the Company from meeting its financial and other obligations to the extent such conflicts impact operations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Company’s products and services and causing a reduction in the Company’s revenues. In addition, the Company’s assets may be direct targets of terrorist attacks that could disrupt Enerflex’s ability to service its customers. The Company may be required by regulators, or by the future terrorist threat environment, to make investments in security that cannot be predicted. The implementation of security guidelines and measures and the maintenance of insurance, to the extent available, to address such activities could increase Enerflex’s costs. These types of events could materially adversely affect the Company’s business and results of operations.

Seasonal Factors and Demand

Demand for natural gas fluctuates largely with the heating and electric power requirements caused by the changing seasons in North America. Hot summers and cold winters typically increase demand for, and the price of, natural gas. This increases customers' cash flow, which can have a positive impact on Enerflex. At the same time, access to many western Canadian oil and natural gas properties is limited to the period when the ground is frozen so that heavy equipment can be transported. As a result, the first quarter of the year is generally accompanied by increased winter deliveries of equipment. Warm winters in western Canada, however, can both reduce demand for natural gas and make it difficult for producers to reach well locations. This restricts drilling and development operations, reduces the ability to supply natural gas production in the short-term, and can negatively impact the demand for Enerflex's products and services.

Section 404 of the Sarbanes-Oxley Act of 2002

Enerflex maintains disclosure controls and procedures and internal control over financial reporting pursuant to the Canadian Securities Administrators National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, and has commenced an assessment of whether its current internal controls procedures satisfy the requirements of Section 404(a) of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, and the related rules of the SEC and the Public Company Accounting Oversight Board.

Pursuant to Section 404(b) of Sarbanes-Oxley and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, starting with the second annual report that Enerflex files with the SEC after the effectiveness of the registration statement, Enerflex’s independent auditors will be required to attest to the effectiveness of Enerflex’s internal control over financial reporting. The process of obtaining the required attestation from Enerflex’s independent auditors has commenced and will require the investment of substantial additional time and resources, including by Enerflex’s Chief Financial Officer and other members of Enerflex’s senior management, as well as higher than anticipated operating expenses including independent auditor fees.

Enerflex’s failure to satisfy the requirements of Section 404 of Sarbanes-Oxley on an ongoing and timely basis, or any failure in Enerflex’s internal controls, could result in the loss of investor confidence in the reliability of Enerflex’s financial statements, which in turn could negatively affect the trading price of the Enerflex Common Shares and could have a material adverse effect on Enerflex’s results of operations and harm its reputation. Further, Enerflex can provide no assurance that its independent auditors will provide the required attestation. If Enerflex is required in the future to make changes to its internal controls over financial reporting, it could adversely affect Enerflex’s operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls over financial reporting from its independent auditors.

Future Acquisitions

Enerflex may, from time to time, seek to expand the Business and its operations by acquiring or developing additional businesses or assets in existing or new markets. Enerflex expects to realize strategic opportunities and other benefits as a result of its acquisitions. However, there can be no assurances as to whether, or to what extent, such benefits or opportunities will be realized. Enerflex can not predict whether it will be able to successfully identify, acquire, develop, or profitably manage additional acquisitions, or successfully integrate any acquired business or assets into Enerflex's business, or to adjust to an increased scope of operations as a result of such acquisitions. There is a risk that any future acquisitions could adversely impact Enerflex's operations and results.

CAPITAL RESOURCES

On January 31, 2023, Enerflex had 123,739,020 common shares outstanding. Enerflex has not established a formal dividend policy and the Board anticipates setting the quarterly dividends based on the availability of cash flow, anticipated market conditions, and the general needs of the business. Subsequent to the fourth quarter of 2022, the Board declared a quarterly dividend of $0.025 per share.

At December 31, 2022, the Company had combined drawings of $662.4 million against the Revolving Credit Facility and Term Loan (December 31, 2021 – nil). The weighted average interest rate on the Revolving Credit Facility and Term Loan at December 31, 2022 was 7.0 percent and 7.8 percent (December 31, 2021 – nil).

The composition of the borrowings on the Revolving Credit Facility, Term Loan, and the Company's Notes were as follows:

($ thousands)		**December 31, 2022**		December 31, 2021
Drawings on the Revolving Credit Facility	**$**	**459,202**	$	-
Drawings on the Term Loan (US$150,000)		**203,160**		-
Notes due October 15, 2027 (US$625,000)		**846,500**		-
Drawings on the Bank Facility		**-**		30,522
Drawings on the Asset-Based Facility		**-**		37,411
Notes due December 15, 2024		**-**		148,119
Notes due December 15, 2027		**-**		118,746
Deferred transaction costs and Notes discount		**(118,537)**		(3,376)
Total long-term debt	**$**	**1,390,325**	$	331,422
Current portion of long-term debt	**$**	**27,088**	$	-
Non-current portion of long-term debt		**1,363,237**		331,422
Total long-term debt	**$**	**1,390,325**	$	331,422

At December 31, 2022 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,508.9 million, and nil thereafter.

CONTRACTUAL OBLIGATIONS, COMMITTED CAPITAL INVESTMENT, AND OFF-BALANCE SHEET ARRANGEMENTS

The Company's contractual obligations are contained in the following table:

($ thousands)	Leases	Purchase Obligations	Total
2023	$ 23,776	$ 775,339	$ 799,115
2024	18,427	19,306	37,733
2025	15,493	1,005	16,498
2026	12,173	-	12,173
2027	9,848	-	9,848
Thereafter	32,287	-	32,287
Total contractual obligations	**$ 112,004**	**$ 795,650**	**$ 907,654**

The Company's lease commitments are operating leases for premises, equipment, and service vehicles.

The majority of the Company's purchase commitments relate to major components for the Energy Infrastructure and Engineered Systems product lines and to long-term information technology and communications contracts entered into in order to reduce the overall cost of services received.

The Company does not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, liquidity, or capital expenditures.

