ENERFLEX

Q2

2023 QUARTERLY REPORT

Enerflex is in a position of unparalleled strength following the transformational acquisition of Exterran in 2022. Guided by our strategic plan and our Vision of ***Transforming Energy for a Sustainable Future***, we are stronger, more capable, and more resilient than ever before. Our growing global footprint and expanded product and service solutions, paired with our skilled and passionate workforce, has us poised to continue meeting the dynamic needs of the evolving energy industry. **Our future is bright**.

CONTENTS

ENERFLEX

ENERFLEX LTD. REPORTS STRONG SECOND-QUARTER 2023 FINANCIAL AND OPERATIONAL RESULTS

NEWS RELEASE

CALGARY, Alberta, August 9, 2023 -- Enerflex Ltd. (TSX: EFX) (NYSE: EFXT) ("Enerflex" or the "Company") today reported its financial and operational results for the three and six months ended June 30, 2023. All amounts are presented in Canadian dollars unless otherwise stated.

"Enerflex's solid second-quarter 2023 operational results underscore the sustainability of our three core business lines being executed on a global scale. The two business lines that comprise our recurring revenues, Energy Infrastructure and After-market Services, both expanded their margins compared to the first quarter of 2023. Our Engineered Systems business line booked an additional $322 million in new orders in the quarter, including several energy transition-related initiatives, resulting in a backlog of $1.4 billion," said Marc Rossiter, Enerflex's President and Chief Executive Officer. *"This quarter represents the second full quarter of Enerflex's operations as a combined global business following the acquisition of Exterran, with synergy capture and operations tracking to plan. We are hard at work executing the global backlog and operating our assets at high levels of utilization, while simultaneously restructuring and streamlining our operations and systems to establish a sustainable, profitable enterprise. We remain focused on reducing our overall leverage and continue to expect our bank-adjusted net debt to EBITDA ratio to be 2.5 times at year-end."*

OVERVIEW

- Enerflex reported solid Q2/2023 financial results that included revenue of $777 million and a gross margin of $147 million or 18.9% of revenue. Revenue generation was strong across all segments compared to Q1/2023. The Eastern Hemisphere segment revenue decreased from Q1/2023 due to non-cash finance lease revenue recorded in Q1/2023.
- The Company continues to focus on expanding gross margins and reducing overall costs. Through YTD 2023, the After-market Services gross margin percentage has increased by over 500 basis points from YTD 2022, and the Engineered Systems gross margin percentage is up 400 basis points over the same time frame.
- Enerflex delivered $142 million of adjusted earnings before finance costs, income taxes, depreciation, and amortization ("adjusted EBITDA")(1) in Q2/2023, compared to $123 million in Q1/2023 as a result of strong business performance and an expanded Energy Infrastructure portfolio.
- Enerflex executed on a $32 million capital expenditure program in Q2/2023, with approximately $12 million of growth capital expenditures directed at customer-sanctioned Energy Infrastructure projects. Enerflex continues to prioritize a conservative balance sheet and absolute debt reduction.
- Total long-term debt decreased by $50 million during Q2/2023; however, net debt increased by $38 million from the end of Q1/2023 primarily due to an increase in net working capital associated with the growth of the After-market Services business in North America and the timing of cash flows in the Engineered Systems business. Enerflex's bank-adjusted net debt to EBITDA ratio was 2.8 times(2) as at June 30, 2023.
- Enerflex is reaffirming its full-year 2023 financial guidance for adjusted EBITDA, bank-adjusted net debt to EBITDA ratio, and synergies. Guidance for expected growth capital expenditures is being introduced, and guidance for the Company's non-discretionary expenses is being updated to account for higher anticipated net working capital levels as the business grows, and higher estimated cash taxes in 2023.
- Enerflex is just over nine months into the integration of Exterran Corporation ("Exterran") and continues to actively integrate and streamline its global operations. As previously announced, Enerflex plans to consolidate its global manufacturing capacity from five facilities to three. This, in addition to other activities aimed at reducing costs and focusing Enerflex's efforts on the best possible regions and assets, will reduce the Company's long-term cost structure.

(1) Non-IFRS measure that is not a standardized measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar non-IFRS measures disclosed by other issuers. Refer to *"Non-IFRS Measures"* of this news release for the most directly comparable financial measure disclosed in Enerflex's current financial statements to which such non-IFRS measure relates.
(2) Non-IFRS measure that is not a standardized measure under IFRS and may not be comparable to similar non-IFRS measures disclosed by other issuers. Refer to *"Non-IFRS Measures"* of this news release.

SUMMARY RESULTS

$ millions, except percentages, per share amounts, and ratios	Three Months Ended **June 30, 2023**	March 31, 2023	June 30, 2022(1)	Six Months Ended **June 30, 2023**	June 30, 2022(1)
Revenue	**776.7**	825.0	372.1	**1,601.7**	695.1
Gross margin	**147.2**	160.7	63.6	**307.8**	117.2
Gross margin percentage	**18.9%**	19.5%	17.1%	**19.2%**	16.9%
Selling and administrative expenses ("SG&A")	**99.6**	115.8	43.3	**215.4**	90.2
Operating income	**47.5**	44.9	20.2	**92.4**	27.1
Earnings before finance costs and income taxes ("EBIT")(2)	**48.3**	44.9	20.9	**93.2**	28.0
Earnings before finance costs, income taxes, depreciation, and amortization ("EBITDA")(2)	**111.2**	108.0	42.9	**219.2**	72.0
Net earnings (loss)	**(2.8)**	13.5	13.4	**10.7**	13.0
Per share(3)	**(0.02)**	0.11	0.15	**0.09**	0.14
Adjusted EBITDA(2)	**142.2**	122.8	47.8	**264.9**	82.7
Cash provided by (used in) operating activities	**(4.0)**	(2.6)	21.1	**(6.5)**	(1.6)
Capital expenditures and expenditures for finance leases	**32.4**	66.2	26.0	**98.6**	58.6
Distributable cash flow(2)	**51.6**	55.5	22.5	**107.1**	43.0
Long-term debt	**1,408.3**	1,458.8	346.0	**1,408.3**	346.0
Net debt(2)	**1,234.1**	1,196.3	198.9	**1,234.1**	198.9
Bank-adjusted net debt to EBITDA ratio(4)	**2.8**(5)	2.9(5)	1.4	**2.8**(5)	1.4
Return on capital employed ("ROCE")(2)(6)	**1.0%**	(0.1)%	3.7%	**1.0%**	3.7%
Engineered Systems bookings(2)	**322.0**	516.6	313.3	**838.6**	550.2
Engineered Systems backlog(2)	**1,429.9**	1,541.6	737.0	**1,429.9**	737.0

(1) Comparative figures represent Enerflex's results prior to the closing of its acquisition of Exterran that closed on October 13, 2022 (the "Transaction"), and therefore do not reflect pre-acquisition historical data from Exterran.
(2) Non-IFRS measure that is not a standardized measure under IFRS and may not be comparable to similar non-IFRS measures disclosed by other issuers. Refer to *"Non-IFRS Measures"* of this news release for the most directly comparable financial measure disclosed in Enerflex's current financial statements to which such non-IFRS measure relates.
(3) Based on weighted average diluted common shares outstanding.
(4) Non-IFRS measure that is not a standardized measure under IFRS and may not be comparable to similar non-IFRS measures disclosed by other issuers. Refer to *"Non-IFRS Measures"* of this news release.
(5) Calculated in accordance with the Company's debt covenants, which permit: (a) the inclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months ended for the respective periods; and (b) a maximum ratio of 4.5:1.
(6) Calculated using the trailing 12 months for the respective periods, and do not include pre-acquisition historical data from Exterran.

Enerflex's unaudited interim condensed consolidated financial statements and notes (the "financial statements") and Management's Discussion and Analysis ("MD&A") as at and for the three and six months ended June 30, 2023, can be accessed on the Company's website at www.enerflex.com and under the Company's SEDAR+ and EDGAR profiles at www.sedarplus.ca and www.sec.gov/edgar, respectively.

Q2/2023 FINANCIAL RESULTS

- Enerflex generated $777 million of revenue in Q2/2023, with continued strong performance from recurring businesses and North American Engineered Systems. The Eastern Hemisphere segment revenue decreased relative to Q1/2023 due to $64 million in non-cash finance lease revenue recorded in Q1/2023.
- Gross margin in Q2/2023 totalled $147 million, or 18.9% of revenue, compared to $161 million, or 19.5% of revenue, in Q1/2023.
  - Gross margins for Energy Infrastructure and After-market Services strengthened to 33.0% and 20.0%, respectively, from Q1/2023 levels of 30.5% and 18.5%, respectively.
  - The gross margin for Engineered Systems decreased to 12.4% from 15.5% in Q1/2023, reflecting the impact of delays on certain in-flight projects.

  - Enerflex's gross margin for YTD 2023 was $308 million or 19.2% as a percentage of revenue, up from $117 million and 16.9% during YTD 2022, respectively, reflecting the higher proportion of Enerflex's business that is considered recurring, coupled with continued improvement in the Company's Engineered Systems margin profile.

- SG&A of $100 million included Transaction and business optimization costs of $10 million, and $12 million of foreign exchange losses due to the devaluation of the Argentine peso. The SG&A improvement relative to Q1/2023 was driven by the recovery of a $12 million bad debt receivable collected in Q2/2023. Enerflex partially offset its foreign exchange losses with $8 million of interest income from associated instruments, which is included in the Company's net finance costs.

- Q2/2023 adjusted EBITDA was $142 million compared to $123 million in Q1/2023 as a result of strong business performance and an expanded Energy Infrastructure portfolio. YTD 2023 adjusted EBITDA was $265 million compared to $83 million in YTD 2022.

- Enerflex recognized a net loss of $3 million compared to net earnings of $14 million in Q1/2023. A lower gross margin and higher income taxes offset lower SG&A. For YTD 2023, Enerflex recognized net earnings of $11 million, representing a decrease of $2 million from YTD 2022. The Company's higher gross margin was offset by higher net finance costs and increased SG&A due to one-time Transaction, restructuring, and integration costs as the Company optimizes its go-forward business following the acquisition of Exterran.

- Engineered Systems bookings totalled $322 million in Q2/2023, enabling Enerflex to maintain a significant backlog balance of $1.4 billion at June 30, 2023. YTD 2023 bookings of $839 million increased by 52% over YTD 2022 bookings, reflecting continued momentum in customer activity levels in North America and expanded product offerings resulting from the Transaction.

  - Enerflex secured approximately $80 million of bookings in Q2/2023 for two large cryogenic natural gas processing facilities in North America.

  - Approximately $120 million of Q2/2023 bookings were for electric compression units, which will significantly reduce the environmental impact of customer operations. Enerflex secured an additional $20 million of carbon capture and sequestration-related bookings in the period and continues collaborating with customers to advance various other energy transition projects. This brings total energy transition-related bookings to $235 million for YTD 2023.

- At June 30, 2023, Enerflex's long-term debt and net debt balances were $1.4 billion and $1.2 billion, respectively, and the bank-adjusted net debt to EBITDA ratio was 2.8 times, compared to 2.9 times at the end of Q1/2023 and 3.3 times at the end of Q4/2022.

  - Long-term debt decreased by $50 million during Q2/2023; however, net debt increased by $38 million from the end of Q1/2023 primarily due to an increase in net working capital associated with the growth of the After-market Services business in North America and the timing of cash flows in the Engineered Systems business.

  - Enerflex continues to expect that it will reduce its bank-adjusted net debt to EBITDA ratio to 2.5 times by the end of 2023 through solid cash flow generation and the execution of its $1.4 billion Engineered Systems backlog.

RETURNS TO SHAREHOLDERS

- Enerflex is committed to delivering a sustainable quarterly dividend to shareholders. During the three and six months ended June 30, 2023, the Company declared dividends of $3 million ($0.025 per share) and $6 million ($0.05 per share), respectively.

- The Board of Directors (the "Board") has declared a dividend of $0.025 per share for Q3/2023, payable on October 12, 2023, to shareholders of record on August 24, 2023.

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

	Three Months Ended			Six Months Ended	
$ millions	**June 30, 2023**	March 31, 2023	June 30, 2022(1)	**June 30, 2023**	June 30, 2022(1)
Additions to property, plant, and equipment ("PP&E")	**7.1**	2.9	2.1	**9.9**	3.0
Additions to Energy Infrastructure assets:					
Maintenance	**13.3**	7.6	4.3	**20.8**	5.8
Growth	**12.0**	51.0	7.9	**63.1**	8.9
Total capital expenditures	**32.4**	61.5	14.2	**93.8**	17.7
Expenditures for finance leases	**–**	4.7	11.7	**4.7**	40.9
Total capital expenditures and expenditures for finance leases	**32.4**	66.2	26.0	**98.6**	58.6

(1) Comparative figures do not reflect pre-acquisition historical data from Exterran.

- Enerflex invested $13 million in Q2/2023 in maintenance capital expenditures that were directed at the contract compression fleets in the USA and Latin America. Enerflex invested an additional $12 million in growth capital expenditures for various small customer-sanctioned projects in the USA, Latin America, and Eastern Hemisphere.
- During YTD 2023, the Company invested $94 million in total capital expenditures, which included $21 million in maintenance capital expenditures across its contract compression fleets in the USA and Latin America. Enerflex also invested $63 million in growth capital expenditures, the majority of which occurred in Q1/2023 and related to the completion of two build-own-operate-maintain ("BOOM") produced water projects in the Middle East.

OUTLOOK

STRATEGIC PRIORITIES

- Enerflex's primary focus for 2023 is to progress the integration of Exterran and strengthen its financial position. Once its debt reduction target has been met, Enerflex plans to continue strengthening its financial position to ensure the Company has financial stability and flexibility through industry cycles. By reducing its long-term debt requirements and optimizing debt service costs, Enerflex expects to lower its overall cost of debt, thereby accruing incremental value to Enerflex shareholders.

INTEGRATION OF EXTERRAN CORPORATION

- Enerflex is progressing the integration of Exterran to become a more resilient and profitable business. Since closing the Transaction, Enerflex has captured approximately US$50 million of annual run-rate synergies and expects to realize the total US$60 million of anticipated synergies within 12 to 18 months from Transaction close of October 13, 2022.
- To further optimize its global operations and shape the business for long-term success, Enerflex will incur one-time restructuring and optimization costs as such opportunities are identified. This includes costs associated with the closing of Enerflex's manufacturing facilities in the United Arab Emirates and Singapore and the Company's plans to simplify its geographic footprint.

2023 GUIDANCE

- Enerflex is reaffirming its full-year 2023 financial guidance for adjusted EBITDA, bank-adjusted net debt to EBITDA ratio, annual run-rate synergies, maintenance capital expenditures, and expenditures related to the modularized cryogenic natural gas processing facility (the "Cryogenic Facility") that is being advanced in the Middle East.
- To reflect YTD 2023 activity and the Company's expectations for the balance of the year, Enerflex is introducing guidance for PP&E and growth capital expenditures and revising its guidance for "other non-discretionary expenses".

US$ millions, except ratios and percentages	2023 Guidance March 1, 2023[1]	**2023 Revised Guidance** August 9, 2023
Annual run-rate synergies[2]	60	**60**
Adjusted EBITDA[2]	380 – 420	**380 – 420**
Bank-adjusted net debt to EBITDA ratio[3]	<2.5x	**<2.5x**
Capital expenditures and contract assets		
Maintenance capital expenditures	40 – 50	**40 – 50**
Contract assets related to the Cryogenic Facility[4]	40 – 50	**40 – 50**
Other non-discretionary expenses[5]	130 – 160	**180 – 210**
Total non-discretionary expenses[6]	210 – 260	**260 – 310**
PP&E and growth capital expenditures[7]	Not previously provided	**80 – 90**

(1) Refer to the March 1, 2023 news release entitled *"Enerflex Ltd. Reports Solid Year-end 2022 Results and Successfully Closes Acquisition of Exterran Corporation, Creating Significant Momentum for 2023"*, which can be accessed on the Company's website at www.enerflex.com and under the Company's SEDAR+ and EDGAR profiles at www.sedarplus.ca and www.sec.gov/edgar, respectively.
(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: (a) the inclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months ended for the respective period; and (b) a maximum of 4.5:1.
(4) Formerly referred to as work-in-progress in the Company's financial guidance. The Cryogenic Facility is being accounted for as a sale within the Engineered Systems product line and presented as a contract asset on Enerflex's consolidated statements of financial position.
(5) Includes net working capital, finance costs, cash income taxes, and dividends.
(6) Includes maintenance capital expenditures and contract assets related to the Cryogenic Facility, net working capital, finance costs, cash income taxes, and dividends.
(7) Enerflex is introducing guidance for PP&E and growth capital expenditures to reflect activity for the six months ended June 30, 2023 and the Company's expectations for the balance of the year. These expenditures were considered in assessing the Company's ability to meet its bank-adjusted net debt to EBITDA ratio target.

