ENERFLEX

Q1

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**.

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ENERFLEX LTD. REPORTS STRONG FIRST-QUARTER 2023 FINANCIAL AND OPERATIONAL RESULTS, INCLUDING ENGINEERED SYSTEMS BOOKINGS OF $517 MILLION

NEWS RELEASE

CALGARY, Alberta, May 3, 2023 -- Enerflex Ltd. (TSX: EFX) (NYSE: EFXT) ("Enerflex" or the "Company") today reported its financial and operational results for the three months ended March 31, 2023.

"Enerflex's first-quarter results demonstrate the successful execution of our long-term strategy to grow our base of stable energy infrastructure assets and our ability to build upon the momentum we generated in our manufacturing business in 2022. We expanded margins, reduced costs, lowered our leverage ratio, and successfully completed two large infrastructure projects in the quarter," explained Marc Rossiter, Enerflex's President and Chief Executive Officer. *"Our priorities for 2023 are unchanged – we continue to focus on post-acquisition deleveraging and synergies, delivering sustainable returns to shareholders, and safely delivering critical natural gas and energy transition solutions to our customers around the globe."*

OVERVIEW

- Enerflex reported first-quarter 2023 financial results that included record quarterly revenue of $825 million. Revenue increased across all regions and product lines and reflects continued operational momentum within the business.
- The Company is focused on continuing to expand its gross margin and reduce its overall cost structure. Relative to the fourth quarter of 2022, Enerflex expanded its gross margin by 27% to $161 million and significantly reduced core selling and administrative expenses ("SG&A").
- Enerflex recognized net earnings of $14 million and adjusted earnings before finance costs, income taxes, depreciation, and amortization ("adjusted EBITDA") of $123 million(1) in the first quarter of 2023.
- The Company generated $55 million of distributable cash flow(1), comprised of $73 million generated from normal course operations and $18 million of restructuring, transaction, and integration costs. Distributable cash flow was used to fund the completion of two large infrastructure projects and will now prioritize deleveraging for the balance of the year. As at March 31, 2023, Enerflex's bank-adjusted net debt to EBITDA ratio was 2.9 times(1).
- Enerflex safely brought the following two infrastructure projects in the Middle East to commercial operation in the first quarter of 2023, the cash flows from which are expected to significantly contribute to the Company's deleveraging strategy.
    - The second phase of a natural gas infrastructure asset, underpinned by a 10-year take-or-pay contract with a national oil company. The project's first phase commenced operations in the fourth quarter of 2022.
    - A build-own-operate-maintain ("BOOM") produced water facility, underpinned by a 10-year take-or-pay contract with a joint venture between a national oil company and an international super-major oil and gas company. The project will commence generating contracted revenue in the second quarter of 2023.
- Work continues on the modularized cryogenic natural gas processing facility (the "Cryogenic Facility") in the Middle East. The project is being accounted for as a product sale and is expected to be completed in 2024.
- Enerflex delivered excellent results within its manufacturing business during the first quarter of 2023. The Engineered Systems product line generated $481 million of revenue with a realized gross margin of 15.5%. Total new Engineered Systems bookings of $517 million(1) replenished the Company's backlog to maintain a balance of $1.5 billion(1). This was Enerflex's highest quarter of bookings since 2018.
    - Building on the successes achieved in its Energy Transition business in 2022, approximately $85 million of the quarter's Engineered Systems bookings were for electric compression units, which will aid significantly in

(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, and a reconciliation to such comparable financial measure.

reducing the environmental impact of customer operations. Enerflex secured an additional $10 million of energy transition-related bookings in the period and continues to collaborate with customers to advance various other energy transition projects.

- Enerflex has now captured approximately US$50 million of the expected US$60 million of annual run-rate synergies associated with the acquisition of Exterran Corporation ("Exterran") that closed on October 13, 2022 (the "Transaction"), attained primarily through reductions in overhead. In addition, to optimize its global manufacturing footprint and increase operational efficiencies within the business, Enerflex plans to close its manufacturing facilities in the United Arab Emirates and Singapore in 2023. The Company is currently assessing the costs and synergies associated with the closures. Any such synergies will be incremental to the US$50 million already captured.

SUMMARY RESULTS

	Three Months Ended		
$ millions, except percentages, per share amounts, and ratios	**March 31, 2023**	December 31, 2022	March 31, 2022[1]
Revenue	**825.0**	689.8	323.1
Gross margin	**160.7**	126.8	53.6
Gross margin percentage	**19.5%**	18.4%	16.6%
Earnings before finance costs and income taxes ("EBIT")[2]	**44.9**	(44.7)	7.1
Net earnings (loss)	**13.5**	(81.1)	(0.4)
Per share[3]	**0.11**	(0.68)	(0.00)
Cash used in operating activities	**(2.6)**	(16.3)	(22.7)
Adjusted EBITDA[2]	**122.8**	86.1	34.9
Distributable cash flow[2]	**55.5**	(25.8)	20.5
Long-term debt	**1,458.8**	1,390.3	339.1
Net debt[2]	**1,196.3**	1,136.5	205.9
Bank-adjusted net debt to EBITDA[2]	**2.9**[4]	3.3[4]	1.4
Return on capital employed ("ROCE")[2][5]	**(0.1)%**	(2.2)%	3.5%
Engineered Systems bookings[2]	**516.6**	415.1	236.9
Engineered Systems backlog[2]	**1,541.6**	1,505.9	620.0

(1) Comparative figures represent Enerflex's results prior to the closing of the Transaction on October 13, 2022, and therefore do not reflect pre-acquisition historical data from Exterran.
(2) 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, and a reconciliation to such comparable financial measure.
(3) Based on weighted average diluted common shares outstanding.
(4) Calculated in accordance with the Company's debt covenants, which permit the inclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months ended for the respective periods.
(5) Calculated using the trailing 12 months for the respective periods.

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 months ended March 31, 2023, can be accessed on the Company's website at www.enerflex.com and under the Company's SEDAR and EDGAR profiles at www.sedar.com and www.sec.gov/edgar, respectively.

OUTLOOK

STRATEGIC PRIORITIES

- Enerflex's strategic focus for 2023 is to maximize cash flow generation to strengthen the Company's financial position, including executing its $1.5 billion Engineered Systems backlog and realizing the benefits and synergies from the Transaction. The Company also plans to safely advance the Cryogenic Facility in the Middle East.

- Enerflex continues to expect that it will reduce its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of the year due to strong cash flow generation anticipated across all product lines. As at March 31, 2023, the Company's bank-adjusted net debt to EBITDA ratio was 2.9 times.

- Once the Company's debt reduction target has been met, Enerflex anticipates it will have the optionality to deliver increased capital returns to shareholders and invest profitably in strategic growth projects.

2023 GUIDANCE

- Enerflex reaffirms its previously disclosed financial guidance for 2023, including its expectations that it will meet its debt reduction target by the end of the year, reflecting the Company's commitment to deleveraging and delivering on its near-term strategic objectives.

- During the first quarter of 2023, Enerflex invested $51 million in growth capital expenditures, primarily to complete the two BOOM produced water projects that were being advanced in 2022. The total investments associated with the two projects were initially budgeted for 2022; however, the final expenditures were accounted for in the first quarter of 2023.

US$ millions, except ratios and percentages	2023 Guidance(1)
Annual run-rate synergies(2)	**60**
Adjusted EBITDA(2)	**380 – 420**
Bank-adjusted net debt to EBITDA(3)	**<2.5x**
Capital expenditures and work-in-progress ("WIP")	
Maintenance capital expenditures	**40 – 50**
WIP	**40 – 50**
Other non-discretionary expenses(4)	**130 – 160**
Total non-discretionary expenses(5)	**210 – 260**
Accretion to shareholders(6)	
Earnings per share(7)	**20%**
Cash flow per share	**20%**

(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.sedar.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 the inclusion of Exterran's bank-adjusted EBITDA for the trailing 12 months ended March 31, 2023.
(4) Includes net working capital, finance costs, income taxes, and dividends.
(5) Includes maintenance capital expenditures and WIP, net working capital, finance costs, income taxes, and dividends.
(6) Subject to potential purchase price allocation adjustments.
(7) Excludes amortization of refinancing costs and amortization of intangible assets.

MARKET OUTLOOK

- Enerflex's opportunity set remains constructive across all regions. The Company's large base of international energy infrastructure assets throughout Latin America and the Eastern Hemisphere is expected to continue serving the growing need for reliable power and energy independence and deliver stable, predictable performance for the Company.

- In North America, new Engineered Systems bookings continue to be weighted toward crude oil and liquids-rich natural gas resources plays, with near-term weakness in natural gas prices not materially impacting the Company's manufacturing business. Enerflex is securing a growing number of energy transition-related projects and the Company's contract compression fleet utilization remains at record highs, which has enabled Enerflex to increase its pricing through re-contracting efforts.

- The long-term fundamentals for natural gas remain robust given the critical role the commodity is expected to play as a key transition fuel in global decarbonization efforts. Enerflex is poised to continue capitalizing on the growing demand for low-carbon solutions through its vertically integrated natural gas and energy transition solutions by collaborating with customers and securing new projects.

FIRST-QUARTER 2023 RESULTS

FINANCIAL RESULTS

- Enerflex generated a record $825 million of revenue in the first quarter of 2023, reflecting continued operational momentum within the business. Revenue increased across all regions and product lines relative to the fourth quarter of 2022.
- The Company expanded its gross margin to $161 million, representing an increase of 27% from the fourth quarter of 2022. As a percentage of revenue, Enerflex's gross margin was 19.5%.
  - Gross margins for the After-market Services and Engineered Systems product lines reflect improved demand and business activity, strengthening to 18.5% and 15.5%, respectively. The gross margin for the Energy Infrastructure product line was 30.5%, which was impacted by the disposal of certain non-core energy infrastructure assets primarily in Latin America during the period.
- Enerflex is focused on realizing the cost savings and synergies associated with the Transaction, reducing first-quarter 2023 SG&A by 34% from the fourth quarter of 2022. SG&A of $116 million included $12 million of restructuring, transaction, and integration costs and $12 million of foreign exchange losses due to the ongoing devaluation of the Argentine peso. As a percentage of revenue, Enerflex's SG&A was 14.0% as compared to 25.4% in the fourth quarter of 2022.
- Enerflex recognized net earnings of $14 million and adjusted EBITDA of $123 million in the first quarter of 2023. Not included in adjusted EBITDA is $7 million of interest income earned on financial instruments that partially offset the foreign exchange losses in Argentina.
  - The Company's improved financial results reflect the stronger cash flow-generating capabilities of Enerflex following the Transaction, given its expanded base of stable energy infrastructure assets coupled with increased activity in the North America segment.
- The Company generated $55 million of distributable cash flow, comprised of $73 million generated from normal course operations and $18 million of restructuring, transaction, and integration costs. Distributable cash flow was used to fund the completion of two large infrastructure projects and will now prioritize deleveraging for the balance of the year.