RELATED PARTIES

Enerflex transacts with certain related parties during the normal course of business. Related parties include Roska DBO, and the Company's 65 percent interest in a joint venture in Brazil.

All transactions occurring with related parties were in the normal course of business operations under the same terms and conditions as transactions with unrelated parties. A summary of the financial statement impacts of all transactions with all related parties is as follows:

Years ended December 31,	2022	2021
Associate – Roska DBO		
Revenue	**$ 1,755**	$ 352
Purchases	**4**	-
Accounts receivable	**22**	128

All related party transactions are settled in cash.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The timely preparation of these Financial Statements requires that Management make estimates and assumptions and use judgment. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, uncertainties about the current economic environment including significant market volatility in commodity prices, high inflation, high interest rates, and increasing energy prices.

Uncertainty about these assumptions and estimates could however result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have a significant effect on the amounts recognized in the consolidated financial statements:

Revenue Recognition – Performance Obligation Satisfied Over Time

The Company reflects revenues relating to performance obligations satisfied over time using the percentage-of-completion approach of accounting. The Company uses the input method of percentage-of-completion accounting, whereby actual input costs as a percentage of estimated total costs is used as the basis for determining the extent to which performance obligations are satisfied. The input method of percentage-of-completion accounting provides a faithful depiction of the transfer of control to the customer, as the Company is able to recover costs incurred relating to the satisfaction of the associated performance obligation. This approach to revenue recognition requires Management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on cost progression, and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

Certain contracts also include aspects of variable consideration, such as liquidated damages on project delays. For these contracts, Management must make estimations as to the likelihood of the variable consideration being recognized or constrained, based on the status of each project, the potential value of variable consideration, communication received from the customer, and other factors. Enerflex continues to monitor these factors. Changes in estimated cost or revenue associated with a project, including variable consideration, could result in material changes to revenue and gross margin recognized on certain projects.

Revenue Recognition – Performance Obligation Satisfied at a Point in Time

The Company reflects revenues relating to performance obligations satisfied at a point in time when control – indicated by transfer of the legal title, physical possession, significant risks and rewards of ownership, or any combination of these indicators – is transferred to the customer.

Provisions for Warranty

Provisions set aside for warranty exposures either relate to amounts provided systematically based on historical experience under contractual warranty obligations or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. Amounts set aside represent Management's best estimate of the likely settlement and the timing of any resolution with the relevant customer.

Business Acquisitions

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Company relies on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, projected cash flows, customer attrition rates, operating margins, discount rates, and economic lives.

Property, Plant and Equipment, Energy Infrastructure Assets and Intangible Assets

Property, plant and equipment, energy infrastructure assets and intangible assets are stated at cost less accumulated depreciation and accumulated amortization and any impairment losses. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets is reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets requires judgment and is based on currently available information. Property, plant and equipment, energy infrastructure assets and intangible assets are also reviewed for potential impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment, energy infrastructure assets and intangible assets constitutes a change in accounting estimate and are applied prospectively.

Right-of-Use Asset and Lease Liability

The Company determines the right-of-use asset and lease liability for each lease upon commencement. In calculating the right-of-use asset and lease liability, the Company is required to determine a suitable discount rate in order to calculate the present value of the contractual payments for the right to use the underlying asset during the lease term. In addition, the Company is required to assess the term of the lease, including if the Company is reasonably certain to exercise options to extend the lease or terminate the lease. Discount rates and lease assumptions are reassessed on a periodic basis.

Finance Lease Receivables

In calculating the value of the Company's finance lease receivables, the Company is required to determine the fair value of the underlying assets included in the finance lease transaction, or, if lower, the present value of the lease payments discounted using a market rate of interest. The fair value of the underlying assets should reflect the amount that the Company would otherwise recognize on a sale of those assets.

Allowance for Doubtful Accounts

Amounts included in allowance for doubtful accounts reflect the full lifetime expected credit losses for trade receivables. The Company determines allowances based on Management's best estimate of future expected credit losses, considering historical default rates, current economic conditions, and forecasts of future economic conditions. Future economic conditions, especially around the oil and gas industry, may have a significant impact on the collectability of trade receivables from customers and the corresponding expected credit losses. Management has implemented additional monitoring processes in assessing the creditworthiness of customers and believes the current provision appropriately reflects the best estimate of its future expected credit losses. Significant or unanticipated changes in economic conditions could impact the magnitude of future expected credit losses.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes, and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or group of assets exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions, in an arm's length transaction of similar assets or observable market prices, less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model, which requires the Company to estimate future cash flows and use judgment to determine a suitable discount rate to calculate the present value of those cash flows.

Impairment of Goodwill

The Company tests goodwill for impairment at least on an annual basis, or when there is any indication that goodwill may be impaired. This requires an estimation of the value-in-use of the groups of CGUs to which the goodwill is allocated. The Company has determined the group of CGUs to be its operating segments for purposes for its impairment assessment. Estimating the value-in-use requires an estimate of the expected future cash flows from each group of CGUs and use judgment to determine a suitable discount rate in order to calculate the present value of those cash flows. The methodology and assumptions used, as well as the results of the assessment performed are detailed in Note 15.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income. The Company establishes provisions for uncertain tax positions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them as required. However, it is possible that, at some future date, current income tax liabilities are in excess of the Company's current income tax provision as a result of these audits, adjustments, or litigation with tax authorities. These differences could materially impact the Company's assets, liabilities, and net income.

Deferred tax assets are recognized for all unused tax losses, carried forward tax credits, or other deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing of reversal, expiry of losses and the level of future taxable profits together with future tax planning strategies. The basis for this estimate is Management's cash flow projections. To the extent the Company determines the recoverability of deferred tax assets is unlikely, the deferred tax asset is not recognized. Management regularly assesses the unrecognized deferred tax asset to determine what portion can be recognized in response to changing economic conditions or recent events.

