ENERFLEX

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2021

DATED
FEBRUARY 23, 2022

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DEFINITIONS

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

"**Annual Information Form**" or "**AIF**" means this annual information form dated February 23, 2022.

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

"**Audit Committee**" means the Audit Committee of the Board of Directors.

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

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

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

"**CAT**" means the manufacturer of Caterpillar gas engines.

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

"**CCUS**" has the meaning ascribed to such term under the heading "*Description of the Business – Product Lines – Engineered Systems – Energy Transition Solutions*".

"**CFO**" has the meaning ascribed to such term under the heading "*General Development of the Business – Three Year History – 2019*".

"**Code**" means the Business Code of Conduct of Enerflex.

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

"**CRA**" means the Canada Revenue Agency.

"**EMT**" has the meaning ascribed to such term under the heading "*Description of the Business – Environmental Protections and Emissions – Management of Climate-Related Risks*".

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

"**Energy Infrastructure**" means the Company's Energy Infrastructure (formerly "Rentals") product line which offers a variety of rental and leasing alternatives for natural gas compression, processing, and electric power equipment.

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

"**ERM**" has the meaning ascribed to such term under the heading "*Description of the Business – Environmental Protections and Emissions – Management of Climate-Related Risks*".

"**ESG**" refers to environmental, social, and governance matters.

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

"**HSE**" means health, safety, and environment.

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

"**INNIO**" means the manufacturer of Jenbacher and Waukesha gas engines.

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

"**MAN**" means the manufacturer of certain gas engines for use in cogeneration plants.

"**MEA**" has the meaning ascribed to such term under the heading "*Description of the Business – Geographic Markets – Rest of World*".

"**NI 51-102**" means National Instrument 51-102 *Continuous Disclosure Obligations*.

"**NASDAQ**" means the Nasdaq Stock Market.

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

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

"**NYSE**" means the New York Stock Exchange.

"**OEM**" has the meaning ascribed to such term under the heading "*Description of the Business – Product Lines – Service*".

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

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

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

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

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

"**Toromont**" means Toromont Industries Ltd., a CBCA corporation.

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

"**TSX**" means the Toronto Stock Exchange.

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

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

PRESENTATION OF INFORMATION

Unless otherwise indicated, information contained in this AIF is given at or for the year ended December 31, 2021. References in this AIF to "$" or "dollars" are to Canadian dollars unless otherwise stated. All financial information with respect to the Company has been prepared in accordance with IFRS. Figures, columns, and rows presented in tables provided in this AIF may not add due to rounding.

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

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

ABBREVIATIONS

The following abbreviations are used in this AIF:

C_3	Propane
C_4	Butane
C_5	Pentane
C_{5+}	Condensates
CCUS	Carbon Capture Utilization and Sequestration
CSG	Coal Seam Gas
CO_2	Carbon Dioxide
GHG	Greenhouse Gas
HP	Horsepower
H_2S	Hydrogen Sulfide
NGL	Natural Gas Liquids
KW	Kilowatt
MW	Megawatt
TCO_2e	Tonnes of Carbon Dioxide Equivalent

FORWARD-LOOKING INFORMATION

This AIF contains forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information may contain, but is not limited to, words such as "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" or "capable" or the negative of such terms or similar expressions suggesting future conditions, events, or expectations. In particular, this AIF includes (without limitation) forward-looking information pertaining to: the ongoing impact of the coronavirus (COVID-19) pandemic on the Company and its Business, opportunities to grow the Company and the distribution of its products; the size and composition of the Company's customer base; the applications and demand for Enerflex's products and services; the markets in which the Company's products are used; continued growth in Enerflex's contract compression market share; expectations regarding the timing of potential acquisitions, events, approvals, and deliverables; anticipated future natural gas consumption; future natural gas prices and natural gas exploration and development activity levels; future demand for energy from hydrocarbons; future demand for energy from renewable energy sources; the availability of, and Enerflex's ability to pursue, opportunities that align with the global effort to address climate change; the continued availability of major components used in the fabrication of Enerflex's products; expectations regarding catastrophic risk mitigation; expectations regarding the cost of compliance with future laws and regulations; the continued access to skilled personnel; expectations regarding future dividend payments; and expectation regarding Board and committee composition.