FINANCIAL POSITION

- Deleveraging is one of Enerflex's top priorities for 2023, and the Company continues to expect that it will reduce its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of the year.
- As at March 31, 2023, Enerflex's long-term debt and net debt balances were approximately $1.5 billion and $1.2 billion, respectively. The bank-adjusted net debt to EBITDA ratio was 2.9 times.

RETURNS TO SHAREHOLDERS

- Enerflex is committed to delivering a sustainable dividend to shareholders, declaring dividends of $0.025 per share during the three months ended March 31, 2023.
- The Board of Directors has declared a quarterly dividend of $0.025 per share, payable on July 6, 2023, to shareholders of record on May 18, 2023.
- Once the Company's debt reduction target has been met, Enerflex anticipates it will have the ability to deliver increased capital returns to shareholders.

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

- Enerflex safely completed two large infrastructure projects in the first quarter of 2023, investing $51 million in energy infrastructure growth capital expenditures and $5 million in expenditures for finance leases. The Company also invested $8 million in maintenance capital expenditures and $3 million for additions to property, plant, and equipment.
  - Energy infrastructure growth capital expenditures relate primarily to the two BOOM produced water projects completed in the Middle East, which were initially budgeted for 2022; however, the final expenditures were accounted for in the first quarter of 2023.

- With three of the four in-flight infrastructure projects that were being advanced in 2022 now in commercial operation, the Company will be disciplined in its capital investments for the balance of 2023 as it prioritizes debt reduction.

SEGMENTED RESULTS

$ millions	Three Months Ended March 31, 2023 Total	North America	Latin America	Eastern Hemisphere
Revenue	**825.0**	465.9	117.5	241.7
Energy Infrastructure	**188.7**	38.9	85.3	64.5
After-market Services	**155.5**	91.7	19.0	44.9
Engineered Systems	**480.9**	335.3	13.3	132.3
Operating income (loss)	**44.9**	28.3	(0.7)	17.2
EBIT	**44.9**	28.4	(0.7)	17.2
EBITDA	**108.0**	49.2	14.9	43.9
Adjusted EBITDA	**122.8**	55.8	19.9	47.1
Engineered Systems bookings	**516.6**	416.3	8.8	91.5
Engineered Systems backlog	**1,541.6**	1,155.1	48.4	338.1

North America

- Enerflex delivered excellent business results in its North America segment, securing $416 million of Engineered Systems bookings during the first quarter of 2023. New bookings were 18% higher than in the fourth quarter of 2022 and are comprised of approximately 75% of projects from the USA and 25% from Canada. Gross margins on new bookings continue to expand from the lows of the pandemic and trend positively toward the historical average for Engineered Systems bookings.
- Reflecting strong customer activity across all product lines, the Company generated revenue of $466 million and adjusted EBITDA of $56 million, increasing by 11% and 2% relative to the fourth quarter of 2022, respectively.
- The average utilization rate for the USA contract compression fleet remained elevated at 96% on approximately 403,000 horsepower in the first quarter of 2023.

Latin America

- The financial performance of the Latin America segment improved in the first quarter of 2023 as the Company proactively managed its exposure to the ongoing devaluation of the Argentine peso. Enerflex partially offset foreign exchange losses of $12 million with $7 million of interest income from associated instruments.
- The Company generated higher revenue in the first quarter of 2023 across all product lines, leveraging its expanded footprint in the region. Also contributing to the segment's revenue was approximately $14 million of proceeds on the disposal of certain non-core energy infrastructure assets.

Eastern Hemisphere

- Enerflex brought two infrastructure projects in the Middle East to commercial operation in the first quarter of 2023, including the commencement of the finance lease for the second phase of a natural gas infrastructure asset. The second project, a BOOM produced water facility, will begin generating contracted revenue in the second quarter of 2023.
- The Company's expanded footprint and increased contracted cash flows from its energy infrastructure assets drove strong financial results in the Eastern Hemisphere segment. First-quarter 2023 revenue of $242 million and adjusted EBITDA of $47 million increased by 42% and 161%, respectively, relative to the fourth quarter of 2022.
- To optimize its global manufacturing footprint and increase operational efficiencies within the business, Enerflex plans to close its manufacturing facilities in the United Arab Emirates and Singapore in 2023. The Company is currently assessing the costs and synergies associated with the closures, if any.

CONFERENCE CALL AND WEBCAST DETAILS

Enerflex's senior leadership team will be hosting a conference call and webcast to discuss the Company's first-quarter 2023 results on Thursday, May 4, 2023 at 8:00 am (MDT).

To participate, register at https://register.vevent.com/register/BIc51c08749c1c403f8111a0b4cb593d31. 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/jkqsrvhg.

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 Engineered Systems bookings and backlog, operating income, EBIT, EBITDA, adjusted EBITDA, distributable cash flow, net debt, net debt to EBITDA ratio, and ROCE. 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 months ended March 31, 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.sedar.com and www.sec.gov/edgar, respectively.

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. Conversely, revenue recognized on Engineered Systems products decreases backlog in the period that the revenue is recognized. Accordingly, backlog is an indication of revenue to be recognized in future periods using percentage-of-completion accounting. Revenue from contracts that have been classified as finance leases for newly built equipment is recorded as Engineered Systems bookings. The full amount of revenue is removed from backlog at the commencement of the lease.

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 provides the results generated by the Company's primary business activities prior to consideration of how those activities are financed or taxed in the various jurisdictions in which the Company operates.

EBITDA

EBITDA provides the results generated by the Company's primary business activities prior to consideration of how those activities are financed, how 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 restructuring, transaction, and integration costs, share-based compensation, government grants, the impact of finance leases, and other items, which the Company does not consider to be in the normal course of continuing operations. 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 impairments or gains on disposal of idle facility and impairment of goodwill, which are considered to be unique, non-recurring, and 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 **March 31, 2023**	December 31, 2022	March 31, 2022[1]
EBIT	**44.9**[2]	(44.7)[2]	7.1
Restructuring, transaction, and integration costs	**17.8**	56.5	5.7
Share-based compensation	**3.2**	11.7	4.0
Depreciation and amortization	**63.1**	62.6	21.9
Finance leases	**(6.2)**	0.1	(3.9)
Adjusted EBITDA	**122.8**	86.1	34.9

(1) Comparative figures represent Enerflex's results prior to the closing of the Transaction on October 13, 2022, and therefore do not reflect pre-acquisition historical data from Exterran.

(2) Included in EBIT for the three months ended March 31, 2023 is a foreign exchange loss of $12 million resulting from the ongoing devaluation of the Argentine peso ($18 million loss for the three months ended December 31, 2022). Enerflex recognized offsetting interest income of $7 million from associated instruments that is not reflected in EBIT ($7 million for the three months ended December 31, 2022). Had the interest income been presented in EBIT, adjusted EBITDA would have been $130 million for the three months ended March 31, 2023 ($93 million for the three months ended December 31, 2022).

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 net lease payments. Enerflex uses this measure to assess the level of cash flow generated by the business and to evaluate the adequacy of internally generated cash flow to fund dividends, capital expenditures, and payments to creditors.

$ millions	Three Months Ended **March 31, 2023**	December 31, 2022	March 31, 2021[1]
Cash used in operating activities	**(2.6)**	(16.3)	(22.7)
Add:			
Net change in working capital and other	**70.7**	15.0	48.3
	68.1	(1.3)	25.5
Maintenance capital expenditures	**(7.6)**	(19.7)	(1.5)
Leases	**(5.1)**	(4.8)	(3.5)
Distributable cash flow	**55.5**	(25.8)	20.5

(1) Comparative figures represent Enerflex's results prior to the closing of the Transaction on October 13, 2022, and therefore do not reflect pre-acquisition historical data from Exterran.

NET DEBT TO EBITDA

The Company defines net debt as short- and long-term debt less cash and cash equivalents at period end, which is then divided by annualized EBITDA. To assess 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.

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 12-month trailing period by capital employed, which is debt and equity less cash and cash equivalents based on a trailing four-quarter average.

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 pertaining to: 2023 guidance; 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 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 potential costs and synergies, if any, associated with the closures of the manufacturing facilities in the United Arab Emirates and Singapore in 2023; the Company's anticipated completion dates for its various investments, including the Cryogenic Facility in progress in the Middle East, and investments in the Company's contract compression fleet; expectations regarding the Company's ability to generate significant excess cash flow, to be used to strengthen the Company's financial position and to deleverage; Enerflex's targeted financial metrics after the Transaction, including the Company's expectations regarding the reduction of its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of 2023, according to the Company's bank covenants; the Company's expectations regarding its ability to increase returns of capital to shareholders and to profitably invest in strategic growth projects; the Company's targeted growth plans and related anticipated benefits, including global energy transition trends; the Company's expectations regarding the overall activity level in the oil and gas sector in North America, Latin America, and the Eastern Hemisphere; the Company's expectations and timing of converting its existing Engineered Systems backlog; 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 duration and severity of business disruptions and other negative impacts resulting from the COVID-19 pandemic or other crises; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; political unrest and geopolitical conditions; and other factors, many of which are beyond the control of Enerflex. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While Enerflex believes that there is a reasonable basis for the forward-looking information included in this 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, 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	Stefan Ali
President & Chief Executive Officer	Vice President, Strategy & Investor Relations
Tel: (403) 387-6325	Tel: (403) 717-4953

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENERFLEX

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 3, 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 months ended March 31, 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 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.sedar.com and www.sec.gov/edgar, respectively.

FINANCIAL OVERVIEW

($ thousands, except percentages)		Three months ended March 31, **2023**		2022[1]
Revenue	**$**	**825,044**	$	323,069
Gross margin		**160,652**		53,643
Selling and administrative expenses ("SG&A")		**115,770**		46,804
Operating income		**44,882**		6,839
Earnings before finance costs and income taxes ("EBIT")		**44,928**		7,123
Net earnings (loss)	**$**	**13,524**	$	(369)
Key Financial Performance Indicators ("KPIs")[2]				
Engineered Systems bookings	**$**	**516,582**	$	236,870
Engineered Systems backlog		**1,541,573**		619,988
Gross margin as a percentage of revenue		**19.5%**		16.6%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")	**$**	**108,022**	$	29,013
Adjusted EBITDA		**122,771**		34,857
Distributable cash flow		**55,469**		20,526
Return on capital employed ("ROCE")[3]		**(0.1)%**		3.5%

[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.