Share-Based Compensation

The Company employs the fair value method of accounting for stock options and phantom share entitlement. The determination of the share-based compensation expense for stock options and phantom share entitlement requires the use of estimates and assumptions based on exercise prices, market conditions, vesting criteria, length of employment, and past experiences of the Company. Changes in these estimates and future events could alter the determination of the provision for such compensation. Details concerning the assumptions used are described in Note 25.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions associated with the grant are met. If a grant is received, but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until the conditions are fulfilled. As long as the Company is eligible for any such programs the grants received are recorded as a reduction against the associated expenses to which they relate and in the period the expenses are recognized.

Segment Change and Fair Value Allocation

During the fourth quarter of 2022, the Company reassessed its operating and reporting segments. Prior to this assessment, the Company's operating and reporting segments were one and the same, with those segments being Canada, USA, and Rest of World. With the completion of the Exterran acquisition Management noted a change in how the Chief Operating Decision Maker ("CODM") views the organization. On this basis, four operating segments have been identified with no change in the Canada and USA segments, while Rest of World has been bifurcated into LATAM and EH. For external reporting purposes, Enerflex's reportable segments are as follows:

- North America – comprised of operations in Canada and the USA;
- Latin America – comprised of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru; and
- Eastern Hemisphere – comprised of operations in the Middle East, Africa, Europe and Asia Pacific.

The Canada and USA segments have been combined as they have similar economic characteristics including:

- the nature of the products and services provided;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products or provide their services; and
- the nature of the regulatory environment.

Goodwill that was previously allocated to the ROW segment was distributed between the LATAM and EH segments on a basis of the estimated fair value allocation.

NEW ACCOUNTING POLICIES

The Company has reviewed amendments to existing accounting standards and determined that no amendments would have a material impact on the financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company determined that the following amendments may have an impact on future financial statements:

IAS 1 Presentation of Financial Statements ("IAS 1")

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help a company apply materiality judgements to accounting policy disclosures. The amendments seek to help a company provide more useful accounting policy disclosures by replacing the requirement for a company to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, as well as add guidance on how a business applies the concept of materiality in making decisions about accounting policy disclosures. The company will now have to consider both the size of the transactions, other events or conditions, and the nature of them. 'Material' is a defined term in IFRS and is more widely understood by users of financial statements.

In October 2022, the IASB issued amendments to clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least twelve months at the reporting date. The Right needs to exist at the reporting date and must have substance. In addition to the amendment from January 2020 where the IASB issued amendments to IAS 1, to provide a more general approach to the presentation of liabilities as current or non-current, only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

These amendments are effective January 1, 2024 and are to be applied retrospectively. Management has not yet determined the impact this amendment will have on the Company.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Effective January 1, 2023, the definition of accounting estimates will be amended under IAS 8. Under the amended definition, a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment further clarifies that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty.

Under the prior definition, IAS 8 stated that a change in accounting estimates specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

This amendment will impact changes in accounting policies and changes in accounting estimates made after the amendment is adopted by the Company.

IAS 12 Income Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendment is effective January 1, 2023, and clarifies how a business should account for deferred tax related to assets and liabilities arising from a single transaction.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a related asset and liability give rise to taxable and deductible temporary differences that are not equal.

Management believes these amendments will have no impact on the Company.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying Financial Statements, and has in place appropriate information systems, procedures, and controls to ensure that information used internally by Management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the Financial Statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of Management, have evaluated the effectiveness of the Company's DC&P and ICFR as at December 31, 2022, using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on that evaluation, Management has concluded that the design and operation of the Company's DC&P were adequate and effective as at December 31, 2022, to provide reasonable assurance that: a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities; and b) information required to be disclosed is recorded, processed, summarized, and reported within required time periods. Management also concluded that the design and operation of ICFR was adequate and effective as at December 31, 2022, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS.

As permitted by Canadian securities laws and SEC guidance, the Company has excluded Exterran control, policies and procedures, from Management's evaluation of the system of ICFR for the year ended December 31, 2022. Additional information regarding this acquisition is included above and in Note 7 of the Financial Statements. Exterran will be included in Management's evaluation of ICFR for the fiscal year ending December 31, 2023.

Management identified a material weakness in design and operation of the control over review of financial statement presentation and disclosure, which led to the amendment and restatement of its audited Consolidated Financial Statements for the year ended December 31, 2021. This deficiency was due to reliance on system automation to correctly classify and present amounts in the financial statements and insufficient precision of financial statement review controls to have identified a material misstatement in the financial statements. Due to this material weakness, certain financial statement presentation was incorrect, which included the misclassification of certain cash flows, and non-cash items being reflected as transfers between Operating, Investing, and Financing cash flows. The Statements of Cash Flows and related disclosures have been adjusted for this misclassification and these non-cash transfers.

The Company has taken and will continue to take a number of actions to remediate this material weakness. During the second quarter of 2022, the Company developed and implemented a remediation plan to address this material weakness that identifies areas where enhanced precision will help detect and prevent material misstatements. This remediation plan includes, but is not limited to:

- a new reconciliation process that identifies any new transactions being reflected in the Statement of Cash Flows;
- a robust review methodology for complex and non-normal course transactions which includes all aspects of presentation and disclosure;
- a proof to ensure that non-cash transfers are no longer reflected within the Statement of Cash Flows; and
- plans to use outside resources to enhance the business process documentation.

Certain remedial measures were undertaken in the second quarter of 2022 that resulted in an effective control design over the Company's reliance on system automation to correctly classify and prepare the Statements of Cash Flows. Management has concluded that these controls are operationally effective. Management believes the ongoing efforts will reduce the risk of material weaknesses in the future.

Outside of the material weakness noted above, there have been no significant changes in the design of the Company's ICFR during the twelve months ended December 31, 2022 that would materially affect, or is reasonably likely to materially affect, the Company's ICFR.