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

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

NON-IFRS MEASURES

In this AIF, there are references to the terms "bookings", "backlog", and "recurring revenue", which are not recognized measures and have no standard meaning under IFRS and are unlikely to be comparable to similar measures presented by other companies. Enerflex generally recognizes the full amount of a new order or "booking" once a firm commitment or order is received from the customer. The amount recognized as a booking is the agreed upon price on the order for the delivery of goods offered under Enerflex's Engineered Systems product offering. "Backlog" is calculated by adding bookings received during the current fiscal period to the order backlog as of the end of the prior fiscal period and subtracting the revenue recognized in the current fiscal period. Management of Enerflex considers backlog an important indicator of future revenue and business activity levels for the Engineered Systems product line. Backlog helps management evaluate its performance due to it being an indication of revenue to be recognized in future periods using percentage of completion accounting. "Recurring revenue" is defined as revenue from the Service and Energy Infrastructure (formerly "Rentals") product lines. These revenue streams are contracted and extend into the future, rather than being recognized as a single transaction. While the contracts are subject to cancellation or have varying lengths, the Company does not believe that these characteristics preclude them from being considered recurring in nature.

Certain additional disclosures for such non-IFRS measures contained in our Management's Discussion and Analysis for the year ended December 31, 2021 are incorporated by reference in this Annual Information Form which is available on our website and at www.sedar.com. See "*Non-IFRS Measures*" in our Management's Discussion and Analysis for the year ended December 31, 2021.

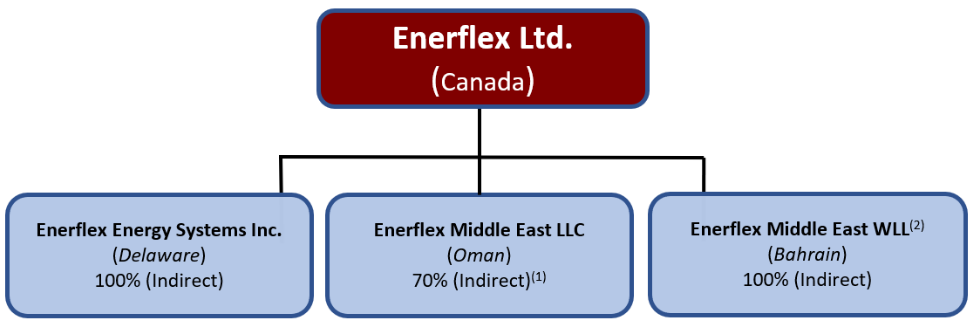
CORPORATE STRUCTURE

Name, Address, and Incorporation

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

Inter-Company Relationships

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



Notes:
(1) Enerflex holds 100% of the economic interest.
(2) Formerly named Enerflex Middle East SPC.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

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

2021

On January 18, 2021, Patricia Martinez was appointed to the role of Chief Energy Transition Officer to progress the Company's energy transition strategy and identify, evaluate, and drive low-carbon energy solutions. In addition to her new role, Ms. Martinez will also continue in her role as Enerflex's President, Latin America. See "*Directors and Officers.*"

On May 5, 2021, Enerflex announced the appointment of Helmuth Witulski as President, Canada. Previously, Mr. Witulski was Enerflex's Regional Director, Asia Pacific region. See "*Directors and Officers.*"

On July 16, 2021, the Company amended and restated its $725.0 million Bank Facility, principally to extend the maturity date on $660.0 million of its Bank Facility from June 30, 2023 to June 30, 2025; the remaining $65.0 million is due June 30, 2023 and may be renewed annually with the consent of the lenders. See "*Material Contracts – The Bank Facility*."

On August 4, 2021, Enerflex announced the appointment of Michael Weill to the Nominating and Corporate Governance Committee of the Board of Directors. See "*Directors and Officers.*"

On October 18, 2021, Enerflex announced the appointment of Mona Hale as a director of the Company. See "*Directors and Officers.*"

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

2020

On March 17, 2020, Enerflex provided guidance on regional-specific measures designed to preserve the strength of the Company's balance sheet and maximize free cash flow in response to the COVID-19 pandemic and general market volatility. Subsequent to this date, the Company provided updates on the status of these cost-saving measures as part of the Management's Discussion and Analysis for the quarters ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020.

On August 6, 2020, Enerflex announced the appointment of Mr. Fernando Assing as a director of the Company. See "*Directors and Officers.*"

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

2019

In February 2019, Mr. J. Blair Goertzen announced his plans to retire as President and Chief Executive Officer of Enerflex effective May 3, 2019 and not stand for re-election to the Board of Directors.

Effective May 2, 2019, the Company amended and restated the Bank Facility, principally to extend the maturity date from June 30, 2022 to June 30, 2023 and to voluntarily reduce the amount available under the Bank Facility from $775.0 million to $725.0 million. In addition, the Bank Facility may be increased by $150.0 million at the request of the Company and subject to the lenders' consent, an increase of $50.0 million over the previous, April 2018 amendment. See "*Material Contracts – The Bank Facility*."