FIRST QUARTER 2023 OVERVIEW

For the three months ended March 31, 2023:

- The Company delivered strong results in all segments with the addition of Exterran's business, new contracted energy infrastructure assets, including the commencement of a previously announced finance lease project, and a significant increase in Engineered Systems bookings and backlogs resulting in strong financial results that the Company has not reported since 2018.

- Engineered Systems bookings totaled $516.6 million, which is a significant increase from $236.9 million recorded in the same period of 2022, predominantly in our North America ("NAM") segment. The bookings are the highest the Company has recorded since the fourth quarter of 2018.

- Engineered Systems backlog at March 31, 2023 was $1.5 billion, a slight increase from the backlog at December 31, 2022. The movement in the current period is related to the new bookings, offset by the drawdown of existing backlog that contributed to significant Engineered Systems revenue recorded in the period.

- The Company recorded revenue of $825.0 million in the current quarter compared to $323.1 million in the comparable period, with increases in all of the Company's product lines. These increases are due to the contributions of the acquired Exterran business; a stronger opening backlog leading to improved Engineered Systems revenues; an increase in Energy Infrastructure revenue, primarily from higher contract compression utilizations in the USA and the commencement of a finance lease project in the Middle East; and higher After-Market Services activities from improved parts sales and customer maintenance activities.

- Gross margin was $160.7 million and 19.5 percent for the first quarter of 2023 compared to $53.6 million and 16.6 percent for the comparable period. The higher gross margin is primarily due to the additional revenue contributions from Exterran, a higher margin opening backlog, primarily in the NAM segment, and an overall increased volume of work. The increased gross margin percentage is attributable to higher margin projects and strong project execution.

- SG&A of $115.8 million in the first quarter of 2023 was up from $46.8 million in the same period last year. This increase is primarily the result of SG&A to support the acquired Exterran business, restructuring, transaction, and integration costs, and foreign exchange losses due to the ongoing devaluation of the Argentine peso.

- The ongoing devaluation of the Argentine peso, caused by high inflation, resulted in foreign exchange losses of $12.0 million. Foreign exchange losses were partially offset by $7.1 million of interest income from associated instruments, though such offsets are not reflected in operating income.

- Operating income of $44.9 million was higher than the prior period operating income of $6.8 million, primarily due to increased gross margins from higher revenue, offset by higher SG&A.

- The Company invested $58.6 million in Energy Infrastructure assets; the majority of which was directed at major projects in the Eastern Hemisphere ("EH") segment that are now in commercial operation. Additional expenditures were invested in the organic expansion of the USA contract compression fleet. At March 31, 2023, the USA contract compression fleet totaled approximately 403,000 horsepower and its average fleet utilization was a record 96 percent for the quarter.

- At March 31, 2023, the Company's senior secured net funded debt to EBITDA ratio was 1.0:1, compared to a maximum ratio of 2.5:1, and the Company's net funded debt to EBITDA ("bank-adjusted net debt to EBITDA") ratio was 2.9:1, compared to a maximum ratio of 4.5:1, according to the Company's debt covenants.

- On March 19, 2023, the Company announced that Mr. Sanjay Bishnoi, Senior Vice President and Chief Financial Officer, will relinquish his position effective April 10, 2023, to pursue another opportunity. Following Mr. Bishnoi's departure, Mr. Matthew Lemieux, Enerflex's Vice President, Corporate Development and Treasury was appointed as Interim Chief Financial Officer. Enerflex plans to appoint a permanent CFO in the coming months.

- Subsequent to March 31, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on July 6, 2023, to shareholders of record on May 18, 2023. The Board of Directors (the "Board") will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

ADJUSTED EBITDA

The Company defines EBITDA as earnings before finance costs, taxes, and depreciation and amortization. The 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. Adjusted EBITDA may not be comparable to similar measures presented by other companies and should not be considered in isolation or as a replacement for measures prepared as determined under IFRS.

The 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 financial statements. An example of items that are considered unique are transaction costs, while an example of items that increase comparability include share-based compensation which fluctuates based on share price that can be influenced based on items not directly relevant to the current period of operations of the Company. Items the Company have adjusted for in the past include, but are not limited to transaction 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 either unique, non-recurring, or non-cash transactions, which are not indicative of the ongoing normal operations of the Company.

The Company also adjusts for the impact of finance leases. For finance leases, an upfront gain is recognized equal to the fair value of the equipment, or if lower, the present value of the minimum lease payments at a market rate of interest. Subsequent to this initial recognition, financing income is recognized reflecting a constant rate of return on the outstanding lease receivable from the end customer. The Company believes that the inclusion of finance leases in its Adjusted EBITDA calculation provides a better understanding of Enerflex's cash generating capabilities and also improves comparability for similar energy infrastructure assets with different contract terms.

								Three months ended March 31, 2023
($ thousands)		**Total**		**North America**		**Latin America**		**Eastern Hemisphere**
EBIT	**$**	**44,928**	**$**	**28,378**		**(679)**	**$**	**17,229**
Restructuring, and transaction and integration costs		**17,827**		**4,538**		**4,094**		**9,195**
Share-based compensation		**3,166**		**2,035**		**507**		**624**
Depreciation and amortization		**63,094**		**20,850**		**15,594**		**26,650**
Finance leases		**(6,244)**		**-**		**348**		**(6,592)**
Adjusted EBITDA[1]	**$**	**122,771**	**$**	**55,801**	**$**	**19,864**	**$**	**47,106**

[1] Included in Latin America's EBIT is a foreign exchange loss of $12.0 million due to the devaluation of the Argentine peso, caused by high inflation. The Company recognized partially offsetting interest income of $7.1 million from associated instruments that are not reflected in EBIT. If this interest income were presented in EBIT, Adjusted EBITDA for the three months ended March 31, 2023 would have been $27.0 million for Latin America and $129.9 million for consolidated Enerflex.

								Three months ended March 31, 2022
($ thousands)		Total		North America		Latin America		Eastern Hemisphere
EBIT	$	7,123	$	(3,159)	$	2,985	$	7,297
Transaction and integration costs		5,677		3,756		598		1,323
Share-based compensation		4,049		2,527		712		810
Depreciation and amortization		21,890		13,660		5,099		3,131
Finance leases		(3,882)		100		-		(3,982)
Adjusted EBITDA	$	34,857	$	16,884	$	9,394	$	8,579

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 March 31, **2023**	2022
Engineered Systems Bookings		
North America	**$ 416,285**	$ 206,942
Latin America	**8,842**	23,506
Eastern Hemisphere	**91,455**	6,422
Total Engineered Systems bookings	**$ 516,582**	$ 236,870

($ thousands)	**March 31, 2023**	December 31, 2022
Engineered Systems Backlog		
North America	**$ 1,155,111**	$ 1,074,151
Latin America	**48,391**	52,825
Eastern Hemisphere	**338,071**	378,894
Total Engineered Systems backlog	**$ 1,541,573**	$ 1,505,870

The Company has maintained the strong momentum generated in 2022 within its manufacturing business, recording bookings of $516.6 million during the three months ended March 31, 2023. Bookings in the first quarter of 2023 were the Company's largest quarterly bookings since the fourth quarter of 2018. The considerable increase in bookings from the same period in 2022 originate from the NAM segment from a variety of different customers, while the EH segment also saw an increase in bookings.

The Engineered Systems backlog of $1.5 billion at March 31, 2023 increased slightly from the backlog at December 31, 2022. The significant project bookings that were added to Enerflex's backlog has been offset by the drawdown of existing backlog that contributed to the significant Engineered Systems revenue recognized in the period, including the commencement of a previously announced finance lease project. The movement in exchange rates resulted in a decrease in foreign currency-denominated backlog of $3.6 million during the three months ended March 31, 2023, compared to a decrease of $6.0 million in the same period of 2022.

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, 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 March 31, 2023		2022
Engineered Systems bookings	**$**	**416,285**	$	206,942
Engineered Systems backlog		**1,155,111**		459,697
Segment revenue	**$**	**482,278**	$	249,212
Intersegment revenue		**(16,411)**		(35,459)
Revenue	**$**	**465,867**	$	213,753
Revenue – Energy Infrastructure	**$**	**38,881**	$	28,462
Revenue – After-Market Services	**$**	**91,661**	$	60,152
Revenue – Engineered Systems	**$**	**335,325**	$	125,139
Operating income (loss)	**$**	**28,330**	$	(3,443)
EBIT	**$**	**28,378**	$	(3,159)
EBITDA	**$**	**49,228**	$	10,501
Adjusted EBITDA	**$**	**55,801**	$	16,884
Revenue as a % of consolidated revenue		**56.5%**		66.2%
Operating income (loss) as a % of revenue		**6.1%**		(1.6)%
EBIT as a % of revenue		**6.1%**		(1.5)%
EBITDA as a % of revenue		**10.6%**		4.9%

NAM recorded Engineered Systems bookings of $416.3 million in the first quarter of 2023, which is a considerable increase of $209.3 million compared to the same period last year. The increase is attributable to a large volume of bookings in both the USA and Canada across a large number of different customers. Increased bookings reflect improved activity levels in the energy sector in the USA and Canada, with sold margins continuing to increase on new bookings. The increase to bookings has led to a record-high backlog that will provide strong Engineered Systems revenue in the near term.

Revenue increased by $252.1 million during the three months ended March 31, 2023 compared to the same period last year. The segment saw an increase in revenue for all product lines, most significantly in Engineered Systems, which saw elevated activity levels, on a stronger opening backlog and higher bookings. After-Market Services revenues increased on strong parts sales, inflationary price adjustments and an increased volume of work. Finally, Energy Infrastructure revenue was higher from increased contract compression utilizations, a larger fleet and inflationary price adjustments. Gross margin also increased during the three months ended March 31, 2023 compared to last year, 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 months ended March 31, 2023 compared to the same period last year, which is primarily due to SG&A to support the acquired Exterran business and restructuring, transaction, and integration costs.

NAM recorded a higher operating income during the three months ended March 31, 2023 when compared to the same period in 2022. The increase was due to the increased gross margin on higher revenue, partially offset by the increase in SG&A.