While the Officers of the Company have designed the Company's DC&P and ICFR, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

SUBSEQUENT EVENTS

Subsequent to December 31, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on April 6, 2023, to shareholders of record on March 16, 2023. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws and within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to the respective Management expectations about future events, results of operations, and the future performance (both financial and operational) and business prospects of Enerflex, Exterran, or the combined entity. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "future", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking information and statements. In particular, this MD&A includes (without limitation) forward-looking information and statements pertaining to: the expectations for enhanced shareholder value through sustainable improvements in efficiency, profitability, and cash flow generation; the expectation for the combined company to diversify its operations across key growth regions where the Company already has a presence and to provide offerings to a broader base of customers; expectations and results from the exploration activities by the Company around decarbonization, carbon capture technologies, and supporting infrastructure opportunities with customers; expectations for the Company to pay and to continue to pay a quarterly dividend to shareholders and that the Board will set the dividend based on the availability of cash flow, anticipated market conditions, and the general needs of the business; the disclosures under the section "Outlook" and "Outlook by Segment" including, but not limited to, the expectations to capture $60 million in annual run-rate synergies within 12 to 18 months of the closing of the Transaction and the sources in which such run-rate synergies will be derived from; the timing for expected completion of in flight projects in the Middle East; expectations for the Company to generate significant excess cash flow from operations and to lower its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of 2023; the expectations of Enerflex to have the ability to deliver increased capital returns to shareholders and to continue to pay a quarterly dividend of at least $0.025 per share; Enerflex's 2023 guidance; expectations that production of oil and natural gas will grow modestly year-over-year in North America and the regions where such growth will be driven from; expectations for future LNG exports associated with LNG Canada Phase 1 and the net effect for the Company; utilization rates for the contract compression fleet of the Company and that such rates will remain elevated and that sold margins on new Engineered Systems booking will continue to expand from current levels; the expectations that the Exterran Cryogenic product line to be a synergistic revenue-generating business in the North American region; expectations that the recent increase in After-Market Services across the North American region continues into 2023; expectations for continued stability in the recurring business in Latin America; expectations to increase contract compression fleet utilization rates through re-contracting and redeployment of idle fleet; expectations that in Latin America there is a growing need for reliable power and a desire to reduce overall dependency on imported natural gas and the impacts on the Company; expectations for strengthening demand for natural gas and energy transition solutions in the Eastern Hemisphere region; the expectations that a future LNG export industry in Canada will provide additional opportunities for the Company; expectations that cash flows from operations in 2022, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets; the anticipated financial performance of the combined entity, including its expected gross margin; the intended use by Enerflex of the remaining funds under the Revolving Credit Facility; the expected cost savings and synergies of the combined company to be achieved as a result of the Transaction and the timing to realize such cost savings and synergies; anticipated shareholder value; expected accretion to adjusted EBITDA, cash flow per share, and earnings per share for shareholders of Enerflex; future capital expenditures, including the amount and nature thereof; commodity prices and the impact of such prices on demand for the combined entity's products and services; development trends in the oil and natural gas industry; seasonal variations in the activity levels of certain crude oil and natural gas markets; business prospects and strategy; expansion and growth of the business and operations; implications of changes in government regulation, laws and income taxes; and environmental, social, and governance matters.

This forward-looking information and statements are based on assumptions, estimates and analysis made by Enerflex and its perception of trends, current conditions and expected developments, as well as other factors that are believed by Enerflex to be

reasonable and relevant in the circumstances and in light of the Transaction. All forward-looking information and statements in this MD&A is subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect Enerflex's operations, including, without limitation: the impact of economic conditions including volatility in the price of crude oil, natural gas, and natural gas liquids; supply chain interruptions leading to delays in receiving materials and parts to produce equipment; interest rates and foreign exchange rates; industry conditions including supply and demand fundamentals for oil and natural gas, and the related infrastructure including new environmental, taxation and other laws and regulations; continued business disruptions resulting from the COVID-19 pandemic; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management and difficulties in retaining personnel; political unrest; and other factors, many of which are beyond the control of Enerflex. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While Enerflex believes that there is a reasonable basis for the forward-looking information and statements included in this MD&A, as a result of such known and unknown risks, uncertainties, and other factors, actual results, performance, or achievements could differ and such differences could be material from those expressed in, or implied by, these statements. The forward-looking information and statements included in this MD&A should not be unduly relied upon as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to: the ability of the combined entity to realize the anticipated benefits of, and synergies from, the Transaction and the timing and quantum thereof; potential undisclosed liabilities unidentified during the due diligence process; the accuracy of the pro forma financial information of the combined entity; the interpretation of the Transaction by tax authorities; the success of business integration and the time required to successfully integrate; the ability to maintain desirable financial ratios; the ability to access various sources of debt and equity capital, generally, and on acceptable terms, if at all; the ability to utilize tax losses in the future; the ability to maintain relationships with partners and to successfully manage and operate integrated businesses; risks associated with technology and equipment, including potential cyberattacks; the occurrence of unexpected events such as pandemics, war, terrorist threats, and the instability resulting therefrom; risks associated with existing and potential future lawsuits, shareholder proposals, and regulatory actions; and those factors referred to under the heading "Risk Factors" in Enerflex's Annual Information Form ("AIF") for the year ended December 31, 2022.

This MD&A contains information that may constitute future-oriented financial information or financial outlook information ("FOFI") about Enerflex and the combined entity's prospective financial performance, financial position, or cash flows, including leverage, operational efficiencies, scale, capital expenditures and WIP, non-discretionary expenses, and accretion, all of which is subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. The combined entity's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Enerflex has included FOFI in this MD&A in order to provide readers with a more complete perspective on the combined entity's future operations and Management's current expectations regarding the combined entity's future performance. Readers are cautioned that such information may not be appropriate for other purposes.

The forward-looking information and statements and FOFI contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information and statements included in this MD&A is made as of the date of this MD&A and, other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information and statements, whether as a result of new information, future events or otherwise.