- Enerflex anticipates that total 2023 PP&E and growth capital expenditures will range from US$80 million to US$90 million, approximately half of which is for the completion of two BOOM produced water projects that were originally anticipated in 2022 but were largely recognized in Q1/2023. In addition, Enerflex plans to complete required upgrades on several facilities acquired through the Transaction, and invest in various small-scale, customer-sanctioned projects in the USA, Latin America, and Eastern Hemisphere.

- Enerflex is revising its guidance for its other non-discretionary expenses to a range of US$180 million to US$210 million from a range of US$130 million to US$160 million, primarily due to the increase in working capital associated with higher activity levels in Enerflex's After-market Services and Engineered Systems businesses, as well as higher expected cash taxes in 2023.

- As the Company focuses on actively integrating Exterran while concurrently executing its growing business, Enerflex expects that increased 2023 expenditures will impact the near-term timing of cash flows. As a result of increased net working capital due to the growth in business activity and increased taxes, the Company now anticipates 2023 Transaction-related accretion for both earnings per share ("EPS") and cash flow per share ("CFPS") to be 32% dilutive and 1% accretive, respectively (both previously 20% accretive) this year. The Company has reviewed its disclosure in respect of 2023 Transaction-related accretion for both EPS and CFPS and has decided to discontinue this disclosure. Accordingly, the Company is withdrawing its 2023 guidance for these measures and will not be providing any further updates regarding such financial metrics.

MARKET OUTLOOK

- The long-term fundamentals for natural gas are robust, given its critical role in supporting global decarbonization efforts and future economic growth. Enerflex is poised to capitalize on the growing demand for low-carbon solutions through its vertically integrated natural gas and energy transition offerings.

- Enerflex strategically expanded its recurring Energy Infrastructure and After-market Services product lines to underpin the Company's financial performance. In Q2/2023, these two recurring businesses contributed approximately 65% of the Company's gross margin. Over the long term:

    - Enerflex's large platform of international Energy Infrastructure assets is expected to continue serving the growing need for reliable power and energy independence; and

    - Enerflex's USA contract compression fleet utilization is expected to remain elevated, given ongoing strength in customer demand.

- Complementing Enerflex's recurring businesses is the Engineered Systems product line, which carries a backlog of $1.4 billion that the Company expects to convert into revenue through the balance of 2023 and 2024.
  - While rig counts have been decreasing in the USA in response to near-term weakness in natural gas prices, most of Enerflex's new bookings continue to serve the Permian Basin, where rig counts remain relatively high. Enerflex is also diversifying its backlog composition by securing several larger cryogenic natural gas processing projects.
  - In Canada, Enerflex's market outlook is constructive following the initial agreement on future resource development between Blueberry River First Nations and the Government of British Columbia, coupled with increasing activity for eventual liquefied natural gas ("LNG") exports.

Q2/2023 SEGMENTED RESULTS

$ millions	Total	Three Months Ended June 30, 2023 North America	Latin America	Eastern Hemisphere
Revenue				
Energy Infrastructure	**190.5**	43.3	87.1	60.1
After-market Services	**152.5**	89.9	16.7	45.9
Engineered Systems	**433.7**	345.8	11.7	76.2
Total revenue	**776.7**	478.9	115.5	182.3
Operating income	**47.5**	40.5	4.4	2.6
EBIT	**48.3**	41.3	4.4	2.6
EBITDA	**111.2**	64.1	17.6	29.5
Adjusted EBITDA	**142.2**	71.8	25.5	44.9
Engineered Systems bookings	**322.0**	306.6	13.8	1.6
Engineered Systems backlog	**1,429.9**	1,115.9	50.5	263.5

$ millions	Total	Six Months Ended June 30, 2023 North America	Latin America	Eastern Hemisphere
Revenue				
Energy Infrastructure	**379.1**	82.2	172.3	124.6
After-market Services	**308.0**	181.5	35.7	90.8
Engineered Systems	**914.6**	681.1	25.0	208.5
Total revenue	**1,601.7**	944.8	233.0	423.9
Operating income	**92.4**	68.9	3.7	19.8
EBIT	**93.2**	69.7	3.7	19.8
EBITDA	**219.2**	113.4	32.5	73.4
Adjusted EBITDA	**264.9**	127.6	45.4	92.0
Engineered Systems bookings	**838.6**	722.9	22.6	93.1
Engineered Systems backlog	**1,429.9**	1,115.9	50.5	263.5

NORTH AMERICA

- North America continues to be Enerflex's largest and best-performing segment, with strong financial performance reinforced by sustained customer activity levels across all product lines. Revenue of $479 million increased by 3% compared to Q1/2023, driven by higher revenue generated by the Engineered Systems and Energy Infrastructure product lines.
  - YTD 2023 revenue of $945 million increased by 96% from YTD 2022, attributed to a nearly $400 million year-over-year increase in Engineered Systems revenue, strong utilizations on the USA contract compression fleet, and a higher volume of work within the After-market Services business.
- Enerflex secured $307 million of Engineered Systems bookings in Q2/2023, comprising approximately 90% of projects from the USA and 10% from Canada. The North American Engineered Systems backlog currently makes up almost 80% of the Company's $1.4 billion balance.

- 2023 YTD bookings of $723 million are 37% higher than YTD 2022, reflecting strong customer activity and new bookings for Enerflex's broader product offerings stemming from the Transaction.

- The average utilization rate for the USA contract compression fleet was 96% during Q2/2023 on 404,000 horsepower, compared to 96% in Q1/2023 and 94% in Q2/2022.

LATIN AMERICA

- Solid operational performance from Enerflex's expanded fleet of Energy Infrastructure assets and robust After-market Services activity drove revenue of $115 million in Latin America, unchanged from Q1/2023.
- Enerflex will continue optimizing its Latin American Energy Infrastructure business by re-deploying idle units to meet rising local demand, thereby enhancing the region's profitability and recurring cash flows over the long term.
- Enerflex is anticipating ongoing exposure to the devaluation of the Argentine peso, recording foreign exchange losses of $12 million in Q2/2023 and $24 million in YTD 2023. Enerflex partially offset its foreign exchange losses with interest income from associated instruments of $8 million in Q2/2023 and $16 million in YTD 2023, which is included in the Company's net finance costs.

EASTERN HEMISPHERE

- Q2/2023 revenue of $182 million was 25% lower than the prior quarter, primarily due to $64 million in non-cash finance lease revenue recognized in Q1/2023. Q2/2023 Energy Infrastructure revenue included contracted revenues from the two infrastructure projects that were brought to commercial operation in Q1/2023.

ORGANIZATIONAL UPDATE

BOARD OF DIRECTORS UPDATE

- Ms. Joanne Cox has been appointed to the Board, effective August 9, 2023. Ms. Cox has over 30 years of executive and legal experience in the energy sector, including extensive involvement in numerous strategic initiatives. In her career, Ms. Cox held senior roles with global upstream exploration and production companies and energy services companies, including, most recently, Ovintiv Inc. and Precision Drilling Corporation. Enerflex is pleased to welcome Ms. Cox to the Board.
- Ms. Maureen Cormier Jackson has elected to retire from the Board after six years of service. Enerflex would like to thank Ms. Cormier Jackson for her guidance and wisdom to the Board, Audit Committee, and management teams during this period. With Ms. Cormier Jackson's retirement, Ms. Mona Hale has assumed the role of Chair of the Audit Committee.

"I would like to sincerely thank Maureen for her invaluable contributions to Enerflex during her tenure and wish her the very best in her future endeavours," said Kevin Reinhart, Enerflex's Board Chair. *"I would also like to welcome Joanne to Enerflex. On behalf of the Board, we look forward to working alongside Joanne as we continue to strategically advance the business to deliver long-term shareholder value."*

CHIEF FINANCIAL OFFICER APPOINTMENT

- As previously announced, Mr. Rodney D. Gray was appointed as Enerflex's Senior Vice President and Chief Financial Officer ("CFO"), effective July 1, 2023, overseeing the Company's capital markets, corporate development, financial reporting, internal audit, tax, and treasury functions and supporting Enerflex's strategic and capital allocation decisions. Mr. Gray comes to Enerflex with over 30 years of accounting and finance experience in the energy sector, including the last nine years with Baytex Energy Corp., where he served most recently as Executive Vice President and CFO. Enerflex is delighted to welcome Mr. Gray to the team.

CONFERENCE CALL AND WEBCAST DETAILS

Enerflex's senior leadership team will be hosting a conference call and webcast to discuss the Company's second-quarter 2023 results on Thursday, August 10, 2023 at 8:00 am (MDT).

To participate, register at https://register.vevent.com/register/BI07daced6386241e781c350bfba814b01. Once registered, participants will receive the dial-in numbers and a unique PIN to enter the call. The live audio webcast of the conference call will be available on the Enerflex website at www.enerflex.com under the Investors section or can be accessed directly at https://edge.media-server.com/mmc/p/9e97gpcp.

NON-IFRS MEASURES

Throughout this news release and other materials disclosed by the Company, Enerflex employs certain measures to analyze its financial performance, financial position, and cash flows, including operating income, EBIT, EBITDA, adjusted EBITDA, distributable cash flow, net debt, net debt to EBITDA ratio, bank-adjusted net debt to EBITDA ratio, ROCE, and Engineered Systems bookings and backlog. These non-IFRS measures are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, the non-IFRS measures should not be considered more meaningful than generally accepted accounting principles measures, such as net earnings or any other measure of performance determined in accordance with IFRS, as indicators of Enerflex's performance. Refer to *"Adjusted EBITDA"* and *"Non-IFRS Measures"* of Enerflex's MD&A for the three and six months ended June 30, 2023, information from which is incorporated by reference into this news release and can be accessed on Enerflex's website at www.enerflex.com and under Enerflex's SEDAR+ and EDGAR profiles at www.sedarplus.ca and www.sec.gov/edgar, respectively.

OPERATING INCOME

The Company defines operating income as income before income taxes, finance costs, net of interest income, equity earnings or losses, gains or losses on disposal of assets, and impairment of goodwill. 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. Financing and related charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. 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 reflects 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 reflects the results generated by the Company's primary business activities prior to consideration of how those activities are financed, how assets are amortized, or how the results are taxed in various jurisdictions.

ADJUSTED EBITDA

Enerflex'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 as determined under IFRS.

The Company defines adjusted EBITDA as earnings before net finance costs and income taxes adjusted for depreciation and amortization. Further adjustments are made for items that are unique or not in the normal course of continuing operations, improving the comparability across items within the financial statements or between periods of financial statements. These adjustments include transaction, restructuring, and integration costs, share-based compensation, and certain other items, which the Company does not consider to be in the normal course of continuing operations. Adjustments are also made with respect to finance leases to eliminate the non-cash selling profit recognized when finance leases are put into service, and instead reflect the lease payments received over the term of the related lease. Management believes that identification of these items allows for a better understanding of the underlying operations of the Company and increases comparability of the Company's results. Items the Company has previously considered are government grants, impairments or gains on disposal of idle facilities, and impairment of goodwill, which are considered to be unique, non-recurring, and generally non-cash transactions that are not indicative of the ongoing normal operations of the Company. Accordingly, the Company has included these items in determining its adjusted EBITDA.

Management believes that identification of these items allows for a better understanding of the underlying operations of the Company based on its current assets and structure.

$ millions	Three Months Ended **June 30, 2023**	 March 31, 2023	 June 30, 2022(1)	Six Months Ended **June 30, 2023**	 June 30, 2022(1)
EBIT	**48.3**	44.9	20.9	**93.2**	28.0
Transaction, restructuring, and integration costs	**11.8**	17.8	4.6	**29.7**	10.3
Share-based compensation	**6.4**	3.2	(2.7)	**9.5**	1.4
Depreciation and amortization	**63.0**	63.1	22.1	**126.1**	43.9
Finance leases	**12.7**	(6.2)	2.9	**6.5**	(0.9)
Adjusted EBITDA	**142.2**	122.8	47.8	**264.9**	82.7

(1) Comparative figures do not reflect pre-acquisition historical data from Exterran.

DISTRIBUTABLE CASH FLOW

The Company defines distributable cash flow as cash provided by or used in operating activities, adjusted for the net change in working capital and other, less maintenance capital expenditures and net lease payments. Enerflex uses this measure to assess the level of cash flow generated by the business and to evaluate the adequacy of such cash flows to fund payments to creditors, dividends, and capital expenditures.

$ millions	Three Months Ended **June 30, 2023**	 March 31, 2023	 June 30, 2022(1)	Six Months Ended **June 30, 2023**	 June 30, 2022(1)
Cash provided by (used in) operating activities	**(4.0)**	(2.6)	21.1	**(6.5)**	(1.6)
Add:					
Net change in working capital and other	**74.2**	70.7	9.4	**144.8**	57.7
	70.2	68.1	30.5	**138.3**	56.1
Maintenance capital expenditures	**(13.3)**	(7.6)	(4.3)	**(20.8)**	(5.8)
Leases	**(5.3)**	(5.1)	(3.8)	**(10.3)**	(7.3)
Distributable cash flow	**51.6**	55.5	22.5	**107.1**	43.0

(1) Comparative figures do not reflect pre-acquisition historical data from Exterran.

BANK-ADJUSTED NET DEBT TO EBITDA RATIO

The Company defines net debt as short- and long-term debt less cash and cash equivalents at period end, which is then divided by EBITDA for the trailing 12 months. In assessing whether the Company is compliant with the financial covenants related to its debt instruments, certain adjustments are made to net debt and EBITDA to determine Enerflex's bank-adjusted net debt to EBITDA ratio. These adjustments and Enerflex's bank-adjusted net debt to EBITDA ratio are calculated in accordance with, and derived from, the Company's financing agreements.

ROCE

ROCE is a measure that analyzes the operating performance and efficiency of the Company's capital allocation decisions. The ratio is calculated by dividing EBIT for the trailing 12 months by capital employed, which is debt and equity less cash and cash equivalents for the trailing four quarters.

ENGINEERED SYSTEMS BOOKINGS AND BACKLOG

Enerflex monitors its Engineered Systems bookings and backlog as indicators 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, increasing the Company's backlog in the period, while revenue recognized on Engineered Systems products decreases the backlog in the period that the revenue is recognized. Backlog is an indication of revenue to be recognized in future periods using percentage-of-completion accounting. Revenue from contracts classified as finance leases for newly built equipment is recorded as Engineered Systems bookings. The total amount of revenue is removed from backlog at the commencement of the lease.

ADVISORY REGARDING FORWARD-LOOKING INFORMATION

This news release contains forward-looking information within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to Management's expectations about future events, results of operations, the future performance (both financial and operational) and business prospects of Enerflex, and other matters that may occur in the future. 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 news release includes (without limitation) forward-looking information in the sections entitled, *"Outlook"*, *"2023 Guidance"*, and *"Market Outlook"* as well as forward-looking information pertaining to: the Company's ability to leverage its sustainable asset portfolio and Engineered Systems 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 executing on the Company's 2023 business plan; the Company's continued expectations to realize US$60 million of synergies within 12 to 18 months from Transaction close of October 13, 2022; the anticipated benefits and synergies of the Transaction and the Company's ability to realize upon such benefits and synergies, including the remaining US$10 million of expected annual run-rate synergies; the Company's plans to simplify its geographic footprint and consolidate its global manufacturing capacity, including closing its manufacturing facilities in the United Arab Emirates and Singapore; the Company's expectations to convert the $1.4 billion Engineered Systems backlog into revenue through the balance of 2023 and 2024; the Company's expectations that the initial agreement between Blueberry River First Nations and the Government of British Columbia, coupled with development activities anticipated for LNG exports, will be constructive for the Canadian business; the Company's plans to complete required upgrades on several facilities acquired through the Transaction, and to invest in various small-scale customer-sanctioned projects in the USA, Latin America, and Eastern Hemisphere; expectations regarding the Company's ability to generate excess cash flow, to be used to strengthen the Company's financial position and to deleverage; the Company's plans to strengthen its financial position to ensure the Company has financial stability and flexibility through industry cycles; the Company's plans to lower its overall cost of debt; 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 2.5 times by the end of 2023; the Company's expectations that total 2023 PP&E and growth capital expenditures will range from US$80 million to US$90 million; the Company's expectations that increased 2023 expenditures will impact the near-term timing of cash flows; the Company's expectations that 2023 Transaction-related accretion for both EPS and CFPS will be 32% dilutive and 1% accretive, respectively; the Company's targeted growth plans and related anticipated benefits, including global energy transition trends; expectations concerning the Company's ongoing exposure to the devaluation of the Argentine peso; the Company's expectations regarding the overall activity level in the oil and gas sector in North America, Latin America, and the Eastern Hemisphere; the Company's large platform of international Energy Infrastructure assets being able to continue serving the growing need for reliable power and energy independence; expectations that Enerflex's USA contract compression fleet utilization will remain elevated; 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 news release 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 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 news release, 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 news release 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, accessible 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 three and six months ended June 30, 2022, accessible 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, accessible on SEDAR+ and EDGAR, respectively.