At March 31, 2023, the USA contract compression fleet totaled approximately 403,000 horsepower. The average utilization of the USA contract compression fleet for the three months ended March 31, 2023 was 96 percent, which is a significant increase from the 91 percent utilization in the comparative period last year, resulting from strengthening customer demand and improving market fundamentals.

LATIN AMERICA SEGMENT RESULTS

($ thousands, except percentages)	Three months ended March 31, 2023	2022
Engineered Systems bookings	**$ 8,842**	$ 23,506
Engineered Systems backlog	**48,391**	35,268
Segment revenue	**$ 117,786**	$ 34,025
Intersegment revenue	**(264)**	-
Revenue	**$ 117,522**	$ 34,025
Revenue – Energy Infrastructure	**$ 85,263**	$ 16,789
Revenue – After-Market Services	**$ 18,983**	$ 4,777
Revenue – Engineered Systems	**$ 13,276**	$ 12,459
Operating income (loss)	**$ (679)**	$ 2,985
EBIT	**$ (679)**	$ 2,985
EBITDA	**$ 14,915**	$ 8,084
Adjusted EBITDA	**$ 19,864**	$ 9,394
Revenue as a % of consolidated revenue	**14.2%**	10.5%
Operating income (loss) as a % of revenue	**(0.6)%**	8.8%
EBIT as a % of revenue	**(0.6)%**	8.8%
EBITDA as a % of revenue	**12.7%**	23.8%

Engineered Systems bookings were lower during the three months ended March 31, 2023 compared to the same period of 2022 by $14.7 million due to a larger project booked in 2022 that did not repeat. Enerflex continues to monitor potential projects in LATAM and is well positioned to capitalize on those opportunities should they proceed.

For the three months ended March 31, 2023, LATAM revenues increased by $83.5 million when compared to the same period last year, primarily from the Energy Infrastructure product line as a result of its expanded contracted fleet that was acquired from Exterran, and which is poised to provide stability for the segment. After-Market Services revenues also increased, primarily from higher activity levels in Argentina. Engineered Systems revenue was slightly higher in the current period compared to the same period last year which was a result of a higher opening backlog. Total gross margins increased by $20.5 million in the three months ended March 31, 2023 compared to the same period last year on higher overall revenues from increased activity and higher margins from contracted energy infrastructure units.

SG&A was higher during the three months ended March 31, 2023 compared to the same period last year, which is primarily due to the SG&A to support the acquired Exterran business, foreign exchange losses due to the ongoing devaluation of the Argentine peso, and restructuring, transaction, and integration costs.

The LATAM segment had an operating loss for the three months ended March 31, 2023 compared to operating income in the same period of 2022. The decrease in operating income from last year is primarily the result of higher SG&A, partially offset by the increased gross margins due to increased activity levels.

EASTERN HEMISPHERE SEGMENT RESULTS

($ thousands, except percentages)		2023		Three months ended March 31, 2022
Engineered Systems bookings	$	**91,455**	$	6,422
Engineered Systems backlog		**338,071**		125,023
Segment revenue	$	**243,904**	$	75,370
Intersegment revenue		**(2,249)**		(79)
Revenue	$	**241,655**	$	75,291
Revenue – Energy Infrastructure	$	**64,519**	$	20,201
Revenue – After-Market Services	$	**44,858**	$	18,257
Revenue – Engineered Systems	$	**132,278**	$	36,833
Operating income	$	**17,231**	$	7,297
EBIT	$	**17,229**	$	7,297
EBITDA	$	**43,869**	$	10,428
Adjusted EBITDA	$	**47,106**	$	8,579
Revenue as a % of consolidated revenue		**29.3%**		23.3%
Operating income as a % of revenue		**7.1%**		9.7%
EBIT as a % of revenue		**7.1%**		9.7%
EBITDA as a % of revenue		**18.2%**		13.9%

The EH segment successfully commenced operations on a previously announced finance lease project during the first quarter of 2023 which is included in Engineered Systems revenue, and began contributing recurring revenue in the Energy Infrastructure product line. Enerflex also brought a build-own-operate-maintain produced water facility to commercial operation in the first quarter of 2023, the contracted revenues from which will begin contributing in the second quarter of 2023.

Bookings in the first quarter of 2023 increased to $91.5 million compared to $6.4 million in the comparable period. The year-over-year increase is due to the acquired backlog from Exterran, as well as an increase in scope on an in-flight project acquired from Exterran. EH's backlog significantly increased in the current period due to the increase in bookings outpacing revenue recognition, partially offset by the commencement of the finance lease project.

Revenue increased by $166.4 million during the three months ended March 31, 2023 compared to the same period last year. Higher Engineered Systems revenue is due to revenue recognition on certain backlog acquired from Exterran as well as the commencement and recognition of a finance lease project during the current period. Energy Infrastructure revenue increased during the current period supported by acquired contracted units and existing finance lease assets. After-Market Services revenues increased from higher customer maintenance activities and parts sales in all regions. Gross margins for the three months ended March 31, 2023 were higher than the same period in 2022 primarily due to increased activity and higher margin Engineered Systems projects.

SG&A was higher during the three months ended March 31, 2023 when compared to the same period last year. This unfavourable variance is the result of SG&A to support the acquired Exterran business, and restructuring, transaction, and integration costs.

The EH segment reported a higher operating income during the three months ended March 31, 2023 compared to same period of 2022. The increase is a result of higher revenues, partially offset by higher SG&A.

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 March 31, 2023
($ thousands, except percentages)	**Total**	**Energy Infrastructure**	**After-Market Services**	**Engineered Systems**
Revenue	**$ 825,044**	**$ 188,663**	**$ 155,502**	**$ 480,879**
Cost of goods sold:				
Operating expenses	**613,981**	**85,463**	**123,949**	**404,569**
Depreciation and amortization	**50,411**	**45,722**	**2,798**	**1,891**
Gross margin	**$ 160,652**	**$ 57,478**	**$ 28,755**	**$ 74,419**
Gross margin %	**19.5%**	**30.5%**	**18.5%**	**15.5%**

				Three months ended March 31, 2022
($ thousands, except percentages)	Total	Energy Infrastructure	After-Market Services	Engineered Systems
Revenue	$ 323,069	$ 65,452	$ 83,186	$ 174,431
Cost of goods sold:				
Operating expenses	250,541	25,534	70,256	154,751
Depreciation and amortization	18,885	13,760	2,679	2,446
Gross margin	$ 53,643	$ 26,158	$ 10,251	$ 17,234
Gross margin %	16.6%	40.0%	12.3%	9.9%

INCOME TAXES

The Company had an income tax expense of $1.3 million for the three months ended March 31, 2023, compared to $3.6 million in the same period of 2022. The decrease in income tax expense in the current period is primarily due to the recognition of losses in foreign jurisdictions and the effects of exchange rates, partially offset by an increase in unrecognized deferred tax assets.

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 (CAD$149 million) in connection with a dispute relating to the employee's severance pay following termination of his employment in 2015.

We believe 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.

We have 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 Q1 filed a notice of intent with the Mexican government advising them of various potential investment treaty claims against the Mexican government should the Labor Board's order not be overturned or otherwise vacated.

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; profitable growth achieved through vertically integrated and geographically diverse product offerings; financial strength and discipline; and sustainable returns to shareholders. Through consistent execution of this strategy and regular evaluation of the Company's capital allocation priorities and decisions, Enerflex has managed a resilient business to create shareholder value over its 40-plus-year history.

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

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

OUTLOOK

The underlying macro drivers for Enerflex's business are robust, with the ongoing focus on global energy security and the growing need for low-emission natural gas resulting in significant demand for Enerflex's energy infrastructure and energy transition solutions.

STRATEGIC PRIORITIES

Enerflex's strategic focus for 2023 is to maximize cash flow generation to strengthen the Company's financial position, including executing its $1.5 billion Engineered Systems backlog and realizing the benefits and synergies from the Transaction. The Company also plans to safely advance the modularized cryogenic natural gas processing facility in the Middle East.

Enerflex has now captured approximately US$50 million of the expected US$60 million of annual run-rate synergies associated with the Transaction, attained primarily through reductions in overhead. To optimize its global manufacturing footprint and increase operational efficiencies within the business, Enerflex plans to close its manufacturing facilities in the United Arab Emirates and Singapore in 2023. The Company is currently assessing the costs and synergies associated with the closures.

Enerflex continues to expect that it will reduce its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of the year due to strong cash flow generation anticipated across all product lines. As at March 31, 2023, the Company's bank-adjusted net debt to EBITDA ratio was 2.9 times, according to the Company's debt covenants.

Once the Company's debt reduction target has been met, Enerflex anticipates it will have the optionality to deliver increased capital returns to shareholders and invest profitably in strategic growth projects. The Company expects to continue paying its quarterly dividend of at least $0.025 per share and will continue to be disciplined in its investments and discretionary spending to protect its financial position.

2023 GUIDANCE

Enerflex reaffirms its previously disclosed financial guidance for 2023, including its expectations that it will meet its debt reduction target by the end of the year, reflecting the Company's commitment to deleveraging and delivering on its near-term strategic objectives.

During the first quarter of 2023, Enerflex invested $51.0 million in growth capital expenditures, primarily to complete the two BOOM produced water projects that were being advanced in 2022. The total investments associated with the two projects were initially budgeted for 2022; however, the final expenditures were accounted for in the first quarter of 2023.

(US$ millions, except ratios and percentages)	**2023 Guidance[1]**
Annual run-rate synergies[2]	**60**
Adjusted EBITDA[2]	**380 – 420**
Bank-adjusted net debt to EBITDA[3]	**<2.5x**
Capital expenditures and work-in-progress (“WIP”)	
Maintenance capital expenditures	**40 – 50**
WIP	**40 – 50**
Other non-discretionary expenses[4]	**130 – 160**
Total non-discretionary expenses[5]	**210 – 260**
Accretion to shareholders[6]	
Earnings per share[7]	**20%**
Cash flow per share	**20%**

[1] Refer to the March 1, 2023 news release entitled “Enerflex Ltd. Reports Sold 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.sedar.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 the inclusion of Exterran’s bank-adjusted EBITDA for the trailing 12 months ended March 31, 2023.
[4] Includes net working capital, finance costs, income taxes, and dividends.
[5] Includes maintenance capital expenditures and WIP, net working capital, finance costs, income taxes, and dividends.
[6] Subject to potential purchase price allocation adjustments.
[7] Excludes amortization of refinancing costs and amortization of intangible assets.