EXHIBIT 99.4

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Marc E. Rossiter, certify that:

1. I have reviewed this annual report on Form 40-F of Enerflex Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Enerflex Ltd. as of, and for, the periods presented in this report;

4. The other certifying officer of Enerflex Ltd. and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Enerflex Ltd. and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Enerflex Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [omitted];

(c) evaluated the effectiveness of disclosure controls and procedures of Enerflex Ltd. and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in internal control over financial reporting of Enerflex Ltd. that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect internal control over financial reporting of Enerflex Ltd.; and

5. The other certifying officer of Enerflex Ltd. and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the auditors of Enerflex Ltd. and the audit committee of the board of directors of Enerflex Ltd. (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the ability of Enerflex Ltd. to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Enerflex Ltd.

Date: March 1, 2023

/s/ Marc E. Rossiter

EXHIBIT 99.5

CERTIFICATION OF THE FINANCIAL OFFICER

I, Sanjay Bishnoi, certify that:

1. I have reviewed this annual report on Form 40-F of Enerflex Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Enerflex Ltd. as of, and for, the periods presented in this report;

4. The other certifying officer of Enerflex Ltd. and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Enerflex Ltd. and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Enerflex Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [omitted];

(c) evaluated the effectiveness of disclosure controls and procedures of Enerflex Ltd. and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in internal control over financial reporting of Enerflex Ltd. that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect internal control over financial reporting of Enerflex Ltd.; and

5. The other certifying officer of Enerflex Ltd. and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the auditors of Enerflex Ltd. and the audit committee of the board of directors of Enerflex Ltd. (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the ability of Enerflex Ltd. to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Enerflex Ltd.

Date: March 1, 2023

/s/ Sanjay Bishnoi

EXHIBIT 99.6

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc E. Rossiter, President and Chief Executive Officer of Enerflex Ltd., certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Annual Report on Form 40-F of Enerflex Ltd. for the period ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Enerflex Ltd.

Date: March 1, 2023

/s/ Marc E. Rossiter

EXHIBIT 99.7

PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Sanjay Bishnoi, Senior Vice President and Chief Financial Officer of Enerflex Ltd., hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Annual Report on Form 40-F of Enerflex Ltd. for the period ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Enerflex Ltd.

Date: March 1, 2023

/s/ Sanjay Bishnoi

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Building a better working world

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our Firm under the caption “Experts”, and to the incorporation by reference in Registration Statement Form S-8 no. 333-268146 pertaining to the Amended and Restated 2013 Stock Option Plan of Enerflex Ltd. (the “Company”) and the use herein of our report dated March 1, 2023, with respect to the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the years in the two year period ended December 31, 2022, included in this Annual Report on Form 40-F.

/s/ Ernst & Young LLP
Chartered Professional Accountants

Calgary, Canada
March 1, 2023

BUSINESS CODE OF CONDUCT

ENERFLEX

BUSINESS CODE OF CONDUCT

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INTRODUCTION

Enerflex Ltd. ("**Enerflex**" or the "**Corporation**") is committed to conducting its business and affairs to the highest standards of ethical business practice and conduct. The purpose of this Business Code of Conduct (the "**Code**") is to identify the specific standards of ethical business practice and conduct expected of our people in each country Enerflex and its subsidiaries does business.

This Code does not cover every situation or action that you may encounter. Should you have any doubt about the correct legal or ethical action in a given situation you should seek guidance from your supervisor, a member of senior management or a member of the Legal Department.

Who Must Follow the Code

This Code applies to all directors, officers, employees, and independent contractors of Enerflex and its subsidiaries, and is addressed to each such person individually. For the purposes of this Code, any reference to "**Enerflex**" or the "**Corporation**" includes Enerflex and its subsidiaries.

Which Laws Apply

Enerflex does business in many countries around the world and, as a result, is subject to the laws of many jurisdictions and levels of government in those jurisdictions. If a conflict should arise between the applicable laws of different countries where Enerflex does business, or between this Code and any such law or regulation, you are expected to bring the matter to the attention of a member of the Legal Department.

Other Policies and Procedures

Each business unit or subsidiary may issue its own set of policies and procedures which must be consistent with this Code. You should familiarize yourself with these various policies and procedures to the extent they apply to you and your roles as they may provide more detailed guidance or requirements on specific issues that affect your duties. You are required to follow those policies and procedures to the extent they are consistent with this Code.

STANDARDS OF CONDUCT

Compliance

You are expected to conduct Enerflex's business and affairs in accordance with Enerflex's policies and procedures (including this Code), and all applicable laws, rules and regulations, including the local laws, rules and regulations of the countries in which Enerflex operates. You should educate yourself on the laws, rules and regulations that govern your work and seek assistance of the Legal Department when necessary or appropriate.

Conflicts of Interest

You are expected to perform your duties conscientiously, honestly and in the best interests of Enerflex. A conflict of interest occurs when your personal or private interests improperly interfere, or appear to improperly interfere, with the interests of Enerflex. You should avoid conflicts of interest. Taking the following actions, either directly or indirectly through family or people with whom you share a financial or close personal relationship, are some examples of actual or perceived conflicts of interest:

- placing yourself in a position where any benefit or interest other than your employment could be derived from a transaction with Enerflex;

- contracting with or rendering services to Enerflex outside of your employment;
- participating in activities that compete with Enerflex or that interfere or appear to interfere with your duties and responsibilities to Enerflex;
- appropriating for yourself or others any business opportunity you became aware of through your employment or office with Enerflex or in which Enerflex may be interested;
- conveying material Enerflex information to others or taking material Enerflex information for your own use or benefit; or
- having a financial or other interest in any entity doing business with Enerflex (other than an interest of 1% or less in a publicly traded entity).