The forward-looking information contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information included in this news release is made as of the date of this news release and is based only on the information available to the Company at that time, other than as required by law, Enerflex disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise. This news release and its contents should not be construed, under any circumstances, as investment, tax, or legal advice.

The 2023 guidance regarding the Company's future financial performance, including adjusted EBITDA, are based on assumptions about future events, including economic conditions and proposed courses of action, based on Management's assessment of the relevant information currently available. The guidance is based on the same assumptions and risk factors set forth above and is based on the Company's historical results of operations. The financial outlook or potential financial outlook set forth in this news release was approved by Management and the Board of Directors as of the date of this news release to provide investors with an estimation of the outlook for the Company for 2023, and readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. The prospective financial information set forth in this news release has been prepared by Management. Management believes that the prospective financial information has been prepared on a reasonable basis, reflecting Management's best estimates and judgments, and represents, to the best of Management's knowledge and opinion, the Company's expected course of action in developing and executing its business strategy relating to its business operations. Actual results may vary from the prospective financial information set forth in this news release. See above for a discussion of the risks that could cause actual results to vary. The prospective financial information set forth in this news release should not be relied on as necessarily indicative of future results.

ABOUT ENERFLEX

Transforming Energy for a Sustainable Future. Enerflex is a premier integrated global provider of energy infrastructure and energy transition solutions, delivering natural gas processing, compression, power generation, refrigeration, cryogenic, and produced water solutions.

Headquartered in Calgary, Alberta, Canada, Enerflex, its subsidiaries, and interests in associates and joint ventures, operate in over 90 locations in: Canada, the United States, Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru, 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.

Enerflex's common shares trade on the Toronto Stock Exchange under the symbol "EFX" and on the New York Stock Exchange under the symbol "EFXT". For more information about Enerflex, visit www.enerflex.com.

For investor and media enquiries, contact:

Marc Rossiter	Rodney Gray	Stefan Ali
President & Chief Executive Officer	Senior Vice President & Chief Financial Officer	Vice President, Investor Relations & Business Development, Energy Transition
Tel: (403) 387-6325	Tel: (403) 236-6857	Tel: (403) 717-4953

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENERFLEX

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 9, 2023

The Management's Discussion and Analysis ("MD&A") for Enerflex Ltd. ("Enerflex" or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements (the "Financial Statements") for the three and six months ended June 30, 2023 and 2022, the Company's 2022 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2022, 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") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 *"Interim Financial Reporting"*, and is presented in Canadian dollars unless otherwise stated.

The MD&A focuses on information and material results from the Financial Statements and considers known risks and uncertainties relating to the energy sector. This discussion should not be considered exhaustive, 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 AIF and in the Company's Management Information Circular dated March 10, 2023, which are available on the Company's website at www.enerflex.com and under the Company's SEDAR+ and EDGAR profiles at www.sedarplus.ca and www.sec.gov/edgar, respectively.

SUMMARY RESULTS

($ Canadian thousands, except percentages)	Three months ended June 30, 2023	2022[1]	Six months ended June 30, 2023	2022[1]
Revenue	**$ 776,670**	$ 372,077	**$ 1,601,714**	$ 695,146
Gross margin	**147,174**	63,589	**307,826**	117,232
Selling and administrative expenses ("SG&A")	**99,636**	43,346	**215,406**	90,150
Operating income	**47,538**	20,243	**92,420**	27,082
Earnings before finance costs and income taxes ("EBIT")	**48,260**	20,884	**93,188**	28,007
Net earnings (loss)	**$ (2,823)**	$ 13,352	**$ 10,701**	$ 12,983
Key Financial Performance Indicators ("KPIs")[2]				
Engineered Systems bookings	**$ 321,987**	$ 313,310	**$ 838,569**	$ 550,180
Engineered Systems backlog	**1,429,863**	736,952	**1,429,863**	736,952
Gross margin as a percentage of revenue	**18.9%**	17.1%	**19.2%**	16.9%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")	**$ 111,219**	$ 42,942	**$ 219,241**	$ 71,955
Adjusted EBITDA	**142,171**	47,806	**264,942**	82,663
Distributable cash flow	**51,641**	22,454	**107,110**	42,980
Long-term debt	**1,408,304**	345,951	**1,408,304**	345,951
Net debt	**1,234,125**	198,873	**1,234,125**	198,873
Bank-adjusted net debt to EBITDA ratio	**2.8**	1.4	**2.8**	1.4
Return on capital employed ("ROCE")[3]	**1.0%**	3.7%	**1.0%**	3.7%

[1] Comparative figures throughout this MD&A represent Enerflex's results prior to the closing of the acquisition of Exterran Corporation ("Exterran") on October 13, 2022 (the "Transaction"), and therefore do not reflect pre-acquisition historical data from Exterran.
[2] These KPIs are non-IFRS measures. Further detail is provided in the "Non-IFRS Measures" section of this MD&A.
[3] Determined by using the trailing 12-month period.

RESULTS OVERVIEW

- Significant variances that exist between Enerflex's financial and operational results for the three and six months ended June 30, 2023, relative to the three and six months ended June 30, 2022 were driven primarily by the integration of Exterran and reflect Enerflex's performance as a larger organization with an expanded geographic footprint.

- Enerflex generated revenue of $776.7 million during the three months ended June 30, 2023, driven by continued strong performance from the Company's recurring businesses and North American ("NAM") Engineered Systems product line. Revenue was lower than the first quarter of 2023 due to the commencement and recognition of a natural gas infrastructure finance lease project; however, Energy Infrastructure revenue was higher because of increased contracted revenues from two build-own-operate-maintain ("BOOM") produced water facilities that commenced commercial operations in the fourth quarter of 2022 and first quarter of 2023, respectively. During the first half of 2023, Enerflex recorded revenue of $1,601.7 million compared to $695.1 million during the first half of 2022, with notable increases in Engineered Systems activity, higher contract compression utilizations in the USA, and increased After-Market Services activities from parts sales and customer maintenance.

- During the three months ended June 30, 2023, the Company recorded a gross margin of $147.2 million (18.9 percent), decreasing from $160.7 million (19.5 percent) during the three months ended March 31, 2023. While gross margins for Enerflex's recurring businesses expanded, the gross margin for Engineered Systems decreased, reflecting the impact of delays on certain projects. Enerflex's gross margin for the six months ended June 30, 2023 was $307.8 million (19.2 percent), increasing from $117.2 million (16.9 percent) during the six months ended June 30, 2022 and reflecting the higher proportion of Enerflex's business that is considered recurring, in addition to improvement in the Engineered Systems NAM margin profile.

- The Company recorded SG&A of $99.6 million during the three months ended June 30, 2023, a quarter-over-quarter decrease from $115.8 million of SG&A recorded during the three months ended March 31, 2023, driven primarily by the recovery of a $12.2 million bad debt receivable in the second quarter of 2023. SG&A for the six months ended June 30, 2023 was $215.4 million, compared to $90.2 million during the six months ended June 30, 2022, with higher SG&A reflecting the additional costs required to support the acquired Exterran business, as well as restructuring, transaction, and integration costs incurred to integrate Exterran. Further, the ongoing devaluation of the Argentine peso, caused by high inflation, resulted in foreign exchange losses of $11.6 million and $23.6 million during the three and six months ended June 30, 2023, respectively.

- Enerflex reported operating income of $47.5 million during the three months ended June 30, 2023, increasing slightly from the three months ended March 31, 2023 due to lower SG&A, which was partially offset by the decrease in gross margin. The Company reported $92.4 million of operating income for the six months ended June 30, 2023, an increase of $65.3 million from the six months ended June 30, 2022, primarily reflecting an expanded gross margin that was partially offset by increased SG&A.

- The Company invested $32.4 million in capital expenditures in the second quarter of 2023, predominantly comprised of $13.3 million of maintenance capital expenditures across the Company's global Energy Infrastructure fleet, and $12.0 million of small-scale investments to expand the fleet. At June 30, 2023, the USA contract compression fleet totalled approximately 404,000 horsepower and its average fleet utilization was a record 96 percent for the quarter.

- Enerflex's primary focus for 2023 is post-acquisition deleveraging. The Company continues to expect that it will reduce its net funded debt to EBITDA ("bank-adjusted net debt to EBITDA") ratio to 2.5 times by the end of 2023 through strong cash flow generation and the execution of its large Engineered Systems backlog. Enerflex plans to continue to strengthen its financial position once its debt reduction target has been met to ensure the Company has significant flexibility through industry cycles. At June 30, 2023, 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 bank-adjusted net debt to EBITDA ratio was 2.8:1, compared to a maximum ratio of 4.5:1, according to the Company's debt covenants.

- The Company recorded Engineered Systems bookings of $322.0 million during the three months ended June 30, 2023, compared to $516.6 million during the three months ended March 31, 2023, and $313.3 million during the three months ended June 30, 2022. Despite the decrease in bookings from the first quarter of 2023, Enerflex continues to observe strong customer activity levels in North America, notably for cryogenic natural gas processing facilities and for electric compression, as customers aim to decarbonize their operations. During the first half of 2023, Enerflex secured $838.6 million of Engineered Systems bookings, representing an increase of $288.4 million from the first half of 2022.

- Engineered Systems backlog at June 30, 2023 was $1.4 billion, relatively unchanged from the Company's significant $1.5 billion balance at December 31, 2022. The movement in the current period is related to the new bookings, offset by the drawdown of Enerflex's existing backlog to drive strong Engineered Systems revenue recorded in the period.

- Subsequent to June 30, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on October 12, 2023, to shareholders of record on August 24, 2023. The Board of Directors (the "Board") will continue to evaluate dividend payments on an ongoing basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

ADJUSTED EBITDA

The Company defines EBITDA as earnings before finance costs, taxes, and depreciation and amortization. Enerflex's financial results include items that are unique, and items that Management and users of the Financial Statements adjust for when evaluating results. The Company removes the impact of these items when calculating Adjusted EBITDA. The presentation of Adjusted EBITDA should not be considered in isolation from EBIT or EBITDA or as a replacement for measures prepared as determined under IFRS. Adjusted EBITDA may not be comparable to similar non-IFRS measures disclosed by other issuers.

Enerflex believes the adjustment of items that are unique or not in the normal course of continuing operations increases the comparability across items within the Financial Statements or between periods of the Financial Statements. An example of an item that is considered unique are restructuring, transaction and integration costs, while an example of an item that increases comparability includes share-based compensation, which fluctuates based on share price that can be influenced by external factors that are not directly relevant to the Company's current operations. Items the Company has adjusted for in the past include, but are not limited to, restructuring, transaction, and integration costs; share-based compensation; severance costs associated with restructuring activities; government grants; impairments or gains on idle facilities; and impairment of goodwill. These items are considered either unique, non-recurring, or non-cash transactions, and not indicative of the ongoing normal operations of the Company.

The Company also adjusts for the impact of finance leases to eliminate the non-cash selling profit recognized when finance leases are put into service, and instead reflect the lease payments received over the term of the related lease. The Company believes the adjustment for the impact of finance leases in its Adjusted EBITDA calculation provides a better understanding of Enerflex's cash-generating capabilities and also improves comparability for similar Energy Infrastructure assets with different contract terms.

($ thousands)	Total	North America	Latin America	Three months ended June 30, 2023 Eastern Hemisphere
EBIT	**$ 48,260**	**$ 41,306**	**$ 4,356**	**$ 2,598**
Restructuring, and transaction and integration costs	**11,834**	**3,734**	**5,802**	**2,298**
Share-based compensation	**6,369**	**3,923**	**1,154**	**1,292**
Depreciation and amortization	**62,959**	**22,833**	**13,214**	**26,912**
Finance leases	**12,749**	**-**	**983**	**11,766**
Adjusted EBITDA	**$ 142,171**	**$ 71,796**	**$ 25,509**	**$ 44,866**

($ thousands)	Total	North America	Latin America	Three months ended June 30, 2022 Eastern Hemisphere
EBIT	$ 20,884	$ 13,667	$ 3,372	$ 3,845
Transaction and integration costs	4,590	3,360	784	446
Share-based compensation	(2,667)	(1,518)	(535)	(614)
Depreciation and amortization	22,058	13,373	5,729	2,956
Finance leases	2,941	35	-	2,906
Adjusted EBITDA	$ 47,806	$ 28,917	$ 9,350	$ 9,539

($ thousands)	Total	North America	Latin America	Six months ended June 30, 2023 Eastern Hemisphere
EBIT	**$ 93,188**	**$ 69,684**	**$ 3,677**	**$ 19,827**
Restructuring, and transaction and integration costs	**29,661**	**8,272**	**9,896**	**11,493**
Share-based compensation	**9,535**	**5,958**	**1,661**	**1,916**
Depreciation and amortization	**126,053**	**43,683**	**28,808**	**53,562**
Finance leases	**6,505**	**-**	**1,331**	**5,174**
Adjusted EBITDA	**$ 264,942**	**$ 127,597**	**$ 45,373**	**$ 91,972**

($ thousands)	Total	North America	Latin America	Six months ended June 30, 2022 Eastern Hemisphere
EBIT	$ 28,007	$ 10,508	$ 6,357	$ 11,142
Transaction and integration costs	10,267	7,116	1,382	1,769
Share-based compensation	1,382	1,009	177	196
Depreciation and amortization	43,948	27,033	10,828	6,087
Finance leases	(941)	135	-	(1,076)
Adjusted EBITDA	$ 82,663	$ 45,801	$ 18,744	$ 18,118

Refer to the section *"Segmented Results"* of this MD&A 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:

($ thousands)		Three months ended June 30, **2023**		2022		Six months ended June 30, **2023**		2022
Engineered Systems Bookings								
North America	**$**	**306,578**	$	320,694	**$**	**722,863**	$	527,636
Latin America		**13,791**		1,338		**22,633**		24,844
Eastern Hemisphere		**1,618**		(8,722)		**93,073**		(2,300)
Total Engineered Systems bookings	**$**	**321,987**	$	313,310	**$**	**838,569**	$	550,180

($ thousands)		**June 30, 2023**		December 31, 2022
Engineered Systems Backlog				
North America	**$**	**1,115,924**	$	1,074,151
Latin America		**50,471**		52,825
Eastern Hemisphere		**263,468**		378,894
Total Engineered Systems backlog	**$**	**1,429,863**	$	1,505,870

Enerflex continues to observe strong customer activity levels in North America, with the segment contributing 95 percent of second quarter 2023 Engineered Systems bookings of $322.0 million. Included in the Company's bookings were two large cryogenic natural gas processing facilities, reflecting Enerflex's expanded product offerings stemming from the Transaction. Enerflex recorded bookings of $838.6 million during the first half of 2023, increasing $288.4 million from the first half of 2022 given the year-over-year momentum in North American activity levels.

The Engineered Systems backlog of $1.4 billion remained robust at June 30, 2023, decreasing only $0.1 billion from December 31, 2022. New project bookings added to the backlog offset the drawdown of existing backlog, which drove strong Engineered Systems revenue recognition in the first half of 2023.

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 reporting segments: North America, Latin America ("LATAM"), and Eastern Hemisphere ("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 geographic locations, 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 June 30, 2023	2022	Six months ended June 30, 2023	2022
Engineered Systems bookings	**$ 306,578**	$ 320,694	**$ 722,863**	$ 527,636
Engineered Systems backlog	**1,115,924**	618,855	**1,115,924**	618,855
Segment revenue	**$ 487,537**	$ 297,394	**$ 969,815**	$ 546,606
Intersegment revenue	**(8,598)**	(29,331)	**(25,009)**	(64,790)
Revenue	**$ 478,939**	$ 268,063	**$ 944,806**	$ 481,816
Revenue – Energy Infrastructure	**$ 43,294**	$ 32,549	**$ 82,175**	$ 61,011
Revenue – After-Market Services	**$ 89,880**	$ 73,978	**$ 181,541**	$ 134,130
Revenue – Engineered Systems	**$ 345,765**	$ 161,536	**$ 681,090**	$ 286,675
Operating income	**$ 40,544**	$ 13,026	**$ 68,874**	$ 9,583
EBIT	**$ 41,306**	$ 13,667	**$ 69,684**	$ 10,508
EBITDA	**$ 64,139**	$ 27,040	**$ 113,367**	$ 37,541
Adjusted EBITDA	**$ 71,796**	$ 28,917	**$ 127,597**	$ 45,801
Revenue as a % of consolidated revenue	**61.7%**	72.0%	**59.0%**	69.31%
Operating income as a % of revenue	**8.5%**	4.9%	**7.3%**	2.0%
EBIT as a % of revenue	**8.6%**	5.1%	**7.4%**	2.2%
EBITDA as a % of revenue	**13.4%**	10.1%	**12.0%**	7.8%

Enerflex recorded Engineered Systems bookings of $306.6 million in the NAM segment in the second quarter of 2023. While the segment's bookings were slightly lower in the current period relative to the second quarter of 2022, first half 2023 bookings of $722.9 million increased significantly over the first half of 2022, reflecting sustained customer activity levels in the energy sector. Accordingly, NAM's Engineered Systems backlog of $1.1 billion at June 30, 2023 is expected to result in strong Engineered Systems revenue generation over the near term.