ENERGY TRANSITION

As the transition to a lower-carbon economy continues to unfold, Enerflex is collaborating with customers to advance projects that decarbonize and electrify operations and support infrastructure for renewable natural gas (“RNG”), biofuels, and new hydrogen solutions. In the USA, the roll-out of the Inflation Reduction Act has accelerated the development of numerous carbon capture projects, growing the opportunity set for Enerflex given its expertise in delivering modularized engineer-to-order process solutions. Enerflex also continues to evaluate carbon capture and other low-carbon solutions through piloting activities with a number of its Canadian customers.

Over the long term, Enerflex will continue to evaluate and create paths that will allow for participation in developing and growing markets, which is expected to shape the energy transition landscape of the next several decades.

OUTLOOK BY SEGMENT

North America

Capital discipline continues to be at the forefront for North American upstream E&P companies, and 2023 capital expenditure guidance indicates that production will grow modestly year-over-year. In the USA, natural gas production growth is expected to be driven by the Haynesville, Marcellus, and Permian Basins. In Canada, the resolution of outstanding issues between the Blueberry River First Nations and the Government of British Columbia has provided clarity on future resource development in the province; however, the pace at which activity levels return to historical levels is still unknown. Over the medium term, the Company anticipates that future liquefied natural gas ("LNG") exports associated with LNG Canada Phase 1 will be a positive tailwind for Enerflex's Canadian business.

Given the strong demand profile for natural gas and LNG exports in the USA, Enerflex anticipates that utilization rates for its contract compression fleet will remain elevated and that sold margins on new Engineered Systems bookings will continue to expand from current levels. The Exterran Cryogenic product line is also expected to be a synergistic revenue-generating business in the region. The Company expects that the recent increase in After-Market Services-related activities across the region continues through 2023, including overhaul and retrofitting activities.

Latin America

With its expanded Energy Infrastructure platform, Enerflex expects continued stability within its recurring businesses in Latin America and will continue to actively manage regional foreign currency exposures. In the near term, the Company is planning to increase its contract compression fleet utilization through re-contracting and redeployment of idle fleet to meet rising local demand. Over the longer term, many nations throughout the region have indicated a growing need for reliable power and a desire to reduce their overall dependency on imported natural gas, which Enerflex expects will be a constructive market driver for the Company.

Eastern Hemisphere

Enerflex continues to observe significant demand for larger-scale, long-term energy infrastructure assets and integrated turnkey ("ITK") projects. Enerflex's near-term focus in the Middle East is strong operational execution and delivering cost improvements within existing operations, and the Company continues to explore new markets and opportunities requiring modular solutions to bolster cash flow stability in the region.

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

NON-IFRS MEASURES

Enerflex measures its financial performance using several key financial performance indicators, some of which do not have standardized meanings as prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. These non-IFRS measures are also used by Management in its assessment of relative investments in operations and include Engineered Systems bookings and backlog, recurring revenue, EBITDA, net debt to EBITDA ratio, and ROCE, and should not be considered as an alternative to net earnings or any other measure of performance under IFRS. The reconciliation of these non-IFRS measures to the most directly comparable IFRS measure is provided below where appropriate. Engineered Systems bookings and backlog do not have a directly comparable IFRS measure.

($ thousands)		Three months ended March 31, **2023**		2022
EBITDA and Adjusted EBITDA				
EBIT	**$**	**44,928**	$	7,123
Depreciation and amortization		**63,094**		21,890
EBITDA	**$**	**108,022**	$	29,013
Adjusted EBITDA[1]		**122,771**		34,857
Recurring Revenue				
Energy Infrastructure	**$**	**188,663**	$	65,452
After-Market Services		**155,502**		83,186
Impact of finance leases		**11,598**		2,674
Total recurring revenue	**$**	**355,763**	$	151,312
ROCE				
Trailing 12-month EBIT	**$**	**(3,005)**	$	55,636
Capital employed – beginning of period				
Net debt[2]	**$**	**1,136,549**	$	158,664
Shareholders' equity		**1,542,908**		1,353,754
	$	**2,679,457**	$	1,512,418
Capital employed – end of period				
Net debt[2]	**$**	**1,196,326**	$	205,912
Shareholders' equity		**1,553,497**		1,342,102
	$	**2,749,823**	$	1,548,014
Average capital employed[3]	**$**	**2,149,130**	$	1,575,060
ROCE		**(0.1)%**		3.5%

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

($ thousands)	Three months ended March 31, 2023	2022
Cash provided by (used in) operating activities	**$ (2,551)**	$ (22,712)
Add (deduct):		
Net change in working capital and other[1]	**70,652**	48,256
	$ 68,101	$ 25,544
Maintenance capital expenditures	**(7,556)**	(1,505)
Leases	**(5,076)**	(3,513)
Distributable cash flow[2]	**$ 55,469**	$ 20,526

[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.

[2]If the Company were to add back the non-recurring restructuring, transaction, and integration costs of $17.8 million incurred in relation to the Exterran Transaction, distributable cash flow would be $73.3 million for the three months ended March 31, 2023 (March 31, 2022 – $26.2 million).

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

Enerflex distinguishes capital expenditures invested in energy infrastructure assets as either growth or maintenance. Growth expenditures are intended to expand the Company's energy infrastructure fleet, while maintenance expenditures are necessary costs to continue utilizing existing energy infrastructure assets. The Company also incurred costs related to the construction of energy infrastructure assets determined to be finance leases. These costs are accounted for as work-in-progress related to finance leases, and once the project is completed and enters service, it is reclassified to COGS. Capital expenditures and expenditures for finance leases are shown in the table below:

($ thousands)	Three months ended March 31, 2023	2022
Additions to property, plant and equipment	**$ 2,872**	$ 899
Additions to energy infrastructure assets:		
Growth	**51,042**	1,035
Maintenance	**7,556**	1,505
Total capital expenditures	**$ 61,470**	$ 3,439
Expenditures for finance leases	**$ 4,730**	$ 29,197
Total capital expenditures and expenditures for finance leases	**$ 66,200**	$ 32,636

FINANCIAL POSITION

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

($ millions)	**Increase (Decrease)**	**Explanation**
Current assets	**$(35.0)**	The decrease in current assets is primarily due to the work-in-progress related to finance leases being transferred to COGS upon commencement of the project, and decreased prepayments due to activity levels, partially offset by higher inventories and cash and cash equivalents on increased activity levels.
Contract assets	**$38.1**	The non-current portion of contract assets is from the increase in scope of an in-flight project acquired from Exterran.
Finance leases receivable	**$43.8**	The increase in the long-term portion of finance leases receivable is due to the recognition of a 10-year natural gas infrastructure project in the Middle East that began operations during the current period.
Other assets	**$(29.4)**	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	**$(32.1)**	The decrease in current liabilities is primarily due to movements in accounts payable and accrued liabilities and deferred revenues driven by increased activity levels, partially offset by an increase in the non-current portion of long-term debt.
Long-term debt	**$54.9**	The increase in long-term debt is primarily due to the increased drawings on the three-year secured revolving credit facility (“Revolving Credit Facility”), partially offset by the recognition of deferred transaction costs.
Total shareholders' equity	**$10.6**	Total shareholders' equity increased primarily due to net earnings of $13.5 million, and the impact of stock options, $0.2 million, offset by dividends of $3.1 million, and the impact of unrealized losses on the translation of foreign operations, less than $0.1 million.

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 more than sufficient to fund its requirements for investments in working capital, capital assets and delivering on its post-acquisition deleveraging strategy. As at March 31, 2023, the Company held cash and cash equivalents of $262.4 million and had cash drawings of $727.5 million against the Revolving Credit Facility and the three-year secured term loan (“Term Loan”), leaving the Company with significant liquidity and access to $247.7 million for future drawings. 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 a senior secured net funded debt to EBITDA ratio of 1.0:1, compared to a maximum ratio of 2.5:1, and a bank-adjusted net debt to EBITDA ratio of 2.9:1, compared to a maximum ratio of 4.5:1. The Company finished the quarter with an interest coverage ratio of 4.5:1 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)		2023		Three months ended March 31, 2022
Cash and cash equivalents, beginning of period	**$**	**253,776**	$	172,758
Cash provided by (used in):				
Operating activities		**(2,551)**		(22,712)
Investing activities		**(44,081)**		(16,885)
Financing activities		**56,618**		1,385
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(1,318)**		(1,332)
Cash and cash equivalents, end of period	**$**	**262,444**	$	133,214

OPERATING ACTIVITIES

For the three months ended March 31, 2023, cash provided by operating activities was higher than the comparative period, primarily driven by higher net earnings and the net changes in working capital. 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 months ended March 31, 2023 is higher when compared to the same period last year, primarily due to the increased capital expenditures on property, plant and equipment and energy infrastructure assets, offset by higher proceeds on the disposal of certain energy infrastructure assets.

FINANCING ACTIVITIES

Cash provided by financing activities is higher for the three months ended March 31, 2023 compared to the same period last year primarily due to the net proceeds from the Revolving Credit Facility.

QUARTERLY SUMMARY

Three months ended *($ thousands, except per share amounts)*		**Revenue**		**Net earnings (loss)**		**Earnings (loss) per share – basic**		**Earnings (loss) per share – diluted**
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
June 30, 2020		287,438		7,415		0.08		0.08

CAPITAL RESOURCES

On April 30, 2023, Enerflex had 123,739,020 common shares outstanding. Enerflex has not established a formal dividend policy and the Board anticipates setting the quarterly dividends based on the availability of cash flow, anticipated market conditions, and the general needs of the business. Subsequent to the first quarter of 2023, the Board declared a quarterly dividend of $0.025 per share.

At March 31, 2023, the Company had combined drawings of $727.5 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 March 31, 2023 was 7.5 percent and 8.5 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)		**March 31, 2023**		December 31, 2022
Drawings on the Revolving Credit Facility	**$**	**524,490**	$	459,202
Drawings on the Term Loan (US$150,000)		**202,995**		203,160
Notes due October 15, 2027 (US$625,000)		**845,813**		846,500
Deferred transaction costs and Notes discount		**(114,528)**		(118,537)
Total long-term debt	**$**	**1,458,770**	$	1,390,325
Current portion of long-term debt	**$**	**40,599**	$	27,088
Non-current portion of long-term debt		**1,418,171**		1,363,237
Total long-term debt	**$**	**1,458,770**	$	1,390,325

At March 31, 2023, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,573.3 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 Interim Chief Financial Officer, together with other members of Management, have evaluated the effectiveness of the Company's DC&P and ICFR as at March 31, 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 March 31, 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 March 31, 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 three months ended March 31, 2023 that would materially affect, or is reasonably likely to materially affect, the Company's ICFR.