Actual or perceived conflicts of interest also include close personal relationships between employees: whose positions serve as controls for each other; where there is a direct reporting relationship between them; or where either one has the authority to influence, directly or indirectly, any term or condition of employment of the other.

Enerflex recognizes that you may have legitimate outside interests. There may also be situations which could be seen as a potential conflict of interest, no matter how innocent your intentions. For that reason, Enerflex requires full disclosure by you of all circumstances that could reasonably be construed as a conflict of interest, as soon as possible. Full disclosure enables you to resolve unclear situations and gives you an opportunity to dispose of conflicting interests before any difficulty arises. You should seek the advice of your supervisor or manager and clearly disclose all known conflicts and other situations that create, or appear to create, a conflict of interest. Where necessary, Enerflex may refer an individual situation to the Legal Department to recommend any actions needed to eliminate a conflict of interest.

Outside Employment

Generally speaking, Enerflex does not support outside employment for its full time employees as such activity impacts their effectiveness as employees of Enerflex. However, Enerflex understands that circumstances may arise that cause full time employees to take additional employment. In such instances, full time employees may hold outside jobs or engage in modest self-employment activities on their own time, using their own resources, and in a manner so as not to adversely affect their performance at Enerflex or the corporate interests or public perception of Enerflex. You are prohibited from using Enerflex assets to conduct such activities and carrying on such activities while at work on Enerflex matters.

All outside jobs and self-employment activities for full time employees that could adversely affect your performance at Enerflex or the corporate interests or public perception of Enerflex must be disclosed. Transparency is extremely important – when in doubt, disclose.

Outside Directorships

You must consult with the President and Chief Executive Officer, the Chair of the Nominating and Corporate Governance Committee and the Chair of the Board and obtain prior approval from the Chair of the Board (or in the case of the Chair of the Board, the Chair of the Nominating and Corporate Governance Committee) before agreeing to serve on the board of directors or similar body of a for profit seeking enterprise or government agency. You serving on a board of directors of a not-for-profit organization does not require prior approval, provided such appointment does not pose a conflict of interest with the Corporation in respect of contributions or supply of services.

Non-Profit and Professional Associations

You are encouraged to contribute to your communities through involvement with charitable, community service and professional organizations. However, it is expected that you will only make use of Enerflex's time or resources for such activities with prior approval of senior management.

From time to time, you may reach positions of leadership in non-profit and professional organizations where you may be viewed as a spokesperson for those organizations. In such situations, you should ensure that you are seen as speaking for those organizations or in your individual capacity, and not as employees or spokespersons of Enerflex, and you should not otherwise associate Enerflex or its customers or suppliers with such organizations or causes. For further guidance on Enerflex designated spokespersons, see the section below entitled "Corporate Communications."

Entertainment, Gifts and Favours

It is an essential element of our business practices that all those who do business with us have access to us on equal terms. You must ensure that you do not accept entertainment, gifts, favours or benefits of any kind that could in any way influence, or appear to have the potential of influencing, business decisions in favour of any particular supplier, contractor, customer or service provider. Similarly, you may not offer entertainment, gifts, favours or benefits of any kind in order to secure preferential treatment for Enerflex.

Notwithstanding the foregoing, entertainment, gifts, favours or benefits may only be accepted or offered if they are consistent with customary business practices and:

- do not influence or appear to influence how Enerflex or its employees, contractors or agents, carry out their duties;
- are not cash;
- are not excessive in value;
- do not violate any applicable laws; and
- do not violate this Code, Enerflex's *Anti-Bribery and Anti-Corruption Policy*, or other applicable policies of Enerflex.

For additional guidance on such matters, you should refer to Enerflex's *Anti-Bribery and Anti-Corruption Policy*.

Corporate Property

You are responsible for protecting Enerflex's assets, including, without limitation, tangible assets, (such as equipment and facilities) and intangible assets (corporate opportunities, Intellectual Property (as defined below), trade secrets and business information) from misuse or misappropriation. You must not obtain, use or divert Enerflex property for personal use or benefit except as otherwise permitted by this Code and Enerflex's other policies and procedures or use the names associated with the Enerflex group of companies or its purchasing power to obtain personal benefits. All of Enerflex's assets must be used lawfully in furtherance of Enerflex's corporate objectives.

Anti-Corruption

It is Enerflex's policy that neither Enerflex nor its employees or directors may pay, offer to pay, authorize or promise to give anything of value, directly or indirectly, to any third party, including any government official, for the purpose of obtaining or securing any improper advantage, contract

or concession, causing the person to act or fail to act in violation of a legal duty, or causing the person to abuse or misuse their position. Enerflex may encounter particular pressure to make such payments in countries where extraordinary competition exists for natural gas and oil equipment sales and/or service opportunities. You must be particularly vigilant not to be tempted by assertions that such practices are common or condoned in that country. Note that improper payments to any third party, including a person doing business in the private sector, to influence a decision or obtain a benefit Enerflex is not otherwise entitled to, are a violation of this Code. Examples of situations that may constitute improperly providing things of value to third parties, including government officials, include giving gifts, paying tips or other monetary amounts, making facilitation (or "grease") payments, providing entertainment, sponsoring travel, and hiring relatives of the third party. For additional guidance on such matters, you should refer to Enerflex's *Anti-Bribery and Anti-Corruption Policy*. If you are not certain that any conduct or proposed conduct is appropriate under such policy, you should discuss the matter promptly with the Legal Department.

Sanctions and Trade Compliance

Enerflex complies with all applicable economic and trade sanctions laws which prohibit or restrict direct or indirect dealings with certain countries, companies and individuals. Enerflex also complies with all trade restriction laws applicable to our global operations, including those that regulate the export, import or transfer of certain controlled products and technology. Enerflex ensures such compliance by exercising appropriate due diligence before entering into transactions third party customers and suppliers.