Revenue of $478.9 million and $944.8 million for the three and six months ended June 30, 2023 increased by $210.9 million and $463.0 million, respectively, compared to the same periods in 2022. The NAM segment saw an increase in revenue for all product lines in 2023, most significantly in Engineered Systems, which saw elevated activity levels on a stronger opening backlog and sustained bookings activity. After-Market Services revenues increased on strong parts sales, inflationary price adjustments and an increased volume of work. Lastly, Energy Infrastructure revenue was higher from increased contract compression utilizations, a larger fleet, and the positive impacts of inflationary price adjustments.

Enerflex's gross margin increased during the three and six months ended June 30, 2023 compared to 2022, which is attributable to higher revenues generated by all product lines, as well as improved margins on sold Engineered Systems projects.

SG&A was higher during the three and six months ended June 30, 2023 compared to the same periods last year, which is primarily due to additional costs required to support the acquired Exterran business, as well as restructuring, transaction, and integration costs. These higher costs were partially offset by a one-time bad debt recovery of a $12.2 million receivable that had previously been written off.

NAM recorded a higher operating income during the three and six months ended June 30, 2023 when compared to the same periods in 2022, resulting from an expanded gross margin, partially offset by the increase in SG&A.

At June 30, 2023, the USA contract compression fleet totaled approximately 404,000 horsepower. The average utilization of the fleet for both the three and six months ended June 30, 2023 was 96 percent, reflecting strong customer demand and robust market fundamentals. Average utilization rates in 2023 increased from 94 percent and 93 percent average utilizations in the comparative periods in 2022, respectively.

LATIN AMERICA SEGMENT RESULTS

($ thousands, except percentages)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Engineered Systems bookings	**$ 13,791**	$ 1,338	**$ 22,633**	$ 24,844
Engineered Systems backlog	**50,471**	3,706	**50,471**	3,706
Segment revenue	**$ 115,976**	$ 59,568	**$ 233,762**	$ 93,593
Intersegment revenue	**(507)**	(36)	**(771)**	(36)
Revenue	**$ 115,469**	$ 59,532	**$ 232,991**	$ 93,557
Revenue – Energy Infrastructure	**$ 87,061**	$ 17,394	**$ 172,324**	$ 34,183
Revenue – After-Market Services	**$ 16,697**	$ 9,238	**$ 35,680**	$ 14,015
Revenue – Engineered Systems	**$ 11,711**	$ 32,900	**$ 24,987**	$ 45,359
Operating income	**$ 4,396**	$ 3,372	**$ 3,717**	$ 6,357
EBIT	**$ 4,356**	$ 3,372	**$ 3,677**	$ 6,357
EBITDA	**$ 17,570**	$ 9,101	**$ 32,485**	$ 17,185
Adjusted EBITDA	**$ 25,509**	$ 9,350	**$ 45,373**	$ 18,744
Revenue as a % of consolidated revenue	**14.9%**	13.5%	**14.6%**	16.0%
Operating income as a % of revenue	**3.8%**	5.7%	**1.6%**	6.8%
EBIT as a % of revenue	**3.8%**	5.7%	**1.6%**	6.8%
EBITDA as a % of revenue	**15.2%**	15.3%	**13.9%**	18.4%

Second quarter 2023 Engineered Systems bookings of $13.8 million increased by $12.5 million relative to the second quarter of 2022, with the Company securing a large project in the region in the current period. Bookings for the six months ended June 30, 2023 were relatively unchanged from the prior year.

LATAM's revenues increased by $55.9 million and $139.4 million in the three and six months ended June 30, 2023 when compared to the same periods in 2022, primarily driven by revenues generated by the Company's expanded contracted Energy Infrastructure fleet stemming from the Transaction. After-Market Services revenues also increased year-over-year, while Engineered Systems revenues decreased as a result of a lower backlog with a major project being completed during the second quarter of 2022.

Total gross margins expanded during the three and six months ended June 30, 2023 compared to the same periods in 2022 as a result of higher overall revenues from increased activity and higher realized gross margins from the Company's Energy Infrastructure assets.

SG&A was higher during the three and six months ended June 30, 2023 compared to 2022, primarily due to additional costs required to support the acquired Exterran business, as well as restructuring, transaction, and integration costs. Further, Enerflex recognized foreign exchange losses of $11.6 million and $23.6 million during the three and six months ended June 30, 2023, respectively, due to the ongoing devaluation of the Argentine peso.

The LATAM segment recognized operating income that was $1.0 million higher in the second quarter of 2023 than the second quarter of 2022, reflecting higher gross margins on activity levels, partially offset by higher SG&A. First half operating income decreased by $2.6 million year-over-year primarily due to the higher SG&A.

EASTERN HEMISPHERE SEGMENT RESULTS

($ thousands, except percentages)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Engineered Systems bookings	**$ 1,618**	$ (8,722)	**$ 93,073**	$ (2,300)
Engineered Systems backlog	**263,468**	114,391	**263,468**	114,391
Segment revenue	**$ 183,795**	$ 44,556	**$ 427,699**	$ 119,926
Intersegment revenue	**(1,533)**	(74)	**(3,782)**	(153)
Revenue	**$ 182,262**	$ 44,482	**$ 423,917**	$ 119,773
Revenue – Energy Infrastructure	**$ 60,114**	$ 19,949	**$ 124,633**	$ 40,150
Revenue – After-Market Services	**$ 45,927**	$ 22,623	**$ 90,785**	$ 40,880
Revenue – Engineered Systems	**$ 76,221**	$ 1,910	**$ 208,499**	$ 38,743
Operating income	**$ 2,598**	$ 3,845	**$ 19,829**	$ 11,142
EBIT	**$ 2,598**	$ 3,845	**$ 19,827**	$ 11,142
EBITDA	**$ 29,510**	$ 6,801	**$ 73,389**	$ 17,229
Adjusted EBITDA	**$ 44,866**	$ 9,539	**$ 91,972**	$ 18,188
Revenue as a % of consolidated revenue	**23.5%**	12.0%	**26.5%**	17.2%
Operating income as a % of revenue	**1.4%**	8.6%	**4.7%**	9.3%
EBIT as a % of revenue	**1.4%**	8.6%	**4.7%**	9.3%
EBITDA as a % of revenue	**16.2%**	15.3%	**17.3%**	14.4%

The EH segment had nominal bookings in the second quarter of 2023, while bookings of $93.0 million in the first half of 2023 increased significantly primarily as a result of an in-flight project increasing in scope. EH's backlog increased in the current period due to the backlog balance acquired from Exterran, partially offset by the natural gas infrastructure project that commenced operations in the first quarter of 2023. The project is being accounted for as a finance lease.

Revenue increased by $137.8 million and $304.1 million during the three and six months ended June 30, 2023, respectively, compared to the three and six months ended June 30, 2022. A non-cash selling profit was recognized upon commencement of the natural gas infrastructure project, which was reflected in the region's Engineered Systems revenue, with contracted revenues reflected in Energy Infrastructure revenue thereafter. Additionally, Enerflex brought two BOOM produced water facilities to commercial operation in the fourth quarter of 2022 and the first quarter of 2023, respectively, with these contracted revenues further contributing to higher revenues in the second quarter of 2023. After-Market Services revenues increased from customer maintenance activities and parts sales in all regions.

Gross margins for the three and six months ended June 30, 2023 were higher than the same periods in 2022, primarily due to increased activity and higher margin Engineered Systems projects being executed.

SG&A was higher during the three and six months ended June 30, 2023 relative to the same periods in 2022 due to the additional costs required to support the acquired Exterran business, as well as restructuring, transaction, and integration costs.

The EH segment reported operating income of $2.6 million during the three months ended June 30, 2023 compared to $3.8 million in the second quarter of 2022, with higher SG&A, partially offset by increased revenues. The segment reported an operating income increase of $8.7 million during the first half of 2023 compared to the first half of 2022, primarily driven by higher revenues generated in the current year.

GROSS MARGIN BY PRODUCT LINE

Each of Enerflex's regional business segments oversees the execution of all three 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, processing, 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 June 30, 2023
($ thousands, except percentages)	**Total**	**Energy Infrastructure**	**After-Market Services**	**Engineered Systems**
Revenue	**$ 776,670**	**$ 190,469**	**$ 152,504**	**$ 433,697**
Cost of goods sold:				
Operating expenses	**581,776**	**85,330**	**119,174**	**377,272**
Depreciation and amortization	**47,720**	**42,202**	**2,801**	**2,717**
Gross margin	**$ 147,174**	**$ 62,937**	**$ 30,529**	**$ 53,708**
Gross margin %	**18.9%**	**33.0%**	**20.0%**	**12.4%**

				Three months ended June 30, 2022
($ thousands, except percentages)	Total	Energy Infrastructure	After-Market Services	Engineered Systems
Revenue	$ 372,077	$ 69,892	$ 105,839	$ 196,346
Cost of goods sold:				
Operating expenses	289,410	26,738	87,125	175,547
Depreciation and amortization	19,078	15,624	2,373	1,081
Gross margin	$ 63,589	$ 27,530	$ 16,341	$ 19,718
Gross margin %	17.1%	39.4%	15.4%	10.0%

				Six months ended June 30, 2023
($ thousands, except percentages)	**Total**	**Energy Infrastructure**	**After-Market Services**	**Engineered Systems**
Revenue	**$ 1,601,714**	**$ 379,132**	**$ 308,006**	**$ 914,576**
Cost of goods sold:				
Operating expenses	**1,195,757**	**170,793**	**243,123**	**781,841**
Depreciation and amortization	**98,131**	**87,924**	**5,599**	**4,608**
Gross margin	**$ 307,826**	**$ 120,415**	**$ 59,284**	**$ 128,127**
Gross margin %	**19.2%**	**31.8%**	**19.2%**	**14.0%**

($ thousands, except percentages)		Total		Energy Infrastructure		After-Market Services		Six months ended June 30, 2022 Engineered Systems
Revenue	$	695,146	$	135,344	$	189,025	$	370,777
Cost of goods sold:								
Operating expenses		539,950		52,271		157,381		330,298
Depreciation and amortization		37,964		29,385		5,052		3,527
Gross margin	$	117,232	$	53,688	$	26,592	$	36,952
Gross margin %		16.9%		39.7%		14.1%		10.0%

INCOME TAXES

The Company reported income tax expense of $20.6 million and $22.0 million for the three and six months ended June 30, 2023, compared to $3.1 million and $6.7 million in the same periods of 2022. The year-over-year change is primarily driven by an increase in current taxes associated with additional earnings in conjunction with the Transaction, combined with unrecognized deferred tax deductions related to head office cost and interest expenses in Canada. The normalized effective tax rate without these two main drivers would be 18 percent for the six months ended June 30, 2023.

LEGAL PROCEEDINGS

On January 31, 2022 the Local Labor Board of the State of Tabasco in Mexico (the “Labor Board”) awarded a former employee of Exterran MXN$2,152 million (US$120 million) in connection with a dispute relating to the employee’s severance pay following termination of their employment in 2015.

Enerflex believes the order of the Labor Board is in error and has no credible basis in law or fact. In 2017, the Labor Board ruled that the former employee was entitled to approximately MXN$1.4 million (approximately US$70,000 at the then prevailing exchange rate) as severance based on an appellate court’s determination that the employee’s salary was approximately MXN$3,500 per day. However, the Labor Board’s January 2022 order significantly increased the amount the employee is owed to approximately US$120 million, ignoring the actual salary that had been established by the appellate court and using an amount the former employee never actually received while working for Exterran.

Enerflex has appealed the decision, and the appeal is pending before the First Collegiate Court of the Tenth Circuit in Labor Matters, in Villahermosa, Mexico. In the meantime, the Company is pursuing all available avenues to preserve its rights, and in the second quarter of 2023, filed a Request for Arbitration pursuant to the Agreement between the United States of America, the United Mexican States, and Canada (“USMCA”) investment treaty arguing that the conduct of the Labor Board in Mexico amounts to violations of protections available under the North American Free Trade Agreement.

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.

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; financial discipline and strength; profitable growth achieved through vertically integrated and geographically diverse product offerings; 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 over its 40-plus-year history.

Enerflex delivers modularized energy solutions to customers in key global natural gas growth markets. The Company’s vertically integrated product offerings include 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 also works closely with customers to enable their decarbonization efforts, with proven expertise in delivering low-carbon solutions, including carbon capture utilization and storage, electrification, renewable natural gas (“RNG”), and hydrogen solutions.

With the acquisition of Exterran, Enerflex executed its strategy to build an increasingly resilient and sustainable business through its Energy Infrastructure and After-Market Services product lines, and as a result, expects to stabilize cash flows and reduce cyclicality in the business over the long term.

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 strong demand for Enerflex's energy infrastructure and energy transition solutions.

STRATEGIC PRIORITIES

Enerflex's primary focus for 2023 is to progress the integration of Exterran and strengthen its financial position. Once its debt reduction target has been met, Enerflex plans to continue strengthening its financial position to ensure the Company has financial stability and flexibility through industry cycles. By reducing its long-term debt requirements and optimizing debt service costs, Enerflex expects to lower its overall cost of debt, thereby accruing incremental value to Enerflex shareholders.

INTEGRATION OF EXTERRAN CORPORATION

Enerflex is progressing the integration of Exterran to become a more resilient and profitable business. Since closing the Transaction, Enerflex has captured approximately US$50 million of annual run-rate synergies and expects to realize the total US$60 million of anticipated synergies within 12 to 18 months from Transaction close of October 13, 2022.

To further optimize its global operations and shape the business for long-term success, Enerflex will incur one-time restructuring and optimization costs as such opportunities are identified. This includes costs associated with the closing of Enerflex's manufacturing facilities in the United Arab Emirates and Singapore and the Company's plans to simplify its geographic footprint.

2023 GUIDANCE

Enerflex is reaffirming its full-year 2023 financial guidance for adjusted EBITDA, bank-adjusted net debt to EBITDA ratio, annual run-rate synergies, maintenance capital expenditures, and expenditures related to the modularized cryogenic natural gas processing facility (the "Cryogenic Facility") that is being advanced in the Middle East.

To reflect year-to-date 2023 activity and the Company's expectations for the balance of the year, Enerflex is introducing guidance for property, plant and equipment ("PP&E") and growth capital expenditures and revising its guidance for "other non-discretionary expenses".

(US$ millions, except ratios and percentages)	**March 1, 2023[1]**	**August 9, 2023**
Annual run-rate synergies[2]	60	**60**
Adjusted EBITDA[2]	380 – 420	**380 – 420**
Bank-adjusted net debt to EBITDA ratio[3]	<2.5x	**<2.5x**
Capital expenditures and contract assets		
Maintenance capital expenditures	40 – 50	**40 – 50**
Contract assets related to the Cryogenic Facility[4]	40 – 50	**40 – 50**
Other non-discretionary expenses[5]	130 – 160	**180 – 210**
Total non-discretionary expenses[6]	210 – 260	**260 – 310**
PP&E and growth capital expenditures[7]	Not previously provided	**80 – 90**

[1] Refer to the March 1, 2023 news release entitled "Enerflex Ltd. Reports Solid Year-end 2022 Results and Successfully Closes Acquisition of Exterran Corporation, Creating Significant Momentum for 2023", which can be accessed on the Company's website at www.enerflex.com and under the Company's SEDAR+ and EDGAR profiles at www.sedarplus.com and www.sec.gov/edgar, respectively.
[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: (a) the inclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months ended for the respective period; and (b) a maximum of 4.5:1.
[4] Formerly referred to as work-in-progress in the Company's financial guidance. The Cryogenic Facility is being accounted for as a sale within the Engineered Systems product line and presented as a contract asset on Enerflex's consolidated statements of financial position.
[5] Includes net working capital, finance costs, cash income taxes, and dividends.
[6] Includes maintenance capital expenditures and contract assets related to the Cryogenic Facility, net working capital, finance costs, cash income taxes, and dividends.
[7] Enerflex is introducing guidance for PP&E and growth capital expenditures to reflect activity for the six months ended June 30, 2023 and the Company's expectations for the balance of the year. These expenditures were considered in assessing the Company's ability to meet its bank-adjusted net debt to EBITDA ratio target.

Enerflex anticipates that total 2023 PP&E and growth capital expenditures will range from US$80 million to US$90 million, approximately half of which is for the completion of two BOOM produced water projects that were originally anticipated in 2022 but were largely recognized in Q1 2023. In addition, Enerflex plans to complete required upgrades on several facilities acquired through the Transaction, and invest in various small-scale, customer-sanctioned projects in the USA, Latin America, and Eastern Hemisphere.