SUBSEQUENT EVENTS

Subsequent to March 31, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on July 6, 2023, to shareholders of record on May 18, 2023. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws and within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to the respective Management expectations about future events, results of operations, and the future performance (both financial and operational) and business prospects of Enerflex. 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 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; expectation that the Company will advance its modularized cryogenic natural gas processing facility in the Middle East; 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; 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; 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; Enerflex's anticipation that utilization rates for its 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; expectations in respect of recent increases in After-Market Services-related activities across the NAM region and that these increase will continue through 2023; 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; 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; expectations of Enerflex appointing a new Chief Financial Officer in the coming months; expectations and results from the exploration activities by the Company around decarbonization, carbon capture technologies, and supporting infrastructure opportunities with customers; expectations for the Company to pay and to continue to pay a quarterly dividend to shareholders and that the Board will set the dividend based on the availability of cash flow, anticipated market conditions, and the general needs of the business; 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; expectations for the Company to generate significant excess cash flow from operations and to lower its bank-adjusted net debt to EBITDA ratio to below 2.5 times by the end of 2023; 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; development trends in the oil and natural gas industry; seasonal variations in the activity levels of certain crude oil and natural gas markets; expansion and growth of the business and operations; and implications of changes in government regulation, laws and income taxes.

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; continued business disruptions resulting from the COVID-19 pandemic; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management and difficulties in retaining personnel; political unrest; and other factors, many of which are beyond the control of Enerflex. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While Enerflex believes that there is a reasonable basis for the forward-looking information and statements included in this MD&A, as a result of such known and unknown risks, uncertainties, and other factors, actual results, performance, or achievements could differ and such differences could be material from those expressed in, or implied by, these statements. The forward-looking information and statements included in this MD&A should not be unduly relied upon as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to: the ability of 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)		**March 31, 2023**		December 31, 2022[1]
Assets				
Current assets				
Cash and cash equivalents	**$**	**262,444**	$	253,776
Accounts receivable		**451,556**		455,841
Contract assets		**183,101**		186,259
Inventories (Note 3)		**386,822**		369,298
Work-in-progress related to finance leases (Note 3)		**-**		41,986
Current portion of finance leases receivable (Note 6)		**69,701**		60,020
Income taxes receivable (Note 12)		**5,886**		5,460
Derivative financial instruments (Note 16)		**211**		901
Prepayments		**50,251**		71,398
Total current assets		**1,409,972**		1,444,939
Property, plant and equipment (Note 4)		**148,208**		152,505
Energy infrastructure assets (Note 4)		**1,248,190**		1,237,550
Contract assets		**261,308**		223,179
Lease right-of-use assets (Note 5)		**79,381**		78,372
Finance leases receivable (Note 6)		**278,314**		234,484
Deferred tax assets (Note 12)		**16,999**		22,953
Intangible assets (Note 7)		**100,309**		102,773
Goodwill (Note 8)		**686,709**		688,833
Other assets (Note 9)		**53,659**		83,076
Total assets	**$**	**4,283,049**	$	4,268,664
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**587,891**	$	626,224
Provisions		**22,928**		18,826
Income taxes payable (Note 12)		**85,718**		78,697
Deferred revenues		**347,779**		366,085
Current portion of long-term debt (Note 10)		**40,599**		27,088
Current portion of lease liabilities (Note 11)		**20,631**		20,125
Derivative financial instruments (Note 16)		**403**		977
Total current liabilities		**1,105,949**		1,138,022
Deferred revenues		**32,015**		33,435
Long-term debt (Note 10)		**1,418,171**		1,363,237
Lease liabilities (Note 11)		**73,526**		72,908
Deferred tax liabilities (Note 12)		**79,436**		96,397
Other liabilities		**20,455**		21,757
Total liabilities	**$**	**2,729,552**	$	2,725,756
Shareholders' equity				
Share capital	**$**	**589,827**	$	589,827
Contributed surplus		**660,300**		660,072
Retained earnings		**174,631**		164,200
Accumulated other comprehensive income		**128,739**		128,809
Total shareholders' equity		**1,553,497**		1,542,908
Total liabilities and shareholders' equity	**$**	**4,283,049**	$	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 (unaudited)

($ Canadian thousands, except per share amounts)	Three months ended March 31, **2023**	2022[1]
Revenue (Note 13)	**$ 825,044**	$ 323,069
Cost of goods sold	**664,392**	269,426
Gross margin	**160,652**	53,643
Selling and administrative expenses (Note 2)	**115,770**	46,804
Operating income	**44,882**	6,839
Equity earnings from associates and joint ventures	**41**	284
Gain on disposal of property, plant and equipment (Note 4)	**5**	-
Earnings before finance costs and income taxes	**44,928**	7,123
Net finance costs (Note 15)	**30,071**	3,871
Earnings before income taxes	**14,857**	3,252
Income taxes (Note 12)	**1,333**	3,621
Net earnings (loss)	**$ 13,524**	$ (369)
Earnings (loss) per share – basic	**$ 0.11**	$ (0.00)
Earnings (loss) per share – diluted	**$ 0.11**	$ (0.00)
Weighted average number of shares outstanding – basic	**123,739,020**	89,679,811
Weighted average number of shares outstanding – diluted	**123,991,589**	89,679,811

[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 March 31, 2023	2022
Net earnings (loss)	**$ 13,524**	$ (369)
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	**(263)**	(145)
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings (loss), net of income tax expense	**4**	(45)
Unrealized gain on translation of foreign-denominated debt	**676**	783
Unrealized loss on translation of financial statements of foreign operations	**(487)**	(10,102)
Other comprehensive income (loss)	**$ (70)**	$ (9,509)
Total comprehensive income (loss)	**$ 13,454**	$ (9,878)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ Canadian thousands)	Three months ended March 31, 2023	2022
Operating Activities		
Net earnings (loss)	**$ 13,524**	$ (369)
Items not requiring cash and cash equivalents:		
Depreciation and amortization	**63,094**	21,890
Equity earnings from associates and joint ventures	**(41)**	(284)
Deferred income taxes (recovery) (Note 12)	**(11,637)**	258
Share-based compensation expense (Note 14)	**3,166**	4,049
Gain on disposal of property, plant and equipment (Note 4)	**(5)**	-
	68,101	25,544
Net change in working capital and other (Note 17)	**(70,652)**	(48,256)
Cash used in operating activities	**$ (2,551)**	$ (22,712)
Investing Activities		
Additions to:		
Property, plant and equipment (Note 4)	**(2,872)**	(899)
Energy infrastructure assets (Note 4)	**(58,598)**	(2,540)
Intangible assets (Note 7)	**(2,684)**	-
Proceeds on disposal of:		
Property, plant and equipment (Note 4)	**12**	-
Energy infrastructure assets (Note 4)	**16,828**	-
Net change in working capital associated with investing activities	**3,233**	(13,446)
Cash used in investing activities	**$ (44,081)**	$ (16,885)
Financing Activities		
Net proceeds from the Revolving Credit Facility (Note 10)	**$ 65,259**	-
Net proceeds from the Bank Facility (Note 10)	**-**	15,860
Net repayment of the Asset-Based Facility (Note 10)	**-**	(4,577)
Lease liability principal repayment (Note 11)	**(5,076)**	(3,513)
Dividends	**(3,093)**	(2,242)
Stock option exercises (Note 14)	**-**	12
Deferred transaction costs	**(472)**	(4,155)
Cash provided by financing activities	**$ 56,618**	$ 1,385
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$ (1,318)**	$ (1,332)
Increase (decrease) in cash and cash equivalents	**8,668**	(39,544)
Cash and cash equivalents, beginning of period	**253,776**	172,758
Cash and cash equivalents, end of period	**$ 262,444**	$ 133,214

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 loss	-	-	(369)	-	-	-	(369)
Other comprehensive loss	-	-	-	(9,319)	(190)	(9,509)	(9,509)
Effect of stock option plans	16	452	-	-	-	-	468
Dividends	-	-	(2,242)	-	-	-	(2,242)
At March 31, 2022	$ 375,540	$ 659,067	$ 272,351	$ 35,225	$ (81)	$ 35,144	$ 1,342,102
At January 1, 2023	$ 589,827	$ 660,072	$ 164,200	$ 128,729	$ 80	$ 128,809	$ 1,542,908
Net earnings	-	-	13,524	-	-	-	13,524
Other comprehensive loss	-	-	-	189	(259)	(70)	(70)
Effect of stock option plans	-	228	-	-	-	-	228
Dividends	-	-	(3,093)	-	-	-	(3,093)
At March 31, 2023	**$ 589,827**	**$ 660,300**	**$ 174,631**	**$ 128,918**	**$ (179)**	**$ 128,739**	**$ 1,553,497**

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 May 3, 2023.

(b) Basis of Presentation and Measurement

The Financial Statements for the three months ended March 31, 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 amendment 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 purchase price allocation was allocated 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).

During the three months ended March 31, 2023, the Company incurred $17.8 million (March 31, 2022 – $5.7 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.