Enerflex personnel involved in cross-border or other international transactions are responsible to follow all such laws and regulations, as well as related Enerflex policies and procedures. The consequences for violating sanctions and trade control laws can be severe and such laws are complex and frequently change as governments address new socio-political issues around the world. Personnel who are uncertain about the legal requirements associated with a proposed export, re-export or import transaction should discuss the matter promptly with the Legal Department.

For additional guidance on such matters, you should refer to Enerflex's *Sanctions Policy*.

Competition and Anti-Trust Legislation

Enerflex and its employees must comply with all Canadian and other applicable foreign competition and anti-trust legislation. Behavior which is prohibited under such legislation includes activities such as agreements with competitors to allocate markets or customers, price fixing or agreements to control prices, the boycotting of certain suppliers or customers, bid-rigging, misleading advertising, price discrimination, predatory pricing, price maintenance, refusal to deal, exclusive dealing, tied selling, delivered pricing and the abuse of dominant position.

Should you face a situation which may constitute a breach of such legislation or creates any doubt about the correct legal or ethical action, you should seek guidance from your supervisor, senior management or the Legal Department.

Communication Devices and Related Matters

Enerflex's computers, mobile devices (including but not limited to tablets and smart phones), software, electronic mail and internet systems are provided for business purposes. Incidental personal use is acceptable provided such use does not negatively impact productivity, compromise system capacity or contravene applicable law or any Enerflex policy. Software which is copyrighted must not be copied for use elsewhere. You are prohibited from using such

resources for improper or illegal activities such as the communication of defamatory, pornographic, obscene or demeaning material, hate literature, inappropriate blogging, gambling, copyright infringement, harassment or obtaining illegal software or files.

User identification and passwords are provided for authorized access to Enerflex's computing resources. You must guard your identification and password closely and not divulge it to anyone for any reason. Requests from anyone, including Information Technology staff, for your password should be denied. You should change your password regularly. You are responsible for the consequences of any and all system accesses that are a result of use of their identification and password.

Enerflex reserves the right to acquaint itself with any content exchanged, stored or processed on Enerflex property. These communications may also be subject to disclosure to law enforcement or government officials. You acknowledge that Enerflex may occasionally monitor your email and social media use to ensure compliance with the foregoing. You waive any privacy right that you may have to any information that is exchanged, stored or processed on Enerflex property to the extent permissible by applicable laws.

Please see the *Social Media Policy* and the *Employee Privacy Policy* for further details.

Proprietary and Confidential Information

You must safeguard all Enerflex confidential information from unprotected access or disclosure (being information in both oral and written format which relates to the business of Enerflex, which includes but is not limited to documents, drawings, designs, plans, specifications, instructions, data, manuals, information stored on electronic media such as computer disks or drives, computer programs, and the data stored electronically, security code numbers, financial, marketing and strategic information, product pricing and customer and supplier information, that is not in the public domain and that Enerflex discloses to you or you otherwise learn or ascertain or come into possession of in any manner as a result of, or in relation to, your service with Enerflex).

During your service with Enerflex, you must use Enerflex confidential information only for the purposes of such service and you must not disclose any Enerflex confidential information, to any person or entity, except (i) when necessary to do so in the course of business, (ii) with the written authorization of a member of senior management or (iii) as may be required by law. After the termination of your service with Enerflex for any reason, you may not use or disclose Enerflex confidential information to any person or entity at any time, except as may be required by law. You must return or destroy all Enerflex confidential information in your possession forthwith upon the termination of your service with Enerflex, and delete all such information from any personal device.

You agree that all intellectual property discovered, conceived or developed by you, directly or indirectly, as the result of, in connection with or related to your employment with Enerflex and including, but not limited to, any and all inventions, copyrightable works, discoveries, innovations, data, know-how or other developments including reports, solutions and interpretations made (collectively "**Intellectual Property**") and any rights associated with such intellectual property such as copyright and patent, are "works for hire" and are the sole property of Enerflex. You agree to disclose in writing, hold in trust and assign to Enerflex without compensation any Intellectual Property and related rights that you create during the course of your employment with Enerflex. Details of these and other requirements regarding Enerflex and non-public information can be found in Enerflex's *Corporate Disclosure Policy* and *Insider Trading Policy*. You must also comply with all of Enerflex's policies regarding privacy protection, including the *Employee Privacy Policy*, the *External Privacy Policy* and the *Website Privacy Statement* and any applicable privacy policy established by an Enerflex subsidiary for a particular country or countries.

Corporate Communications

Enerflex designates a limited number of spokespersons responsible for communication with the media, investors and analysts. The President and Chief Executive Officer and the Chief Financial Officer are the official spokespersons for the Corporation. Individuals holding these offices may, from time to time, designate others within the Corporation to speak on its behalf as back-up spokespersons or to respond to specific inquiries from the investment community or the media.

If you are not an authorized spokesperson, you must not respond under any circumstances to inquiries from the investment community, the media or other external requests for information unless specifically asked to do so by an authorized spokesperson. All such inquiries must be referred to the authorized spokespersons. Please see the *Corporate Disclosure Policy* for further details.

Insider Trading

"Material Information" is any information relating to the business and affairs of Enerflex that results in, or would reasonably be expected to result in, a significant change in the market price or value of any of the Corporation's securities, and includes any information that a reasonable investor would consider important in making an investment decision.

It is a breach of securities laws and this Code for you to be in possession of Material Information and to trade or tip others to trade in the securities of Enerflex or the securities of any entity that is party to any undisclosed transaction with Enerflex.

Please refer to Enerflex's *Corporate Disclosure Policy* and *Insider Trading Policy* prior to trading in, or providing anyone else with information to trade in, the securities of Enerflex. Any questions regarding such policies, what constitutes "Material Information" or insider trading generally should be directed to the Legal Department.