Enerflex is revising its guidance for its other non-discretionary expenses to a range of US$180 million to US$210 million from a range of US$130 million to US$160 million, primarily due to the increase in working capital associated with higher activity levels in Enerflex's After-Market Services and Engineered Systems businesses, as well as higher expected cash taxes in 2023.

As the Company focuses on actively integrating Exterran while concurrently executing its growing business, Enerflex expects that increased 2023 expenditures will impact the near-term timing of cash flows. As a result of increased net working capital due to the growth in business activity and increased taxes, the Company now anticipates 2023 Transaction-related accretion for both earnings per share ("EPS") and cash flow per share ("CFPS") to be 32 percent dilutive and one percent accretive, respectively (both previously 20 percent accretive) this year. The Company has reviewed its disclosure in respect of 2023 Transaction-related accretion for both EPS and CFPS and has decided to discontinue this disclosure. Accordingly, the Company is withdrawing its 2023 guidance for these measures and will not be providing any further updates regarding such financial metrics.

ENERGY TRANSITION

As the transition to a lower-carbon economy unfolds, Enerflex is collaborating with customers to advance projects that decarbonize and electrify operations and support infrastructure for RNG, biofuels, and hydrogen solutions. In the USA, the roll-out of the Inflation Reduction Act has accelerated the development of numerous carbon capture projects, growing the future 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 over the next several decades.

OUTLOOK BY SEGMENT

North America

Capital discipline continues to be at the forefront for North American upstream exploration and production companies. In the USA, while rig counts have decreased through the first half of 2023, Enerflex is still observing strong demand for its products and services in the liquids-weighted Permian Basin. In Canada, Enerflex's market outlook is constructive following the initial agreement on future resource development between the Blueberry River First Nations and the Government of British Columbia coupled with increasing activity for eventual liquefied natural gas ("LNG") exports.

Given the robust long-term demand profile for natural gas and LNG exports in the USA, Enerflex anticipates that utilization rates for its contract compression fleet will remain elevated, demand for the Exterran Cryogenic product line will strengthen, and sold margins on new Engineered Systems bookings will remain strong compared to current levels. Additionally, the Company expects increased After-Market Services-related activities across the region will continue through 2023, including parts sales, overhauls, and retrofitting activities.

Latin America

With its expanded Energy Infrastructure platform, Enerflex expects to generate strong recurring revenues in Latin America and will continue to manage its regional foreign currency exposures. Over time, the Company plans to increase its contract compression fleet utilization by re-contracting and redeploying 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

Enerflex's near-term focus in the Middle East is strong operational execution, delivering cost improvements within existing operations, and safely advancing the Cryogenic Facility. The Company also continues to explore new markets and opportunities requiring modular solutions to bolster cash flows in the region. Over the long term, Enerflex expects ongoing demand for larger-scale energy infrastructure assets and integrated turnkey projects.

In Australia, a strong LNG export market, and recent legislation surrounding emissions-reduction targets for the nation, are expected to strengthen the demand for natural gas and energy transition solutions in the region.

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, bank-adjusted 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.

($ thousands)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
EBITDA and Adjusted EBITDA				
EBIT	**$ 48,260**	$ 20,884	**$ 93,188**	$ 28,007
Depreciation and amortization	**62,959**	22,058	**126,053**	43,948
EBITDA	**$ 111,219**	$ 42,942	**$ 219,241**	$ 71,955
Adjusted EBITDA[1]	**$ 142,171**	$ 47,806	**$ 264,942**	$ 82,663
Recurring Revenue				
Energy Infrastructure	**$ 190,469**	$ 69,892	**$ 379,132**	$ 135,344
After-Market Services	**152,504**	105,839	**308,006**	189,025
Impact of finance leases	**12,749**	2,941	**24,347**	5,615
Total recurring revenue	**$ 355,722**	$ 178,672	**$ 711,485**	$ 329,984
ROCE				
Trailing 12-month EBIT	**$ 24,371**	$ 58,525	**$ 24,371**	$ 58,525
Capital employed – beginning of period				
Net debt[2]	**$ 1,196,326**	$ 205,912	**$ 1,136,549**	$ 158,664
Shareholders' equity	**1,553,497**	1,342,102	**1,542,908**	1,353,754
	$ 2,749,823	$ 1,548,014	**$ 2,679,457**	$ 1,512,418
Capital employed – end of period				
Net debt[2]	**$ 1,234,125**	$ 198,873	**$ 1,234,125**	$ 198,873
Shareholders' equity	**1,522,667**	1,378,897	**1,522,667**	1,378,897
	$ 2,756,792	$ 1,577,770	**$ 2,756,792**	$ 1,577,770
Average capital employed[3]	**$ 2,443,886**	$ 1,568,820	**$ 2,443,886**	$ 1,568,820
ROCE	**1.0%**	3.7%	**1.0%**	3.7%

[1] 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 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. 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 uses this non-IFRS measure as a way to assist users of the financial statements assess the level of free cash generated and to fund other non-operating activities such as payments to creditors, dividends, and capital expenditures. The following tables reconciles distributable cash flow to the most directly comparable IFRS measure, cash provided by operating activities:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2023**	2022	**2023**	2022
Cash provided by (used in) operating activities	**$ (3,984)**	$ 21,097	**$ (6,535)**	$ (1,615)
Add (deduct):				
Net change in working capital and other[1]	**74,178**	9,434	**144,830**	57,690
	$ 70,194	$ 30,531	**$ 138,295**	$ 56,075
Maintenance capital expenditures	**(13,287)**	(4,259)	**(20,843)**	(5,764)
Leases	**(5,266)**	(3,818)	**(10,342)**	(7,331)
Distributable cash flow	**$ 51,641**	$ 22,454	**$ 107,110**	$ 42,980

[1]Included in net change in working capital and other are proceeds of $28.0 million from the settlement of preferred shares received during the three months ended March 31, 2023.

BANK-ADJUSTED NET DEBT TO EBITDA RATIO

The Company defines net debt as short- and long-term debt less cash and cash equivalents at period end, which is then divided by EBITDA for the trailing 12 months. In assessing whether the Company is compliant with the financial covenants related to its debt instruments, certain adjustments are made to net debt and EBITDA to determine Enerflex's bank-adjusted net debt to EBITDA ratio. These adjustments and Enerflex's bank-adjusted net debt to EBITDA ratio are calculated in accordance with, and derived from, the Company's financing agreements.

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

Enerflex distinguishes capital expenditures invested in Energy Infrastructure assets as either maintenance or growth. Maintenance expenditures are necessary costs to continue utilizing existing Energy Infrastructure assets, while growth expenditures are intended to expand the Company's Energy Infrastructure fleet. The Company may also incur 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.

During the three months ended June 30, 2023, Enerflex invested $32.4 million in capital expenditures, including maintenance of the Company's global Energy Infrastructure fleet, as well as small-scale investments to expand the fleet across all regions. During the six months ended June 30, 2023, Enerflex invested $93.8 million in capital expenditures, primarily for the completion of two large BOOM produced water facilities in the Middle East.

Capital expenditures and expenditures for finance leases are shown in the table below:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2023**	2022	**2023**	2022
Additions to PP&E	**$ 7,056**	$ 2,092	**$ 9,928**	$ 2,991
Additions to Energy Infrastructure assets:				
Maintenance	**13,287**	4,259	**20,843**	5,764
Growth	**12,026**	7,896	**63,068**	8,931
Total capital expenditures	$ **32,369**	$ 14,247	$ **93,839**	$ 17,686
Expenditures for finance leases	$ **-**	$ 11,747	$ **4,730**	$ 40,944
Total capital expenditures and expenditures for finance leases	$ **32,369**	$ 25,994	$ **98,569**	$ 58,630

FINANCIAL POSITION

The following table outlines significant changes in the consolidated statements of financial position as at June 30, 2023 compared to December 31, 2022:

($ millions)	Increase (Decrease)	Explanation
Current assets	$(49.2)	The decrease in current assets is primarily due to lower cash and cash equivalents, the WIP related to finance leases being transferred to COGS upon commencement of Enerflex's natural gas infrastructure project in the Middle East, and decreased prepayments, partially offset by higher contract assets and inventories on increased activity levels.
Contract assets	$19.9	The increase in the non-current portion of contract assets is due to increased manufacturing activity, primarily in the USA, including on various projects.
Finance leases receivable	$27.7	The increase in the long-term portion of finance leases receivable is due to the recognition of the 10-year natural gas infrastructure project that began operations during the first quarter of 2023.
Other assets	$(27.2)	The decrease in other assets is primarily due to the preferred shares that the Company previously held and were settled during the period.
Current liabilities	$(54.0)	The decrease in current liabilities is primarily due to movements in accounts payable and accrued liabilities due to the timing of vendor payments, and deferred revenues based on the timing of revenue recognition and milestone billings, partially offset by an increase in the non-current portion of long-term debt and income taxes payable.
Long-term debt	$(7.9)	The decrease in long-term debt is primarily due to the net repayment on the three-year secured revolving credit facility ("Revolving Credit Facility"), and the recognition of deferred transaction costs.
Total shareholders' equity	$(20.2)	Total shareholders' equity decreased primarily due to unrealized losses on the translation of foreign operations and dividends, offset by net earnings and the impact of stock options.

LIQUIDITY

The Company expects that cash flows from operations in 2023, together with cash and cash equivalents on hand and currently available credit facilities, will be sufficient to fund its requirements for investments in working capital and capital assets. As at June 30, 2023, the Company held cash and cash equivalents of $174.2 million and had significant liquidity with access to $294.4 million for future drawings.

($ thousands)		June 30,2023
Total Revolving Credit Facility (US$700,000)	$	926,800
Less:		
Drawings on Revolving Credit Facility		491,915
Letters of Credit[1]		140,473
Available for future drawings	$	294,412

[1] This represents the letters of credit that the Company has funded with the Revolving Credit Facility. Additional letters of credit of $15.2 million ($11.5 million) are funded from the newly secured LC Facility. Refer to Note 10 "Long-Term Debt" of the Financial Statements for more information.

The Company continues to meet the covenant requirements of its funded debt, including the Revolving Credit Facility, Term Loan and senior secured notes (the "Notes"), with the senior secured net funded debt, which is comprised of the Revolving Credit Facility and the Term Loan, 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 2.8:1, compared to a maximum ratio of 4.5:1. The Company exited the second quarter of 2023 with an interest coverage ratio of 4.3:1 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

($ thousands)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash and cash equivalents, beginning of period	**$ 262,444**	$ 133,214	**$ 253,776**	$ 172,758
Cash provided by (used in):				
Operating activities	**(3,984)**	21,097	**(6,535)**	(1,615)
Investing activities	**(46,656)**	157	**(90,737)**	(16,728)
Financing activities	**(32,406)**	(9,963)	**24,212**	(8,578)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(5,219)**	2,573	**(6,537)**	1,241
Cash and cash equivalents, end of period	**$ 174,179**	$ 147,078	**$ 174,179**	$ 147,078

OPERATING ACTIVITIES

For the three months ended June 30, 2023, cash used in operating activities was lower than the comparative period, primarily driven by lower net earnings and the net changes in working capital. For the six months ended June 30, 2023, cash used in operating activities was higher than the comparative period due to the net change in working capital and other from the increase in business activity, partially offset by an increase in net earnings year-over-year. Movements in the net change in working capital are explained in the *"Financial Position"* section of this MD&A.

INVESTING ACTIVITIES

Cash used in investing activities for the three and six months ended June 30, 2023 is higher when compared to the same periods last year, primarily due to the increased capital expenditures on PP&E, Energy Infrastructure assets, and intangible assets offset by higher proceeds on the disposal of certain non-core assets.

FINANCING ACTIVITIES

Cash used in financing activities increased during the three and six months ended June 30, 2023 relative to the comparative periods in 2022 primarily due to the net proceeds from the Revolving Credit Facility, which Enerflex received upon closing the Transaction.

QUARTERLY SUMMARY

Three months ended *($ thousands, except per share amounts)*	**Revenue**	**Net earnings (loss)**	**Earnings (loss) per share – basic**	**Earnings (loss) per share – diluted**
June 30, 2023	**$ 776,670**	**$ (2,823)**	**$ (0.02)**	**$ (0.02)**
March 31, 2023	825,044	13,524	0.11	0.11
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

CAPITAL RESOURCES

On July 31, 2023, Enerflex had 123,884,579 common shares outstanding. Enerflex has not established a formal dividend policy and the Board anticipates setting the Company's quarterly dividends based on the availability of cash flow, anticipated market conditions, and the general needs of the business. Subsequent to June 30, 2023, the Board declared a quarterly dividend of $0.025 per share.

At June 30, 2023, the Company had combined drawings of $690.1 million against the Revolving Credit Facility and Term Loan (December 31, 2022 – $662.4 million). The weighted average interest rate on the Revolving Credit Facility and Term Loan at June 30, 2023 was 7.7 percent and 8.7 percent, respectively (December 31, 2022 – 7.0 percent and 7.8 percent, respectively).

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

($ thousands)	**Maturity Date**		**June 30, 2023**		December 31, 2022
Drawings on the Revolving Credit Facility (US$700,000)	October 13, 2025	**$**	**491,915**	$	459,202
Drawings on the Term Loan (US$150,000)	October 13, 2025		**198,600**		203,160
Notes (US$625,000)	October 15, 2027		**827,500**		846,500
Deferred transaction costs and Notes discount			**(109,711)**		(118,537)
		$	**1,408,304**	$	1,390,325
Current portion of long-term debt		**$**	**52,960**	$	27,088
Non-current portion of long-term debt			**1,355,344**		1,363,237
Long-term debt		**$**	**1,408,304**	$	1,390,325

At June 30, 2023, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,518.0 million, and nil thereafter.

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 ("CFO"), together with other members of Management, have evaluated the effectiveness of the Company's DC&P and ICFR as at June 30, 2023, 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 June 30, 2023, 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 June 30, 2023, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS.

There have been no significant changes in the design of the Company's ICFR during the six months ended June 30, 2023 that would materially affect, or is reasonably likely to materially affect, the Company's ICFR.

SUBSEQUENT EVENTS

Subsequent to June 30, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on October 12, 2023, to shareholders of record on August 24, 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.

ORGANIZATIONAL UPDATE

As previously announced, Mr. Rodney D. Gray was appointed as Enerflex's Senior Vice President and CFO, effective July 1, 2023, overseeing the Company's capital markets, corporate development, financial reporting, internal audit, tax, and treasury functions and supporting Enerflex's strategic and capital allocation decisions. Mr. Gray comes to Enerflex with over 30 years of experience in the energy sector, including the last nine years with Baytex Energy Corp., where he served most recently as Executive Vice President and CFO and helped steward the company's overall strategy through unprecedented macroeconomic volatility. He is a Chartered Accountant and holds a Bachelor of Commerce degree with Honours from Queen's University. Enerflex is delighted to welcome Mr. Gray to the team.