NOTE 3. INVENTORIES

Inventories consisted of the following:

		March 31, 2023		December 31, 2022
Direct materials	**$**	**103,732**	$	107,575
Repair and distribution parts		**137,457**		136,876
Work-in-progress		**118,538**		98,297
Equipment		**27,095**		26,550
Total inventories	**$**	**386,822**	$	369,298

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

The amount of inventory and overhead costs recognized as an expense and included in COGS during the three months ended March 31, 2023 was $664.4 million (March 31, 2022 – $269.4 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 and included in COGS for the three months ended March 31, 2023 was $2.5 million (March 31, 2022 – $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. The Company invested $4.7 million (March 31, 2022 – $29.2 million) related to finance leases that commenced operations during the three months ended March 31, 2023. The Company does not have any finance lease projects in progress as at March 31, 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	-	86	550	2,236	2,872	58,598
Reclassification	120	153	773	(1,002)	44	-
Disposals	-	(74)	(936)	-	(1,010)	(32,122)
Currency translation effects	(2)	(138)	(82)	14	(208)	546
March 31, 2023	**$ 23,677**	**$ 151,427**	**$ 91,003**	**$ 5,833**	**$ 271,940**	**$ 1,556,188**
Accumulated depreciation						
December 31, 2022	$ -	$ (58,666)	$ (59,071)	$ -	$ (117,737)	$ (291,616)
Depreciation charge	-	(2,676)	(4,644)	-	(7,320)	(41,832)
Disposals	-	74	929	-	1,003	25,971
Currency translation effects	-	76	246	-	322	(521)
March 31, 2023	**$ -**	**$ (61,192)**	**$ (62,540)**	**$ -**	**$ (123,732)**	**$ (307,998)**
Net book value						
December 31, 2022	$ 23,559	$ 92,734	$ 31,627	$ 4,585	$ 152,505	$ 1,237,550
March 31, 2023	**$ 23,677**	**$ 90,235**	**$ 28,463**	**$ 5,833**	**$ 148,208**	**$ 1,248,190**

[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 for the three months ended March 31, 2023, was $49.2 million (March 31, 2022 – $16.3 million), of which $46.2 million was included in COGS (March 31, 2022 – $15.9 million) and $3.0 million was included in SG&A (March 31, 2022 – $0.4 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		5,819		1,309		7,128
Disposal		(3,151)		(1,231)		(4,382)
Currency translation effects		(132)		214		82
March 31, 2023	**$**	**96,643**	**$**	**25,350**	**$**	**121,993**
Accumulated depreciation						
December 31, 2022	$	(27,157)	$	(13,636)	$	(40,793)
Depreciation charge		(4,008)		(1,387)		(5,395)
Disposal		2,304		1,231		3,535
Currency translation effects		60		(19)		41
March 31, 2023	**$**	**(28,801)**	**$**	**(13,811)**	**$**	**(42,612)**
Net book value						
December 31, 2022	$	66,950	$	11,422	$	78,372
March 31, 2023	**$**	**67,842**	**$**	**11,539**	**$**	**79,381**

Depreciation of lease right-of-use (“ROU”) assets included in net earnings for the three months ended March 31, 2023 was $5.4 million (March 31, 2022 – $3.6 million), of which $4.0 million was included in COGS (March 31, 2022 – $3.0 million) and $1.4 million was included in SG&A (March 31, 2022 – $0.6 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 three to 10 years.

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

	Minimum lease payments and unguaranteed residual value		Present value of minimum lease payments and unguaranteed residual value	
	March 31, 2023	December 31 2022	**March 31, 2023**	December 31, 2022
Less than one year	**$ 83,886**	$ 73,614	**$ 69,701**	$ 60,020
Between one and five years	**228,189**	196,314	**170,048**	149,052
Later than five years	**202,444**	144,482	**108,266**	85,432
	$ 514,519	$ 414,410	**$ 348,015**	$ 294,504
Less: Unearned finance income	**(166,504)**	(119,906)	**-**	-
	$ 348,015	$ 294,504	**$ 348,015**	$ 294,504

	March 31, 2023	December 31, 2022
Balance, January 1	**$ 294,504**	$ 103,358
Acquisition	**-**	110,097
Additions	**64,112**	86,602
Interest income	**8,498**	14,801
Billings and payments	**(20,096)**	(33,740)
Currency translation effects	**997**	13,386
Closing balance	**$ 348,015**	$ 294,504

The Company recognized non-cash selling profit related to the commencement of finance leases of $17.8 million and $6.6 million, for the three months ended March 31, 2023 and 2022, respectively. Additionally, the Company recognized $8.5 million and $2.9 million of interest income on finance leases receivable, during the three months ended March 31, 2023 and 2022, respectively. The total cash received in respect of finance leases was $20.1 million and $5.6 million for the three months ended March 31, 2023 and 2022, respectively, 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 March 31, 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		-		2,684		2,684
Reclassification		-		(44)		(44)
Currency translation effects		(51)		(219)		(270)
March 31, 2023	**$**	**151,259**	**$**	**76,724**	**$**	**227,983**
Accumulated amortization						
December 31, 2022	$	(73,427)	$	(49,413)	$	(122,840)
Amortization charge		(4,313)		(745)		(5,058)
Currency translation effects		(18)		242		224
March 31, 2023	**$**	**(77,758)**	**$**	**(49,916)**	**$**	**(127,674)**
Net book value						
December 31, 2022	$	77,883	$	24,890	$	102,773
March 31, 2023	**$**	**73,501**	**$**	**26,808**	**$**	**100,309**

NOTE 8. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

		March 31, 2023		December 31, 2022[1]
Balance, January 1	**$**	**688,833**	$	566,270
Acquisition (Note 2)		**-**		148,881
Impairment		**-**		(48,000)
Currency translation effects		**(2,124)**		21,682
Closing balance	**$**	**686,709**	$	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.

Goodwill is allocated to cash-generating units ("CGU") which are the Company's operating segments that represent the lowest level at which goodwill is monitored for internal management purposes. Goodwill acquired through historical business combinations has been allocated to the Canada, USA, Latin America ("LATAM") and Eastern Hemisphere ("EH") operating segments. Management performed an assessment comparing the carrying amount and recoverable amount for each operating segment at September 30, 2022, the result of which was an impairment of goodwill in the Canada operating segment as indicators of impairment were identified. Management performed another assessment for each operating segment at December 31, 2022, and concluded no further impairment. At March 31, 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

	March 31, 2023	December 31, 2022
Investment in associates and joint ventures	**$ 35,163**	$ 34,977
Prepaid deposits	**14,061**	13,972
Long-term receivables[1]	**4,435**	34,127
Total other assets	**$ 53,659**	$ 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 9.00 percent, and has a maturity of October 15, 2027.

The Company is required to maintain certain covenants on the Revolving Credit Facility, Term Loan and the Notes, As at March 31, 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:

	March 31, 2023	December 31, 2022
Drawings on the Revolving Credit Facility	**$ 524,490**	$ 459,202
Drawings on the Term Loan (US$150,000)	**202,995**	203,160
Notes due October 15, 2027 (US$625,000)	**845,813**	846,500
Deferred transaction costs and Notes discount	**(114,528)**	(118,537)
	$ 1,458,770	$ 1,390,325
Current portion of long-term debt	**$ 40,599**	$ 27,088
Non-current portion of long-term debt	**1,418,171**	1,363,237
Long-term debt	**$ 1,458,770**	$ 1,390,325

The weighted average interest rate on the Revolving Credit Facility for three months ended March 31, 2023 was 7.5 percent (December 31, 2022 – 7.0 percent), and the weighted average interest rate on the Term Loan for the three months ended March 31, 2023 was 8.5 percent (December 31, 2022 – 7.8 percent). At March 31, 2023 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $1,573.3 million, and nil thereafter.

NOTE 11. LEASE LIABILITIES

	March 31, 2023	December 31, 2022
Balance, January 1	**$ 93,033**	$ 57,014
Acquisition	**-**	39,845
Additions	**6,934**	9,977
Lease interest	**1,514**	3,398
Payments made against lease liabilities	**(6,590)**	(19,156)
Currency translation effects and other	**(734)**	1,955
Closing balance	**$ 94,157**	$ 93,033
Current portion of lease liabilities	**$ 20,631**	$ 20,125
Non-current portion of lease liabilities	**73,526**	72,908
Lease liabilities	**$ 94,157**	$ 93,033

In addition to the lease payments made above, the Company paid $0.2 million relating to short-term and low-value leases which were expensed as incurred during the three months ended March 31, 2023 (March 31, 2022 – less than $0.1 million). During the three months ended March 31, 2023, the Company also paid $0.6 million (March 31, 2022 – $0.3 million) in variable lease payments not included in the measurement of lease liabilities, of which $0.3 million (March 31, 2022 – $0.3 million) was included in COGS and $0.3 million (March 31, 2022 – less than $0.1 million) was included in SG&A. Interest expense on lease liabilities was $1.5 million for the three months ended March 31, 2023 (March 31, 2022 – $0.7 million). Total cash outflow for leases for the three months ended March 31, 2023 was $7.2 million (March 31, 2022 – $4.7 million).

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

	March 31, 2023
2023	**$ 18,882**
2024	**20,913**
2025	**17,753**
2026	**12,832**
2027	**10,083**
Thereafter	**32,241**
	$ 112,704
Less:	
Imputed interest	**18,457**
Short-term leases	**83**
Low-value leases	**7**
Lease liabilities	**$ 94,157**

NOTE 12. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

Three months ended March 31,		**2023**		2022
Current income taxes	**$**	**12,970**	$	3,363
Deferred income taxes		**(11,637)**		258
Income taxes	**$**	**1,333**	$	3,621

(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 March 31,		**2023**		2022
Earnings before income taxes	**$**	**14,857**	$	3,252
Canadian statutory rate		**23.4%**		23.8%
Expected income tax provision	**$**	**3,477**	$	775
Add (deduct):				
Change in unrecognized deferred tax asset		**6,762**		3,924
Exchange rate effects on tax basis		**(3,296)**		(1,672)
Earnings taxed in foreign jurisdictions		**(5,683)**		405
Amounts not deductible for tax purposes		**-**		164
Impact of accounting for associates and joint ventures		**(10)**		(68)
Other		**83**		93
Income taxes	**$**	**1,333**	$	3,621

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 March 31,		2023		2022
Energy Infrastructure[1]	**$**	**188,663**	$	65,452
After-Market Services		**155,502**		83,186
Engineered Systems		**480,879**		174,431
Total revenue	**$**	**825,044**	$	323,069

[1] During the three months ended March 31, 2023, the Company recognized $60.4 million of revenue related to operating leases in its LATAM and EH segments (March 31, 2022 – $12.8 million), and $38.7 million of revenue related to its North America ("NAM") contract compression fleet (March 31, 2022 – $28.5 million).

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

Three months ended March 31,		2023		2022
United States	**$**	**315,045**	$	127,714
Nigeria		**79,495**		9,437
Bahrain		**78,333**		8,163
Canada		**72,820**		65,044
Iraq		**59,297**		15
Argentina		**56,866**		11,417
Oman		**47,899**		50,618
Brazil		**31,944**		6,476
Australia		**20,461**		13,068
Mexico		**19,504**		6,962
Thailand		**10,851**		407
Indonesia		**6,376**		718
Other		**26,153**		23,030
Total revenue	**$**	**825,044**	$	323,069

The following table outlines the Company's unsatisfied performance obligations, by product line, as at March 31, 2023:

		Less than one year		One to two years		Greater than two years		**Total**
Energy Infrastructure	$	619,635	$	514,218	$	1,702,932	**$**	**2,836,785**
After-Market Services		92,333		31,096		81,080		**204,509**
Engineered Systems		1,519,094		22,479		-		**1,541,573**
	$	**2,231,062**	**$**	**567,793**	**$**	**1,784,012**	**$**	**4,582,867**

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 March 31,		2023		2022
Equity-settled share-based payments	$	228	$	457
Cash-settled share-based payments		2,938		3,592
Share-based compensation expense	$	3,166	$	4,049

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 three months ended March 31, 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 three months ended March 31, 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 March 31, 2023 included in current liabilities was $13.5 million (December 31, 2022 – $13.5 million) and in other long-term liabilities was $13.2 million (December 31, 2022 - $13.8 million).