Health, Safety and Environment

Enerflex is committed to establishing and maintaining safe and healthy working conditions and conducting its operations in accordance with applicable laws, regulations and standards. Fulfilling these commitments is the responsibility of all directors and employees, including you. While performing duties on behalf of Enerflex, you are expected to observe the health and safety policies and practices applicable to our business and regions and report all incidents in accordance with Enerflex policies. All employees have the responsibility to assess their worksite to identify existing and potential hazards before work begins and to apply controls to eliminate or mitigate any hazard. You are also expected to handle and use all materials having a potential to adversely impact the environment safely and in accordance with applicable laws, and to report all incidents involving such materials in accordance with Enerflex's policies.

Human Rights and Respectful Workplace

Enerflex is committed to conducting all its affairs with fairness and providing a safe and respectful work environment that is free from harassment, discrimination and violence, where all individuals are treated with dignity and respect. Enerflex will not tolerate any violence, harassment or discrimination on any ground protected by applicable law. You are expected to immediately report any harassing, discriminatory or violent conduct of which you are aware so that it may be properly addressed. For additional guidance, refer to the *Respectful Workplace Policy*.

Business and Accounting Practices

All Enerflex payments and other transactions must be properly authorized and be accurately and completely recorded in Enerflex's books and records in accordance with generally accepted accounting principles and established corporate accounting policies. Information must always be reported accurately and honestly. No false, incomplete or misleading entries or records should be created, including expense reports. No undisclosed or unrecorded corporate funds should be established for any purpose, nor should Enerflex funds be placed in any personal or non-corporate account. Financial statements and other related disclosure documents are to represent full and fair reporting of Enerflex's financial condition, results of operation and material business affairs. Internal accounting controls must be followed. Complaints or concerns regarding accounting, internal accounting controls or auditing matters should be provided to Enerflex's compliance hotline, pursuant to Enerflex's *Whistleblower Hotline*.

Corporate Donations

From time to time, Enerflex provides support to community and charitable organizations through its corporate donations program. The Board approves the annual budget for corporate donations and the President of each region of the Corporation, along with the regional Donations Committee, considers and must approve requests for financial or material assistance from community and charitable organizations. Except as authorized by the regional President, you are not authorized to donate Enerflex funds or materials to any organizations. See the *Donations Policy* for further guidance.

All such donations must comply with Enerflex's *Anti-Bribery and Anti-Corruption Policy*. If you are not certain that any conduct or proposed conduct is appropriate under such policy, you should discuss the matter promptly with the Legal Department.

Political Participation

Enerflex is politically neutral. It will not align itself with any political party nor does it make contributions to political parties or candidates for political office.

If you engage in political activities, you must take care to separate those activities from your association with Enerflex.

COMPLIANCE WITH THE CODE

Written Acknowledgements

If you are an employee or independent contractor providing services to Enerflex, you must sign an acknowledgment upon the commencement of your employment or engagement with Enerflex, when requested by an authorized officer (including in the case of material revisions) and at least once every 24 months confirming, in each case, that you have read and understand this Code and have neither breached nor are aware of any breach of this Code or, in the case of a breach or potential breach, have disclosed the particulars of such breach in accordance with this Code.

If you are a director or officer of Enerflex or a member of Enerflex's executive, management or supervisory teams, you must sign an acknowledgment upon taking office with Enerflex, when requested by the Board of Directors of Enerflex (including in the case of material revisions) and at least annually confirming, in each case, that you have read and understand this Code and have neither breached nor are aware of any breach of this Code or, in the case of a breach or potential breach, have disclosed the particulars of such breach in accordance with this Code.

During this process, you will have the opportunity to discuss with your supervisor, the Human Resources Department or the Legal Department, any circumstances that may have arisen which could be a conflict of interest or cause concern with regard to any other part of this Code.

Monitoring and Governance of the Code

The Board of Directors of Enerflex will monitor compliance with the Code. The General Counsel (or his/her designate) will provide the Board with an annual report on compliance with this Code and any waivers granted under this Code. Waivers generally may be granted only by the President and Chief Executive Officer, the Chief Financial Officer or the General Counsel. Only the Board of Directors of Enerflex, or a sub-committee designated by such board, may grant waivers under this code in cases involving directors or officers of the Corporation or its subsidiaries.

Reporting Violations and Where to Seek Clarification

Any violations of this Code or other Enerflex policies must be reported as soon as possible. Reports, discussions or inquiries will be kept in strict confidence to the extent appropriate or permitted by policy or law. Requests to remain anonymous will be respected in accordance with applicable laws.

In most cases, if you have questions, need guidance or have grounds to believe that a provision of this Code or other Enerflex policies have been breached, you are expected to speak with your immediate supervisor or manager. Generally, the immediate supervisor should be able to resolve the issue rapidly. Working with senior management and/or the Legal Department as appropriate, they may provide you with more detailed guidelines, direct you to the relevant corporate policy, or obtain a ruling or clarification from one of the appropriate authorities.

If for some reason you are unwilling to seek clarification or report irregularities to your immediate supervisor or manager, or if you report a violation and it is not resolved, you may contact Enerflex's General Counsel, Corporate Secretary or the Human Resources Department directly. Enerflex employees, customers, suppliers, partners and other third parties are expected to raise concerns with Enerflex directly.

Alternatively, Enerflex employees, customers, suppliers, partners and other third parties can report their concerns anonymously through a secured reporting system offered and managed by an independent third party. Details on how to access the Enerflex compliance hotline are as follows:

1. Call 1.866.296.8654 (North America) or (001)770.659.9018 (International) to leave a digitally altered voice message; or
2. Visit www.whistleblowerservices.com/ener/ for a secure online reporting form.

Disciplinary Measures

Your strict adherence to this Code and all other Enerflex policies is mandatory. Failure to comply may result in disciplinary action up to and including termination. In interpreting this Code, the spirit, as well as the literal meaning of the language must be observed. No retaliatory action will be taken against you for providing good faith information, either internally or to a government authority, or for participating in any proceeding concerning alleged violations of any laws or policies. Disciplinary measures may be taken against you if you participated in a prohibited activity, even if you reported it.