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. 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", "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 global demand for natural gas to remain robust and the continued volatility in commodity prices and any impact on the Company’s ability to secure future booking; the NAM bookings contribute to a robust backlog that will provide strong Engineered Systems revenue in the near term; 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; the Company expects to stabilize cash flows and reduce cyclicality in the business over the long-term; the ability of the Company to capitalize on potential projects in the LATAM segment; the disclosures under the section *"Outlook"* and *"Outlook by Segment"* including, but not limited to, the underlying macro drivers for Enerflex’s business and these drivers remaining robust; expectations that demand for low-emission natural gas will grow; the expectation that the Company will advance its modularized cryogenic natural gas processing facility in the Middle East; the expectations that Enerflex will continue to reduce its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of the year; the anticipation of having the optionality for continued debt reduction, increased capital returns to shareholders, or profitable investments in strategic growth projects; the expectations that strong cash flow generation will continue across all product lines; the ability of Enerflex to participate in developing and growing markets, which is expected to shape the energy transition landscape of the next several decades; the expectations that production will grow modestly year-over-year and, in the USA, that such production growth will be driven by the Haynesville, Marcellus, and Permian Basins; the expectations that future LNG exports associated with LNG Canada Phase 1 will be a positive tailwind for Enerflex’s Canadian business; the anticipation that utilization rates for Enerflex’s contract compression fleet in the NAM segment will remain elevated and that margins on new Engineered Systems bookings will continue to expand from current levels; the expectation that the Exterran Cryogenic product line will be a synergistic revenue-generating business in the NAM region; the expectations in respect of recent increases in After-Market Services-related activities across the NAM region and that these increase will continue through 2023; the expectations concerning stability within Enerflex’s recurring businesses in Latin America; the expectation, in the near term, that the Company will increase its contract compression fleet utilization in the LATAM segment; with the growing need for reliable power and a desire to reduce overall dependency on imported natural gas in the LATAM region, the expectations that this will be a constructive market driver for the Company; the expectations in respect of ongoing demand for larger-scale energy infrastructure assets and integrated turnkey projects in the Middle East; the expectations in Australia that a strong LNG export market will strengthen the demand for natural gas and energy transition solutions in the region; expectations that cash flows from operations in 2023, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund the requirements of the Company for investments in working capital, capital assets and delivering on its post-acquisition deleveraging strategy; the expectations and results from the exploration activities by the Company around decarbonization, carbon capture technologies, and supporting infrastructure opportunities with customers; the 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 expectations that Enerflex will have the optionality to deliver increased capital returns to shareholders and invest profitably in strategic growth projects, either now or in the future; the expectations to capture US$60 million in annual run-rate synergies within 12 to 18 months of the closing of the Transaction; the Company's plans to simplify its geographic footprint and consolidate its global manufacturing capacity, including closing its manufacturing facilities in the United Arab Emirates and Singapore; the Company's expectations that the initial agreement between Blueberry River First Nations and the Government of British Columbia, coupled with development activities anticipated for LNG exports, will be constructive for the Canadian business; the expectations for the Company to generate 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 to increase contract compression fleet utilization rates through re-contracting and redeployment of idle fleet; the anticipated financial performance of the Company, including its expected gross margin; the intended use, if any, by Enerflex of the remaining funds under the Revolving Credit Facility; future capital expenditures, including the amount and nature thereof; commodity prices and the impact of such prices on demand for the Company's products and services; the development trends in the oil and natural gas industry; the seasonal variations in the activity levels of certain crude oil and natural gas markets; the expansion and growth of the business and operations; the implications of changes in government regulation, laws and income taxes; the Company's plans to continue strengthening its financial position to ensure the Company has the financial stability and flexibility through industry cycles; the expectation to lower Enerflex's overall cost of debt, thereby accruing incremental value to Enerflex's shareholders; the anticipation that the total 2023 PP&E and growth capital expenditures will range from US$80 million to US$90 million; the Company's expectations that 2023 Transaction-related accretion for both EPS and CFPS will be 32 percent dilutive and one percent accretive, respectively; and the Company's plans to complete required upgrades on several facilities acquired through the Transaction, and invest in various small-scale, customer-sanctioned projects in the USA, Latin America, and Eastern Hemisphere.

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 crude oil and natural gas, and the related infrastructure including new environmental, taxation, and other laws and regulations; 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 Enerflex 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 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 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 its 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 Company'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 Company's future operations and Management's current expectations regarding the Company'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 are 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.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

($ Canadian thousands)		**June 30, 2023**		December 31, 2022[1]
Assets				
Current assets				
Cash and cash equivalents	**$**	**174,179**	$	253,776
Accounts receivable		**458,019**		455,841
Contract assets		**222,579**		186,259
Inventories (Note 3)		**408,542**		369,298
Work-in-progress related to finance leases (Note 3)		**-**		41,986
Current portion of finance leases receivable (Note 6)		**67,886**		60,020
Income taxes receivable (Note 12)		**8,415**		5,460
Derivative financial instruments (Note 16)		**183**		901
Prepayments		**55,922**		71,398
Total current assets		**1,395,725**		1,444,939
Property, plant and equipment (Note 4)		**147,537**		152,505
Energy infrastructure assets (Note 4)		**1,205,968**		1,237,550
Contract assets		**243,111**		223,179
Lease right-of-use assets (Note 5)		**80,488**		78,372
Finance leases receivable (Note 6)		**262,182**		234,484
Deferred tax assets (Note 12)		**10,297**		22,953
Intangible assets (Note 7)		**90,919**		102,773
Goodwill (Note 8)		**671,889**		688,833
Other assets (Note 9)		**55,917**		83,076
Total assets	**$**	**4,164,033**	$	4,268,664
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**592,498**	$	626,224
Provisions		**20,878**		18,826
Income taxes payable (Note 12)		**94,502**		78,697
Deferred revenues		**301,633**		366,085
Current portion of long-term debt (Note 10)		**52,960**		27,088
Current portion of lease liabilities (Note 11)		**20,985**		20,125
Derivative financial instruments (Note 16)		**525**		977
Total current liabilities		**1,083,981**		1,138,022
Deferred revenues		**30,682**		33,435
Long-term debt (Note 10)		**1,355,344**		1,363,237
Lease liabilities (Note 11)		**73,490**		72,908
Deferred tax liabilities (Note 12)		**75,070**		96,397
Other liabilities		**22,799**		21,757
Total liabilities	**$**	**2,641,366**	$	2,725,756
Shareholders' equity				
Share capital	**$**	**590,341**	$	589,827
Contributed surplus		**660,119**		660,072
Retained earnings		**168,581**		164,200
Accumulated other comprehensive income		**103,626**		128,809
Total shareholders' equity		**1,522,667**		1,542,908
Total liabilities and shareholders' equity	**$**	**4,164,033**	$	4,268,664

[1] Certain balances as at December 31, 2022 have been re-presented as a result of measurement period adjustments for the acquisition of Exterran as required by IFRS 3 "Business Combinations", refer to Note 2 "Acquisition" for more information.

See accompanying notes to the unaudited interim condensed consolidated financial statements, including Note 18 "Guarantees, Commitments, and Contingencies".

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(unaudited)

($ Canadian thousands, except per share amounts)	Three months ended June 30, **2023**	Three months ended June 30, 2022[1]	Six months ended June 30, **2023**	Six months ended June 30, 2022[1]
Revenue (Note 13)	**$ 776,670**	$ 372,077	**$ 1,601,714**	$ 695,146
Cost of goods sold	**629,496**	308,488	**1,293,888**	577,914
Gross margin	**147,174**	63,589	**307,826**	117,232
Selling and administrative expenses	**99,636**	43,346	**215,406**	90,150
Operating income	**47,538**	20,243	**92,420**	27,082
Gain (loss) on disposal of property, plant and equipment	**(32)**	79	**(27)**	79
Equity earnings from associates and joint ventures	**754**	562	**795**	846
Earnings before finance costs and income taxes	**48,260**	20,884	**93,188**	28,007
Net finance costs (Note 15)	**30,440**	4,460	**60,511**	8,331
Earnings before income taxes	**17,820**	16,424	**32,677**	19,676
Income taxes (Note 12)	**20,643**	3,072	**21,976**	6,693
Net earnings (loss)	**$ (2,823)**	$ 13,352	**$ 10,701**	$ 12,983
Earnings (loss) per share – basic	**$ (0.02)**	$ 0.15	**$ 0.09**	$ 0.14
Earnings (loss) per share – diluted	**$ (0.02)**	$ 0.15	**$ 0.09**	$ 0.14
Weighted average number of shares – basic	**123,768,301**	89,680,965	**123,753,742**	89,680,391
Weighted average number of shares – diluted	**123,958,145**	89,850,457	**123,975,590**	89,841,417

[1] *Comparative figures through the Financial Statements represent Enerflex's results prior to the closing of the acquisition of Exterran Corporation on October 13, 2022, and therefore do not reflect pre-acquisition historical data from Exterran.*

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

($ Canadian thousands)	Three months ended June 30, **2023**	2022	Six months ended June 30, **2023**	2022
Net earnings (loss)	**$ (2,823)**	$ 13,352	**$ 10,701**	$ 12,983
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	**(98)**	205	**(361)**	60
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax expense	**(21)**	6	**(17)**	(39)
Unrealized gain (loss) on translation of foreign denominated debt (Note 16)	**18,361**	(1,677)	**19,037**	(894)
Unrealized gain (loss) on translation of financial statements of foreign operations	**(43,355)**	26,681	**(43,842)**	16,579
Other comprehensive income (loss)	**$ (25,113)**	$ 25,215	**$ (25,183)**	$ 15,706
Total comprehensive income (loss)	**$ (27,936)**	$ 38,567	**$ (14,482)**	$ 28,689

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2023**	2022	**2023**	2022
Operating Activities				
Net earnings (loss)	**$ (2,823)**	$ 13,352	**$ 10,701**	$ 12,983
Items not requiring cash and cash equivalents:				
Depreciation and amortization (Note 4)	**62,959**	22,058	**126,053**	43,948
Equity earnings from associates and joint ventures	**(754)**	(562)	**(795)**	(846)
Deferred income taxes (Note 12)	**3,718**	(1,920)	**(7,919)**	(1,662)
Share-based compensation expense (recovery) (Note 14)	**6,369**	(2,667)	**9,535**	1,382
(Gain) loss on sale of property, plant and equipment	**32**	(79)	**27**	(79)
Impairment of energy infrastructure assets (Note 4)	**693**	349	**693**	349
	70,194	30,531	**138,295**	56,075
Net change in working capital and other (Note 17)	**(74,178)**	(9,434)	**(144,830)**	(57,690)
Cash provided by (used in) operating activities	**$ (3,984)**	$ 21,097	**$ (6,535)**	$ (1,615)
Investing Activities				
Additions to:				
Property, plant and equipment (Note 4)	**$ (7,056)**	$ (2,092)	**$ (9,928)**	$ (2,991)
Energy infrastructure assets (Note 4)	**(25,313)**	(12,155)	**(83,911)**	(14,695)
Intangibles assets (Note 7)	**(2,891)**	-	**(5,575)**	-
Proceeds on disposal of:				
Property, plant and equipment	**1**	87	**13**	87
Energy infrastructure assets	**3,268**	2,693	**20,096**	2,693
Investment in associates and joint ventures	**-**	(467)	**-**	(467)
Net change in working capital associated with investing activities	**(14,665)**	12,091	**(11,432)**	(1,355)
Cash provided by (used in) investing activities	**$ (46,656)**	$ 157	**$ (90,737)**	$ (16,728)
Financing Activities				
Net proceeds from (repayment of) the Revolving Credit Facility (Note 10)	**$ (22,248)**	$ -	**$ 43,011**	$ -
Net proceeds from the Bank Facility (Note 10)	**-**	4,818	**-**	20,678
Net repayment of the Asset-Based Facility (Note 10)	**-**	(6,284)	**-**	(10,861)
Lease liability principal repayment (Note 11)	**(5,266)**	(3,818)	**(10,342)**	(7,331)
Dividends	**(3,093)**	(2,242)	**(6,186)**	(4,484)
Stock option exercises (Note 14)	**372**	-	**372**	12
Deferred transaction costs	**(2,171)**	(2,437)	**(2,643)**	(6,592)
Cash provided by (used in) financing activities	**$ (32,406)**	$ (9,963)	**$ 24,212**	$ (8,578)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$ (5,219)**	$ 2,573	**$ (6,537)**	$ 1,241
Increase (decrease) in cash and cash equivalents	**(88,265)**	13,864	**(79,597)**	(25,680)
Cash and cash equivalents, beginning of period	**262,444**	133,214	**253,776**	172,758
Cash and cash equivalents, end of period	**$ 174,179**	$ 147,078	**$ 174,179**	$ 147,078

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

($ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total
At January 1, 2022	$ 375,524	$ 658,615	$ 274,962	$ 44,544	$ 109	$ 44,653	$ 1,353,754
Net earnings	-	-	12,983	-	-	-	12,983
Other comprehensive income	-	-	-	15,685	21	15,706	15,706
Effect of stock option plans	16	922	-	-	-	-	938
Dividends	-	-	(4,484)	-	-	-	(4,484)
At June 30, 2022	$ 375,540	$ 659,537	$ 283,461	$ 60,229	$ 130	$ 60,359	$ 1,378,897
At January 1, 2023	$ 589,827	$ 660,072	$ 164,200	$ 128,729	$ 80	$ 128,809	$ 1,542,908
Net earnings	-	-	10,701	-	-	-	10,701
Other comprehensive loss	-	-	-	(24,805)	(378)	(25,183)	(25,183)
Effect of stock option plans	514	47	-	-	-	-	561
Dividends	-	-	(6,320)	-	-	-	(6,320)
At June 30, 2023	**$ 590,341**	**$ 660,119**	**$ 168,581**	**$ 103,924**	**$ (298)**	**$ 103,626**	**$ 1,522,667**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited interim condensed 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") applicable to the preparation of interim financial statements, and were approved and authorized for issue by the Board of Directors (the "Board") on August 9, 2023.

(b) Basis of Presentation and Measurement

The Financial Statements for the three and six months ended June 30, 2023 and 2022 were prepared in accordance with IAS 34 *"Interim Financial Reporting"* and do not include all the disclosures included in the annual consolidated financial statements for the year ended December 31, 2022. Accordingly, these Financial Statements should be read in conjunction with the annual consolidated financial statements. Certain comparative figures have been reclassified to conform to the current period's presentation.

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions based on existing knowledge that affect the application of accounting policies and the reported amounts and disclosures. Actual results could differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Financial Statements are presented in Canadian dollars, which is Enerflex's (the "Company") presentation currency, rounded to the nearest thousand, except per share amounts or as otherwise noted, and are prepared on a going concern basis under the historical cost basis with certain financial assets and financial liabilities recorded at fair value. There have been no significant changes in accounting policies compared to those described in the annual consolidated financial statements for the year-ended December 31, 2022.

(c) Current Accounting Policy Changes

i. 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.

ii. IAS 12 Income Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12, which narrows 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. 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.

These amendments are effective for annual periods beginning on or after January 1, 2023, and the Company adopted these amendments as of January 1, 2023. There were no adjustments that resulted from the adoption of these amendments on January 1, 2023.

NOTE 2. ACQUISITION

On October 13, 2022, the Company completed the acquisition (the "Transaction") of Exterran Corporation ("Exterran") for total consideration of approximately $222.6 million. For more details see Note 7 *"Acquisition"* of the annual consolidated financial statements for the year ended December 31, 2022.

The preliminary purchase price allocation is based on Management's best estimate of the fair value of the assets acquired and liabilities assumed as at October 13, 2022. As of the Transaction date the Company was investigating options for the disposal of certain energy infrastructure assets. During the three months ended March 31, 2023, the Company sold these assets which resulted in the adjustment of fair value. The adjusted purchase price allocation resulting in decreases to energy infrastructure assets of $12.8 million and net working capital, $0.2 million, and increases to deferred tax assets, $3.5 million and goodwill, $9.5 million. Total goodwill for the Transaction as at December 31, 2022 was $148.9 million (October 13, 2022 – $139.4 million). Management continues to assess the value of net assets acquired and expects to finalize the purchase price allocation during the fourth quarter of 2023.

During the three and six months ended June 30, 2023, the Company incurred $11.8 million and $29.7 million (June 30, 2022 – $4.6 million and $10.3 million) of further restructuring, transaction, and integration costs directly related to the Transaction. These costs are included in cost of goods sold ("COGS") and selling and administrative expenses ("SG&A") in the interim condensed consolidated statements of earnings (loss).

NOTE 3. INVENTORIES

Inventories consisted of the following:

	June 30, 2023	December 31, 2022
Direct materials	**$ 100,350**	$ 107,575
Repair and distribution parts	**138,253**	136,876
Work-in-progress	**143,445**	98,297
Equipment	**26,494**	26,550
Total inventories	**$ 408,542**	$ 369,298

	June 30, 2023	December 31, 2022
Work-in-progress related to finance leases	**$ -**	$ 41,986

The amount of inventory and overhead costs recognized as expense and included in COGS during the three and six months ended June 30, 2023 was $629.5 million and $1,293.9 million (June 30, 2022 – $308.5 million and $577.9 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 interim condensed consolidated statements of earnings (loss) and included in COGS for the three and six months ended June 30, 2023 was $2.3 million and $4.8 million (June 30, 2022 – $(0.1) million and 1.0 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 a project is completed and enters service it is reclassified to COGS. During the three and six months ended June 30, 2023 the Company invested nil and $4.7 million (June 30, 2022 – $11.7 million and $40.9 million) related to finance leases that commenced operations in the period. The Company does not have any finance lease projects in progress as at June 30, 2023.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT AND ENERGY INFRASTRUCTURE ASSETS

	Land	Building	Equipment	Assets under construction	Total property, plant and equipment	Energy infrastructure assets[1]
Cost						
December 31, 2022	$ 23,559	$ 151,400	$ 90,698	$ 4,585	$ 270,242	$ 1,529,166
Additions	-	378	1,625	7,925	9,928	83,911
Reclassification	120	860	6,689	(8,396)	(727)	-
Disposals	-	(537)	(1,350)	-	(1,887)	(18,208)
Currency translation effects	(399)	(4,188)	(5,284)	4,360	(5,511)	(43,636)
June 30, 2023	**$ 23,280**	**$ 147,913**	**$ 92,378**	**$ 8,474**	**$ 272,045**	**$ 1,551,233**
Accumulated depreciation						
December 31, 2022	$ -	$ (58,666)	$ (59,071)	$ -	$ (117,737)	$ (291,616)
Depreciation charge	-	(5,227)	(10,110)	-	(15,337)	(81,627)
Impairment	-	-	-	-	-	(693)
Disposals	-	509	1,338	-	1,847	9,693
Currency translation effects	-	2,263	4,456	-	6,719	18,978
June 30, 2023	**$ -**	**$ (61,121)**	**$ (63,387)**	**$ -**	**$ (124,508)**	**$ (345,265)**
Net book value						
December 31, 2022	$ 23,559	$ 92,734	$ 31,627	$ 4,585	$ 152,505	$ 1,237,550
June 30, 2023	**$ 23,280**	**$ 86,792**	**$ 28,991**	**$ 8,474**	**$ 147,537**	**$ 1,205,968**

[1] Certain balances as at December 31, 2022 have been re-presented as a result of measurement period adjustments for the acquisition of Exterran as required by IFRS 3 "Business Combinations", refer to Note 2 "Acquisition" for more information.