(b) Equity-Settled Share-Based Payments

	March 31, 2023			December 31, 2022		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Options outstanding, beginning of period	3,089,229	$	10.77	4,456,444	$	11.66
Exercised[1]	-		-	(47,120)		5.51
Forfeited	-		-	(27,286)		13.51
Expired	-		-	(1,292,809)		13.98
Options outstanding, end of period	3,089,229	$	10.77	3,089,229	$	10.77
Options exercisable, end of period	1,671,421	$	12.48	1,671,421	$	12.48

[1] The weighted average share price of options at the date of exercise for the three months ended March 31, 2023 was nil (March 31, 2022 – $7.89).

The following table summarizes options outstanding and exercisable at March 31, 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	783,880	4.38	$	5.51	286,552	4.38	$	5.51
$6.69 – $13.51	1,072,991	4.05		9.81	460,251	2.71		11.48
$13.52 – $16.12	1,232,358	2.62		14.95	924,618	2.45		15.14
Total	3,089,229	3.56	$	10.77	1,671,421	2.85	$	12.48

[1] The range of exercise prices are based on the Toronto Stock Exchange for the dates the options were granted.

(c) Cash-Settled Share-Based Payments

During the three months ended March 31, 2023, the value of director's compensation and executive bonuses elected to be received in DSUs totalled $0.7 million (March 31, 2022 – $0.6 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2023	1,625,513	$	10.16
Granted	85,096		7.86
In lieu of dividends	4,338		8.97
Vested	(113,018)		9.56
DSUs outstanding, March 31, 2023	**1,601,929**	**$**	**10.08**

NOTE 15. FINANCE COSTS AND INCOME

Three months ended March 31,		**2023**		2022
Finance Costs				
Short- and long-term borrowings[1]	**$**	**39,343**	$	3,820
Interest on lease liability		**1,514**		695
Total finance costs	**$**	**40,857**	$	4,515
Finance Income				
Interest income	**$**	**10,786**	$	644
Net finance costs	**$**	**30,071**	$	3,871

[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 March 31, 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 March 31, 2023 was $845.8 million and $861.9 million, respectively (December 31, 2022 – $846.5 million and $869.3 million, respectively). The fair value of these Notes at March 31, 2023 was determined on a discounted cash flow basis with a weighted average discount rate of 9.8 percent (December 31, 2022 – 9.0 percent).

The Company previously held preferred shares that were initially recorded at fair value and 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 March 31, 2023:

			Notional amount	Maturity
Canadian Dollar Denominated Contracts				
Purchase contracts	USD	$	**24,699**	April 2023 – February 2024
Sales contracts	USD		**(17,084)**	April 2023 – November 2023
Purchase contracts	EUR		**337**	April 2023
Sales contracts	EUR		**(337)**	April 2023

At March 31, 2023, the fair value of derivative financial instruments classified as financial assets was $0.2 million, and as financial liabilities was $0.4 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, Australian dollar, Brazilian real 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$615.9 million in designated foreign currency borrowings are included in accumulated other comprehensive income (loss) for March 31, 2023. The following table shows the sensitivity to a five percent weakening of the Canadian dollar against the U.S. dollar ("USD"), Australian dollar ("AUD"), and Brazilian real ("BRL").

Canadian dollar weakens by five percent		**USD**		**AUD**		**BRL**
Earnings (loss) from foreign operations						
Earnings (loss) before income taxes	$	**2,150**	$	**(17)**	$	**(145)**
Financial instruments held in foreign operations						
Other comprehensive income	$	**15,690**	$	**562**	$	**282**
Financial instruments held in Canadian operations						
Earnings before income taxes	$	**(23,946)**	$	**-**	$	**-**

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 months ended March 31, 2023, the Company had foreign exchange losses of $12.0 million, which represented 22 percent of the Argentina cash balance. If the ARS weakens by five percent, the Company could experience additional foreign exchange losses of approximately $2.6 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 March 31, 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 $5.2 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 future growth targets. As at March 31, 2023, the Company held cash and cash equivalents of $262.4 million and had drawn $727.5 million against the Revolving Credit Facility and Term Loan, leaving it with access to $247.7 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Revolving Credit Facility, Term Loan and Notes, with a senior secured net funded debt to EBITDA ratio of 1.0:1, compared to a maximum ratio of 2.5:1, and a net funded debt to EBITDA ("bank-adjusted net debt to EBITDA") ratio of 2.9:1, compared to a maximum ratio of 4.5:1, and an interest coverage ratio of 4.5:1 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 March 31, 2023:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 283	$ 120	$ -	$ 403
Accounts payable and accrued liabilities	587,891	-	-	587,891
Long-term debt – Revolving Credit Facility	-	-	524,490	524,490
Long-term debt – Term Loan	-	40,599	162,396	202,995
Long-term debt – Notes	-	-	845,813	845,813
Other long-term liabilities	-	-	20,455	20,455

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 March 31,	**2023**	2022
Accounts receivable[1]	**$ 6,232**	$ (9,840)
Contract assets	**(34,971)**	(31,418)
Inventories	**(17,524)**	(22,872)
Work-in-progress related to finance leases	**41,986**	3,792
Finance leases receivable	**(53,511)**	(34,199)
Income taxes receivable	**(426)**	187
Prepayments	**21,147**	140
Long-term receivables related to preferred shares	**27,954**	-
Accounts payable and accrued liabilities and provisions[2]	**(40,821)**	27,486
Income taxes payable	**7,021**	1,658
Deferred revenue	**(19,726)**	24,603
Foreign currency and other	**(8,013)**	(7,793)
Net change in working capital and other	**$ (70,652)**	$ (48,256)

[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 March 31,		2023		2022
Interest paid – short- and long-term borrowings	**$**	**22,915**	$	1,017
Interest paid – lease liabilities		**1,514**		695
Total interest paid	**$**	**24,429**	$	1,712
Interest received		**8,135**		356
Income taxes paid		**5,996**		997
Income taxes received		**-**		627

Changes in liabilities arising from financing activities during the period:

Three months ended March 31,		2023		2022
Long-term debt, opening balance	**$**	**1,390,325**	$	331,422
Changes from financing cash flows		**65,259**		11,283
The effect of changes in foreign exchange rates		**(876)**		(3,793)
Amortization of deferred transaction costs		**3,395**		305
Accretion of Notes discount		**2,548**		-
Debt transaction costs		**(1,881)**		(91)
Long-term debt, closing balance	**$**	**1,458,770**	$	339,126

NOTE 18. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At March 31, 2023, the Company had outstanding letters of credit of $175.8 million (December 31, 2022 – $175.1 million).

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

2023	**$**	**785,248**
2024		**32,763**
2025		**3,518**

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 (CAD$149 million) in connection with a dispute relating to the employee's severance pay following termination of his employment in 2015.

We believe 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.

We have 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 Q1 filed a notice of intent with the Mexican government advising them of various potential investment treaty claims against the Mexican government should the Labor Board's order not be overturned or otherwise vacated.

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 three months ended March 31, 2023, the Company had no individual customer which accounted for more than 10 percent of its revenue. For the three months ended March 31, 2022, the Company recognized $46.0 million from one customer in the EH segment, which represented 14.2 percent of the total revenue for the period. At March 31, 2022, the accounts receivable balance from this customer was $17.7 million, which represented 8.0 percent of the total accounts receivables.

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

Revenues and Operating Income

Three months ended March 31,	North America 2023	North America 2022	Latin America 2023	Latin America 2022	Eastern Hemisphere 2023	Eastern Hemisphere 2022	Total 2023	Total 2022
Segment revenue	**$ 482,278**	$ 249,212	**$ 117,786**	$ 34,025	**$ 243,904**	$ 75,370	**$ 843,968**	$ 358,607
Intersegment revenue	**(16,411)**	(35,459)	**(264)**	-	**(2,249)**	(79)	**(18,924)**	(35,538)
Revenue	**$ 465,867**	$ 213,753	**$ 117,522**	$ 34,025	**$ 241,655**	$ 75,291	**$ 825,044**	$ 323,069
Energy Infrastructure	**38,881**	28,462	**85,263**	16,789	**64,519**	20,201	**188,663**	65,452
After-Market Services	**91,661**	60,152	**18,983**	4,777	**44,858**	18,257	**155,502**	83,186
Engineered Systems	**335,325**	125,139	**13,276**	12,459	**132,278**	36,833	**480,879**	174,431
Operating income (loss)	**$ 28,330**	$ (3,443)	**$ (679)**	$ 2,985	**$ 17,231**	$ 7,297	**$ 44,882**	$ 6,839

Segment Assets

	North America Mar. 31, 2023	North America Dec. 31, 2022	Latin America Mar. 31, 2023	Latin America Dec. 31, 2022[1]	Eastern Hemisphere Mar. 31, 2023	Eastern Hemisphere Dec. 31, 2022[1]	Total Mar. 31, 2023	Total Dec. 31, 2022
Segment assets	**$ 1,562,714**	$ 1,638,195	**$ 680,030**	$ 829,676	**$ 1,078,581**	$ 829,658	**$ 3,321,325**	$ 3,297,529
Goodwill[2]	**224,841**	224,992	**89,191**	89,264	**372,677**	374,577	**686,709**	688,833
Corporate	**-**	-	**-**	-	**-**	-	**275,015**	282,302
Total segment assets	**$ 1,787,555**	$ 1,863,187	**$ 769,221**	$ 918,940	**$ 1,451,258**	$ 1,204,235	**$ 4,283,049**	$ 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 $184.4 million, respectively (December 31, 2022 – $40.4 million and $184.6 million, respectively).

NOTE 21. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, Enerflex declared a quarterly dividend of $0.025 per share, payable on July 6, 2023, to shareholders of record on May 18, 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.

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BOARD OF DIRECTORS

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AUDIT COMMITTEE CHAIR
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HUMAN RESOURCES AND COMPENSATION COMMITTEE CHAIR
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BOARD CHAIR
Calgary, AB, CA

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

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Lo Barnechea, RM, CL

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

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PRESIDENT AND CHIEF EXECUTIVE OFFICER
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INTERIM CHIEF FINANCIAL OFFICER
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Abu Dhabi, UAE

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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

August 9, 2023
Q2 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