Depreciation of property, plant, and equipment ("PP&E") and energy infrastructure assets included in net earnings (loss) for the three and six months ended June 30, 2023, was $47.8 million and $97.0 million (June 30, 2022 – $16.6 million and $32.9 million), of which $43.1 million and $89.2 million was included in COGS (June 30, 2022 – $16.1 million and $32.0 million) and $4.7 million and $7.8 million was included in SG&A (June 30, 2022 – $0.5 million and $0.9 million).

NOTE 5. LEASE RIGHT-OF-USE ASSETS

	Land and buildings	Equipment	Total lease right-of-use assets
Cost			
December 31, 2022	$ 94,107	$ 25,058	$ 119,165
Additions	11,728	2,437	14,165
Disposal	(5,803)	(2,415)	(8,218)
Currency translation effects	(1,448)	51	(1,397)
June 30, 2023	**$ 98,584**	**$ 25,131**	**$ 123,715**
Accumulated depreciation			
December 31, 2022	$ (27,157)	$ (13,636)	$ (40,793)
Depreciation charge	(7,492)	(2,757)	(10,249)
Disposal	4,828	2,415	7,243
Currency translation effects	426	146	572
June 30, 2023	**$ (29,395)**	**$ (13,832)**	**$ (43,227)**
Net book value			
December 31, 2022	$ 66,950	$ 11,422	$ 78,372
June 30, 2023	**$ 69,189**	**$ 11,299**	**$ 80,488**

Depreciation of lease right-of-use ("ROU") assets included in net earnings (loss) for the three and six months ended June 30, 2023 was $4.8 million and $10.2 million (June 30, 2022 – $3.5 million and $7.1 million), of which $3.3 million and $7.3 million was included in COGS (June 30, 2022 – $2.9 million and $5.9 million) and $1.5 million and $2.9 million was included in SG&A (June 30, 2022 – $0.6 million and $1.2 million).

NOTE 6. FINANCE LEASES RECEIVABLE

The Company has entered into finance lease arrangements for certain of its energy infrastructure assets, with initial terms ranging from eight 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	
	June 30, 2023	December 31 2022	**June 30, 2023**	December 31, 2022
Less than one year	**$ 79,375**	$ 73,614	**$ 67,886**	$ 60,020
Between one and five years	**225,279**	196,314	**159,066**	149,052
Later than five years	**177,497**	144,482	**103,116**	85,432
	$ 482,151	$ 414,410	**$ 330,068**	$ 294,504
Less: Unearned finance income	**(152,083)**	(119,906)	**-**	-
	$ 330,068	$ 294,504	**$ 330,068**	$ 294,504

	June 30, 2023	December 31, 2022
Balance, January 1	**$ 294,504**	$ 103,358
Acquisition	**-**	110,097
Additions	**64,112**	86,602
Interest income	**16,519**	14,801
Billings and payments	**(40,866)**	(33,740)
Currency translation effects	**(4,201)**	13,386
Closing balance	**$ 330,068**	$ 294,504

The Company recognized non-cash selling profit related to the commencement of finance leases of $17.8 million for the six months ended June 30, 2023 (June 30, 2022 – $6.6 million). Additionally, the Company recognized $8.0 million and $16.5 million of interest income on finance leases receivable during the three and six months ended June 30, 2023 (June 30, 2022 – $3.0 million and $5.9 million). The total cash received in respect of finance leases was $20.8 million and $40.9 million for the three and six months ended June 30, 2023 (June 30, 2022 – $5.7 million and $11.5 million), as reflected in the billings and payments.

The average interest rates implicit in the leases are fixed at the contract date for the entire lease term. At June 30, 2023, the average interest rate was 9.2 percent per annum (December 31, 2022 – 9.4 percent). The finance leases receivables at the end of reporting period are neither past due nor impaired.

NOTE 7. INTANGIBLE ASSETS

		Customer relationships and other		Software		Total intangible assets
Cost						
December 31, 2022	$	151,310	$	74,303	$	225,613
Additions		-		5,575		5,575
Reclassification		-		727		727
Currency translation effects		(3,652)		(4,596)		(8,248)
June 30, 2023	**$**	**147,658**	**$**	**76,009**	**$**	**223,667**
Accumulated amortization						
December 31, 2022	$	(73,427)	$	(49,413)	$	(122,840)
Amortization charge		(8,943)		(2,968)		(11,911)
Currency translation effects		2,053		(50)		2,003
June 30, 2023	**$**	**(80,317)**	**$**	**(52,431)**	**$**	**(132,748)**
Net book value						
December 31, 2022	$	77,883	$	24,890	$	102,773
June 30, 2023	**$**	**67,341**	**$**	**23,578**	**$**	**90,919**

NOTE 8. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

		June 30, 2023		December 31, 2022[1]
Balance, January 1	**$**	**688,833**	$	566,270
Acquisition (Note 2)		**-**		148,881
Impairment		**-**		(48,000)
Currency translation effects		**(16,944)**		21,682
Closing balance	**$**	**671,889**	$	688,833

[1] Certain balances as at December 31, 2022 have been re-presented as a result of measurement period adjustments for the acquisition of Exterran as required by IFRS 3 "Business Combinations", refer to Note 2 "Acquisition" for more information.

At June 30, 2023, Management determined that there were no indicators of impairment and that the previous assessment continued to best represent the recoverability of the Company's goodwill.

As of the Transaction date the Company was investigating options for the disposal of certain energy infrastructure assets. During the three months ended March 31, 2023, the Company sold these assets which resulted in the adjustment of fair value and is reflected in the December 31, 2022 comparative period, refer to Note 2 *"Acquisition"* for more information.

NOTE 9. OTHER ASSETS

		June 30, 2023		December 31, 2022
Investment in associates and joint ventures	$	35,917	$	34,977
Prepaid deposits		16,679		13,972
Long-term receivables[1]		3,321		34,127
Total other assets	$	55,917	$	83,076

[1] *During the three months ended March 31, 2023 the Company received proceeds of $28.0 million from the settlement of preferred shares.*

NOTE 10. LONG-TERM DEBT

The three-year secured term loan ("Term Loan") and the three-year secured revolving credit facility ("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. The senior secured notes (the "Notes") consist of US$625.0 million principal amount, bears interest of 9.0 percent, and has a maturity of October 15, 2027.

The Company obtained a $92.7 million (US$70.0 million) unsecured credit facility "LC Facility" with one of the lenders in its Revolving Credit Facility. This LC Facility allows the Company to request the issuance of letters of guarantee, standby letters of credit, performance bonds, counter guarantees, import documentary credits, counter standby letters of credit or similar credits to finance the day-to-day operations of the Company. This LC Facility is supported by performance security guarantees provided by Export Development Canada. $15.2 million (US$11.5 million) of the $92.7 million (US$70.0 million) limit was utilized at June 30, 2023.

The Company is required to maintain certain covenants on the Revolving Credit Facility, Term Loan and the Notes. As at June 30, 2023, the Company was in compliance with its covenants.

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

	Maturity Date		June 30, 2023		December 31, 2022
Drawings on the Revolving Credit Facility (US$700,000)	October 13, 2025	$	491,915	$	459,202
Drawings on the Term Loan (US$150,000)	October 13, 2025		198,600		203,160
Notes (US$625,000)	October 15, 2027		827,500		846,500
Deferred transaction costs and Notes discount			(109,711)		(118,537)
		$	1,408,304	$	1,390,325
Current portion of long-term debt		$	52,960	$	27,088
Non-current portion of long-term debt			1,355,344		1,363,237
Long-term debt		$	1,408,304	$	1,390,325

The weighted average interest rate on the Revolving Credit Facility for six months ended June 30, 2023 was 7.7 percent (December 31, 2022 – 7.0 percent), and the weighted average interest rate on the Term Loan for the six months ended June 30, 2023 was 8.7 percent (December 31, 2022 – 7.8 percent). At June 30, 2023 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,518.0 million, and nil thereafter.

NOTE 11. LEASE LIABILITIES

		June 30, 2023		December 31, 2022
Balance, January 1	**$**	**93,033**	$	57,014
Acquisition		**-**		39,845
Additions		**14,141**		9,977
Lease interest		**2,970**		3,398
Payments made against lease liabilities		**(13,312)**		(19,156)
Currency translation effects and other		**(2,357)**		1,955
Closing balance	**$**	**94,475**	$	93,033
Current portion of lease liabilities	**$**	**20,985**	$	20,125
Non-current portion of lease liabilities		**73,490**		72,908
Lease liabilities	**$**	**94,475**	$	93,033

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

		June 30, 2023
2023	**$**	**12,901**
2024		**22,760**
2025		**19,206**
2026		**13,426**
2027		**10,557**
Thereafter		**33,879**
	$	**112,729**
Less:		
Imputed interest		**18,184**
Short-term leases		**59**
Low-value leases		**11**
Lease liabilities	**$**	**94,475**

NOTE 12. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Current income taxes	**$ 16,925**	$ 4,992	**$ 29,895**	$ 8,355
Deferred income taxes	**3,718**	(1,920)	**(7,919)**	(1,662)
Income taxes	**$ 20,643**	$ 3,072	**$ 21,976**	$ 6,693

(b) Reconciliation of Income Taxes

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:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Earnings before income taxes	**$ 17,820**	$ 16,424	**$ 32,677**	$ 19,676
Canadian statutory rate	**23.4%**	23.4%	**23.4%**	23.4%
Expected income tax provision	**$ 4,169**	$ 3,843	**$ 7,646**	$ 4,604
Add (deduct):				
Change in unrecognized deferred tax asset	**5,600**	1,866	**12,362**	5,790
Exchange rate effects on tax basis	**5,179**	(1,064)	**1,883**	(2,736)
Earnings taxed in foreign jurisdictions	**3,932**	(1,674)	**(1,751)**	(1,269)
Amounts not deductible for tax purposes	**1,847**	79	**1,847**	243
Impact of accounting for associates and joint ventures	**(176)**	(130)	**(186)**	(198)
Other	**92**	152	**175**	259
Income taxes	**$ 20,643**	$ 3,072	**$ 21,976**	$ 6,693

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2022 – 15.0 percent) and the Alberta provincial income tax rate of 8.4 percent (2022 – 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 are 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.

NOTE 13. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Energy Infrastructure[1]	**$ 190,469**	$ 69,892	**$ 379,132**	$ 135,344
After-Market Services	**152,504**	105,839	**308,006**	189,025
Engineered Systems	**433,697**	196,346	**914,576**	370,777
Total revenue	**$ 776,670**	$ 372,077	**$ 1,601,714**	$ 695,146

[1] During the three and six months ended June 30, 2023, the Company recognized $75.6 million and $136.0 million of revenue related to operating leases in its LATAM and EH segments (June 30, 2022 – $13.7 million and $26.4 million), and $40.4 million and $79.1 million of revenue related to its North America ("NAM") contract compression fleet (June 30, 2022 – $30.6 million and $59.1 million).

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2023
United States	**$ 330,074**	$ 194,233	**$ 645,119**	$ 321,947
Canada	**85,584**	65,288	**158,405**	130,332
Nigeria	**73,058**	1,833	**152,553**	11,270
Argentina	**57,064**	12,829	**113,930**	24,246
Iraq	**51,642**	528	**110,939**	543
Oman	**50,068**	14,284	**97,966**	64,902
Bahrain	**15,052**	10,509	**93,384**	18672
Brazil	**26,429**	11,128	**58,373**	17,604
Australia	**23,245**	13,562	**43,706**	26,630
Mexico	**19,830**	28,869	**39,333**	35,831
Other	**44,624**	19,014	**88,006**	43,169
Total revenue	**$ 776,670**	$ 372,077	**$ 1,601,714**	$ 695,146

The following table outlines the Company's unsatisfied performance obligations, by product line, as at June 30, 2023:

	Less than one year	One to two years	Greater than two years	**Total**
Energy Infrastructure	$ 644,215	$ 494,338	$ 1,542,354	**$ 2,680,907**
After-Market Services	95,945	38,905	96,822	**231,672**
Engineered Systems	1,408,538	21,325	-	**1,429,863**
	$ 2,148,698	**$ 554,568**	**$ 1,639,176**	**$ 4,342,442**

NOTE 14. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

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

	Three months ended June 30, **2023**	2022	Six months ended June 30, **2023**	2022
Equity-settled share-based payments (recovery)	**$ (39)**	$ 470	**$ 189**	$ 927
Cash-settled share-based payments (recovery)	**6,408**	(3,137)	**9,346**	455
Share-based compensation expense (recovery)	**$ 6,369**	$ (2,667)	**$ 9,535**	$ 1,382

Deferred share units ("DSUs"), phantom share entitlements ("PSEs"), performance share units ("PSUs"), restricted share units ("RSUs"), and cash performance target plan awards ("CPTs") are all classified as cash settled share-based payments. Stock options are equity settled share-based payments.

The Company granted 273,235 RSUs to officers and key employees during the six months ended June 30, 2023 with a weighted average fair value of $9.33 per share. The Company did not grant any CPTs, PSEs, PSUs, or options to officers and key employees during the six months ended June 30, 2023. The DSU, PSU, and RSU holders had dividends credited to their accounts during the period. The carrying value of the liability relating to cash-settled share-based payments at June 30, 2023 included in current liabilities was $17.7 million (December 31, 2022 – $13.5 million) and in other long-term liabilities was $15.2 million (December 31, 2022 - $13.8 million).

(b) Equity-Settled Share-Based Payments

	June 30, 2023 Number of options	**June 30, 2023** Weighted average exercise price	December 31, 2022 Number of options	December 31, 2022 Weighted average exercise price
Options outstanding, beginning of period	**3,089,229**	**$ 10.77**	4,456,444	$ 11.66
Exercised[1]	**(60,559)**	**6.15**	(47,120)	5.51
Forfeited	**(196,071)**	**8.55**	(27,286)	13.51
Expired	**-**	**-**	(1,292,809)	13.98
Options outstanding, end of period	**2,832,599**	**$ 11.02**	3,089,229	$ 10.77
Options exercisable, end of period	**1,636,218**	**$ 12.65**	1,671,421	$ 12.48

[1] The weighted average share price of options at the date of exercise for the six months ended June 30, 2023 was $8.32 (June 30, 2022 – $7.89).

The following table summarizes options outstanding and exercisable at June 30, 2023:

	Options Outstanding			**Options Exercisable**		
Range of exercise prices[1]	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	673,578	4.03	$ 5.51	252,185	3.87	$ 5.51
$6.69 – $13.51	926,663	3.67	9.80	453,036	2.29	11.53
$13.52 – $16.12	1,232,358	2.33	14.95	930,997	2.15	15.13
Total	**2,832,599**	**3.17**	**$ 11.02**	**1,636,218**	**2.46**	**$ 12.65**

[1] The range of exercise prices equal the weighted average market price of the Company's shares on the five days preceding the effective date of the grant based on prices from the Toronto Stock Exchange.

(c) Cash-Settled Share-Based Payments

During the three and six months ended June 30, 2023, the value of director's compensation and executive bonuses elected to be received in DSUs totalled $0.6 million and $1.2 million (June 30, 2022 – $0.5 million and $1.2 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2023	1,625,513	$	10.16
Granted	152,307		8.03
In lieu of dividends	9,020		8.54
Vested	(113,018)		9.56
DSUs outstanding, June 30, 2023	**1,673,822**	**$**	**10.00**

NOTE 15. FINANCE COSTS AND INCOME

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Finance Costs								
Short- and long-term borrowings[1]	**$**	**37,720**	$	4,652	**$**	**77,063**	$	8,472
Interest on lease liability		**1,456**		666		**2,970**		1,361
Total finance costs	**$**	**39,176**	$	5,318	**$**	**80,033**	$	9,833
Finance Income								
Interest income	**$**	**8,736**	$	858	**$**	**19,522**	$	1,502
Net finance costs	**$**	**30,440**	$	4,460	**$**	**60,511**	$	8,331

[1] Finance costs on short- and long-term borrowings relate primarily to interest on the Company's Revolving Credit Facility, Term Loan and Notes that were issued during the three months ended December 31, 2022. Refer to Note 10 for more information on interest rates on the Revolving Credit Facility, Term Loan and Notes.

NOTE 16. FINANCIAL INSTRUMENTS

Designation and Valuation of Financial Instruments

Financial instruments at June 30, 2023 were designated in the same manner as they were at December 31, 2022. Accordingly, with the exception of the Notes, the estimated fair values of financial instruments approximated their carrying values. The carrying value and estimated fair value of the Notes as at June 30, 2023 was $827.5 million and $828.3 million, respectively (December 31, 2022 – $846.5 million and $869.3 million, respectively). The fair value of these Notes at June 30, 2023 was determined on a discounted cash flow basis with a weighted average discount rate of 9.7 percent (December 31, 2022 – 9.0 percent).

The Company previously held preferred shares that were initially recorded at fair value, subsequently measured at amortized cost and recognized as long-term receivables in Other assets. During the three months ended March 31, 2023 the Company redeemed these preferred shares and recognized a gain in excess of the carrying value, which is included in the interim condensed consolidated statements of earnings. The carrying value and estimated fair value of the preferred shares at December 31, 2022 was $28.0 million and $28.7 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 June 30, 2023:

			Notional amount	Maturity
Canadian Dollar Denominated Contracts				
Purchase contracts	USD	**$**	**18,677**	July 2023 – July 2024
Sales contracts	USD		**(9,330)**	July 2023 – November 2023

At June 30, 2023, the fair value of derivative financial instruments classified as financial assets was $0.2 million, and as financial liabilities was $0.5 million (December 31, 2022 – $0.9 million and $1.0 million, respectively).

Foreign Currency Translation Exposure

The Company is subject to foreign currency translation exposure, primarily due to fluctuations of the Canadian dollar against the U.S. dollar ("USD"), Australian dollar ("AUD"), Brazilian real ("BRL") and Argentine peso ("ARS"). Enerflex uses foreign currency borrowings to hedge against the exposure that arises from foreign subsidiaries that are translated to the Canadian dollar through a net investment hedge. As a result, foreign exchange gains and losses on the translation of US$624.6 million in designated foreign currency borrowings are included in accumulated other comprehensive income (loss) for June 30, 2023. The following table shows the sensitivity to a five percent weakening of the Canadian dollar against the USD, AUD, and BRL.

Canadian dollar weakens by five percent		**USD**		**AUD**		**BRL**
Earnings (loss) from foreign operations						
Earnings (loss) before income taxes	**$**	**4,726**	**$**	**5**	**$**	**(116)**
Financial instruments held in foreign operations						
Other comprehensive income	**$**	**13,905**	**$**	**418**	**$**	**193**
Financial instruments held in Canadian operations						
Earnings before income taxes	**$**	**(23,257)**	**$**	**-**	**$**	**-**

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.

With the ongoing devaluation of the Argentine peso, caused by high inflation, the Company is at risk for foreign exchange losses on its cash balances denominated in ARS. During the three and six months ended June 30, 2023, the Company had foreign exchange losses of $11.6 million and $23.6 million, respectively, which represented 25 percent and 53 percent of the Argentina cash balance. If the ARS weakens by five percent, the Company could experience additional foreign exchange losses of approximately $2.2 million. There is a risk of higher losses based on the further devaluation of the ARS. The Company will continue to explore its options to minimize the impact of future devaluation.

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 June 30, 2023 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 $4.9 million. All interest charges are recorded in the interim condensed consolidated statements of earnings as finance costs.

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 requirements for investments in working capital and capital assets. As at June 30, 2023, the Company held cash and cash equivalents of $174.2 million and had access to $294.4 million on the Revolving Credit Facility.

		June 30, 2023
Total Revolving Credit Facility (US$700,000)	$	**926,800**
Less:		
Drawings on the Revolving Credit Facility		**491,915**
Letters of Credit[1]		**140,473**
Available for future drawings	$	**294,412**

[1] This represents the letters of credit that the Company has funded with the Revolving Credit Facility. Additional letters of credit of $15.2 million (US$11.5 million) are funded from the newly secured LC Facility. Refer to Note 10 "Long-Term Debt" for more information.

The Company continues to meet the covenant requirements of its funded debt, including the Revolving Credit Facility, Term Loan and Notes. Senior secured net funded debt, defined as borrowings under the Revolving Credit Facility and Term Loan, net of cash, to EBITDA ratio is 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 2.8:1, compared to a maximum ratio of 4.5:1, and an interest coverage ratio of 4.3:1 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 June 30, 2023:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 170	$ 355	$ -	$ 525
Accounts payable and accrued liabilities	592,498	-	-	592,498
Long-term debt – Revolving Credit Facility	-	-	491,915	491,915
Long-term debt – Term Loan	13,240	39,720	145,640	198,600
Long-term debt – Notes	-	-	827,500	827,500
Other long-term liabilities	-	-	22,799	22,799

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 17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Accounts receivable[1]	**$ (6,528)**	$ (36,533)	**$ (296)**	$ (46,373)
Contract assets	**(21,281)**	17,859	**(56,252)**	(13,559)
Inventories	**(21,720)**	1,774	**(39,244)**	(21,098)
Work-in-progress related to finance leases	**-**	(11,857)	**41,986**	(8,065)
Finance leases receivable	**17,947**	(1,615)	**(35,564)**	(35,814)
Income taxes receivable	**(2,529)**	1,097	**(2,955)**	1,284
Prepayments	**(5,671)**	(3,258)	**15,476**	(3,118)
Long-term receivables related to preferred shares	**-**	-	**27,954**	-
Accounts payable and accrued liabilities, and provisions[2]	**18,096**	11,219	**(22,725)**	37,047
Income taxes payable	**8,784**	(1,726)	**15,805**	(68)
Deferred revenue	**(47,479)**	7,719	**(67,205)**	32,322
Other	**(13,797)**	5,887	**(21,810)**	(248)
Net change in working capital and other	**$ (74,178)**	$ (9,434)	**$ (144,830)**	$ (57,690)

[1] The change in accounts receivable represents only the portion relating to operating activities.

[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:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Interest paid – short- and long-term borrowings	**$ 47,441**	$ 8,071	**$ 70,356**	$ 9,088
Interest paid – lease liabilities	**1,456**	666	**2,970**	1,361
Total interest paid	**$ 48,897**	$ 8,737	**$ 73,326**	$ 10,449
Interest received	**7,197**	136	**15,332**	492
Taxes paid	**16,036**	5,183	**22,032**	6,180
Taxes received	**500**	1,821	**500**	2,448

Changes in liabilities arising from financing activities during the period:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Long-term debt, opening balance	**$ 1,458,770**	$ 339,126	**$ 1,390,325**	$ 331,422
Changes from financing cash flows	**(22,248)**	(1,466)	**43,011**	9,817
The effect of changes in foreign exchange rates	**(33,034)**	8,070	**(33,910)**	4,277
Amortization of deferred transaction costs	**3,557**	312	**6,952**	617
Accretion of Notes discount	**2,622**	-	**5,170**	-
Deferred transaction costs	**(1,363)**	(91)	**(3,244)**	(182)
Long-term debt, closing balance	**$ 1,408,304**	$ 345,951	**$ 1,408,304**	$ 345,951

NOTE 18. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At June 30, 2023, the Company had outstanding letters of credit of $155.7 million (December 31, 2022 – $175.1 million). Of the total outstanding letters of credit, $140.5 million (December 31, 2022 – $175.1 million) are funded from the Revolving Credit Facility and $15.2 million (US$11.5 million) (December 31, 2022 – nil) are funded from the new LC Facility.

The Company has purchase obligations over the next three years as follows:

2023	$	**483,648**
2024		**117,982**
2025		**4,150**

Legal Proceedings

On January 31, 2022, the Local Labor Board of the State of Tabasco in Mexico (the "Labor Board") awarded a former employee of Exterran MXN$2,152 million (US$120 million) in connection with a dispute relating to the employee's severance pay following termination of their employment in 2015.

Enerflex believes the order of the Labor Board is in error and has no credible basis in law or fact. In 2017, the Labor Board ruled that the former employee was entitled to approximately MXN$1.4 million (approximately US$70,000 at the then prevailing exchange rate) as severance based on an appellate court's determination that the employee's salary was approximately MXN$3,500 per day. However, the Labor Board's January 2022 order significantly increased the amount the employee is owed to approximately US$120 million, ignoring the actual salary that had been established by the appellate court and using an amount the former employee never actually received while working for Exterran.

Enerflex has appealed the decision, and the appeal is pending before the First Collegiate Court of the Tenth Circuit in Labor Matters, in Villahermosa, Mexico. In the meantime, the Company is pursuing all available avenues to preserve its rights, and in the second quarter of 2023, filed a Request for Arbitration pursuant to the Agreement between the United States of America, the United Mexican States, and Canada ("USMCA") investment treaty arguing that the conduct of the Labor Board in Mexico amounts to violations of protections available under the North American Free Trade Agreement.

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 19. 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 20. SEGMENTED INFORMATION

The Company has identified three reporting segments for external reporting:

- NAM consists of operations in Canada and the USA. The segment 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 produced 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 consists of operations in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Peru. The segment generates revenue from operating Enerflex's Energy Infrastructure assets under take-or-pay contracts, providing after-market services, including parts and components, as well as operations, maintenance, and overhaul services.
- EH consists of operations in the Middle East, Africa, Europe and Asia Pacific. The segment generates revenue by operating Enerflex's 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 Note 3 *"Summary of Significant Accounting Policies"* of the Company's annual consolidated financial statements for the year-ended December 31, 2022.

For internal Management reporting, the Company's Chief Operating Decision Maker ("CODM") has identified four operating segments which include: Canada; USA; Latin America; and Eastern Hemisphere. Each of the operating segments are supported by the Corporate head office. Corporate overheads are allocated to the operating segments based on revenue. In assessing its reporting and operating segments, the Company considered geographic locations, 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 also 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.

For the six months ended June 30, 2023, the Company had no individual customer which accounted for more than 10 percent of its revenue (June 30, 2022 – none).

The following tables provide certain financial information by the Company's reporting segments.

Revenues and Operating Income

Three months ended June 30,	North America 2023	North America 2022	Latin America 2023	Latin America 2022	Eastern Hemisphere 2023	Eastern Hemisphere 2022	Total 2023	Total 2022
Segment revenue	**$ 487,537**	$ 297,394	**$ 115,976**	$ 59,568	**$ 183,795**	$ 44,556	**$ 787,308**	$ 401,518
Intersegment revenue	**(8,598)**	(29,331)	**(507)**	(36)	**(1,533)**	(74)	**(10,638)**	(29,441)
Revenue	**$ 478,939**	$ 268,063	**$ 115,469**	$ 59,532	**$ 182,262**	$ 44,482	**$ 776,670**	$ 372,077
Energy Infrastructure	**43,294**	32,549	**87,061**	17,394	**60,114**	19,949	**190,469**	69,892
After-Market Services	**89,880**	73,978	**16,697**	9,238	**45,927**	22,623	**152,504**	105,839
Engineered Systems	**345,765**	161,536	**11,711**	32,900	**76,221**	1,910	**433,697**	196,346
Operating income	**$ 40,544**	$ 13,026	**$ 4,396**	$ 3,372	**$ 2,598**	$ 3,845	**$ 47,538**	$ 20,243

Six months ended June 30,	North America 2023	North America 2022	Latin America 2023	Latin America 2022	Eastern Hemisphere 2023	Eastern Hemisphere 2022	Total 2023	Total 2022
Segment revenue	**$ 969,815**	$ 546,606	**$ 233,762**	$ 93,593	**$ 427,699**	$ 119,926	**$ 1,631,276**	$ 760,125
Intersegment revenue	**(25,009)**	(64,790)	**(771)**	(36)	**(3,782)**	(153)	**(29,562)**	(64,979)
Revenue	**$ 944,806**	$ 481,816	**$ 232,991**	$ 93,557	**$ 423,917**	$ 119,773	**$ 1,601,714**	$ 695,146
Energy Infrastructure	**82,175**	61,011	**172,324**	34,183	**124,633**	40,150	**379,132**	135,344
After-Market Services	**181,541**	134,130	**35,680**	14,015	**90,785**	40,880	**308,006**	189,025
Engineered Systems	**681,090**	286,675	**24,987**	45,359	**208,499**	38,743	**914,576**	370,777
Operating income	**$ 68,874**	$ 9,583	**$ 3,717**	$ 6,357	**$ 19,829**	$ 11,142	**$ 92,420**	$ 27,082

Segment Assets

	North America Jun. 30, 2023	North America Dec. 31, 2022	Latin America Jun. 30, 2023	Latin America Dec. 31, 2022[1]	Eastern Hemisphere Jun. 30, 2023	Eastern Hemisphere Dec. 31, 2022[1]	Total Jun. 30, 2023	Total Dec. 31, 2022
Segment assets	**$ 1,469,891**	$ 1,638,195	**$ 665,005**	$ 829,676	**$ 1,021,106**	$ 829,658	**$ 3,156,002**	$ 3,297,529
Goodwill[2]	**220,847**	224,992	**87,260**	89,264	**363,782**	374,577	**671,889**	688,833
Corporate	**-**	-	**-**	-	**-**	-	**336,142**	282,302
Total segment assets	**$ 1,690,738**	$ 1,863,187	**$ 752,265**	$ 918,940	**$ 1,384,888**	$ 1,204,235	**$ 4,164,033**	$ 4,268,664

[1] Certain balances as at December 31, 2022 have been re-presented as a result of measurement period adjustments for the acquisition of Exterran as required by IFRS 3 "Business Combinations", refer to Note 2 "Acquisition" for more information.

[2] The total amount of goodwill in the Canada and USA operating segments are $40.4 million and $180.4 million, respectively (December 31, 2022 – $40.4 million and $184.6 million, respectively).

NOTE 21. SUBSEQUENT EVENTS

Subsequent to June 30, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on October 12, 2023, to shareholders of record on August 24, 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.

BOARD OF DIRECTORS

FERNANDO ASSING [1]
Houston, TX, USA

JOANNE COX [2]
Calgary, AB, CA

W. BYRON DUNN [1, 3]
HUMAN RESOURCES AND COMPENSATION COMMITTEE CHAIR
Dallas, TX, USA

LAURA FOLSE [1, 3]
Boerne, TX, USA

JAMES GOUIN [2]
Belle River, ON, CA

MONA HALE [2]
AUDIT COMMITTEE CHAIR
Edmonton, AB, CA

KEVIN REINHART
BOARD CHAIR
Calgary, AB, CA

MARC ROSSITER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Calgary, AB, CA

JUAN CARLOS VILLEGAS [1, 3]
Lo Barnechea, RM, CL

MICHAEL WEILL [2, 3]
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHAIR
Houston, TX, USA

EXECUTIVE MANAGEMENT TEAM

MARC ROSSITER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Calgary, AB, CA

RODNEY GRAY
SVP AND CHIEF FINANCIAL OFFICER
Calgary, AB, CA

PATRICIA MARTINEZ
CHIEF ENERGY TRANSITION OFFICER
Houston, TX, USA

DAVID IZETT
SVP AND GENERAL COUNSEL
Calgary, AB, CA

ROBERT MITCHELL
SVP AND CHIEF ADMINISTRATIVE OFFICER
Houston, TX, USA

GREG STEWART
PRESIDENT, USA
Houston, TX, USA

PHIL PYLE
PRESIDENT, EASTERN HEMISPHERE
Abu Dhabi, UAE

MAURICIO MEINERI
PRESIDENT, LATIN AMERICA
Houston, TX, USA

HELMUTH WITULSKI
PRESIDENT, CANADA
Calgary, AB, CA

ROGER GEORGE
PRESIDENT, WATER SOLUTIONS
Atlanta, GA, USA

1 Member of Human Resources and Compensation Committee
2 Member of Audit Committee
3 Member of Nominating and Corporate Governance Committee

SHAREHOLDER INFORMATION

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Trading Symbol: **EFX**

New York Stock Exchange
Trading Symbol: **EFXT**

TRANSFER AGENT, REGISTRAR, AND DIVIDEND-DISBURSING AGENT

TSX Trust Company
PO Box 700
Station B
Montreal, QC, CA H3A 2A6

North America: 1-800-387-0825
Outside North America: 1-416-682-3860
E-mail: shareholderinquiries@tmx.com
Website: https://tsxtrust.com

AUDITORS

Ernst & Young LLP Chartered Professional Accountants
Calgary, AB, CA

INVESTOR RELATIONS

Telephone: 1-403-387-6377
E-mail: IR@enerflex.com
Website: www.enerflex.com

CORPORATE CALENDAR

November 8, 2023
Q3 2023 Results

ENERFLEX

HEAD OFFICE

Enerflex Ltd.
Suite 904, 1331 Macleod Trail SE
Calgary, AB, Canada T2G 0K3

1-403-387-6377
www.enerflex.com