May 3, 2019, Mr. Marc Rossiter was appointed President and Chief Executive Officer of Enerflex, and was elected to the Board at the annual and special meeting of the shareholders of Enerflex on May 3, 2019. See "*Directors and Officers*."

On May 29, 2019, Enerflex announced the appointment of Mr. Juan Carlos Villegas as a director of the Company. See "*Directors and Officers.*"

In June 2019, Ben Park, Vice President, Corporate Controller at Enerflex, was appointed Interim Chief Financial Officer ("**CFO**") following the resignation of D. James Harbilas as Executive Vice President and CFO on June 7, 2019.

On September 9, 2019, the Company appointed Sanjay Bishnoi as Senior Vice President, CFO and David H. Izett as Senior Vice President, General Counsel. See "*Directors and Officers*."

During the 2019 financial year, the Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.105 per Common Share for the first and second quarters of 2019 and a declared quarterly dividend to shareholders of $0.115 per Common Share for the third and fourth quarters of 2019. The total annual dividend for 2019 was $0.44 per Common Share.

Recent Developments

Pursuant to an Agreement and Plan of Merger dated January 24, 2022, Enerflex US Holdings Inc., a wholly owned subsidiary of Enerflex, intends to acquire all of the voting securities of Exterran Corporation in exchange for Common Shares of Enerflex. To facilitate the acquisition, Enerflex US Holdings Inc. will be merged into Exterran Corporation, with Exterran Corporation surviving as a wholly owned subsidiary of Enerflex.

The transaction is expected to close in the second or third quarter of 2022, subject to, among other things: the approval of the transaction by Exterran stockholders; pursuant to the rules of the TSX, the approval by Enerflex shareholders of the issuance of Enerflex Common Shares to be issued in connection with the transaction; receipt of all required regulatory approvals; and other customary closing conditions, including those of the TSX and the NYSE or NASDAQ, as applicable. Copies of the Agreement and Plan of Merger and related materials have been filed by Enerflex with the Canadian securities regulators and are available for viewing under Enerflex's electronic profile on www.sedar.com.

DESCRIPTION OF THE BUSINESS

Enerflex's Business

Enerflex is a single-source supplier of natural gas compression, oil and gas processing, refrigeration systems, energy transition solutions, and electric power generation equipment – plus related in-house engineering and mechanical services expertise. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission, service, and operate hydrocarbon and other gas handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, gas lift compression, refrigeration systems, and electric power solutions serving the natural gas production industry.

Headquartered in Calgary, Alberta, Canada, Enerflex has approximately 2,000 employees worldwide. Enerflex, its subsidiaries, interests in associates, and joint operations operate in Canada, the United States of America ("**USA**"), Argentina, Bolivia, Brazil, Colombia, Mexico, the United Kingdom, Bahrain, Kuwait, Oman, the United Arab Emirates ("**UAE**"), Australia, New Zealand, Indonesia, Malaysia, and Thailand. Through Enerflex's owned natural gas infrastructure, the Company transforms over 3.1 billion cubic feet of natural gas per day, globally.

Enerflex has fabrication and workshop facilities in Calgary, Alberta; Houston, Texas; and Brisbane, Queensland, that supply custom fabricated and standard equipment to customers worldwide. Enerflex is one of the leading suppliers of natural gas compression within the rental market in Canada, the USA, Latin America, and the Middle East, with a global rental fleet of approximately 800,000 HP. The Company is a highly qualified service provider with industry-certified mechanics and technicians strategically situated across a network of 53 service locations in Canada, the USA, Latin America, the Middle East, and Asia Pacific.

The Company's revenue is derived from the sale of natural gas-related products and services, including:

- engineering, design, and fabrication of hydrocarbon production and processing facilities, natural gas compression equipment, energy transition solutions, and electric power facilities;
- rental of natural gas compression, processing, and electric power equipment;
- after-market service, operations and maintenance, and parts distribution, for compression, process, refrigeration, and power generation equipment, as well as retrofit solutions for compression and power generation equipment; and
- concept-to-commissioning of integrated turnkey ("**ITK**") systems and build-own-operate-maintain ("**BOOM**") solutions for natural gas compression, processing, and power generation. Certain BOOM contracts are accounted for as finance leases.

Through Enerflex's ability to provide these products and services in an integrated manner, or as stand-alone offerings, the Company offers customers a unique value proposition well suited to address their changing needs.

Geographic Markets

The Company has three reporting segments – USA, Rest of World, and Canada. Each of Enerflex's three business segments are organized into product lines as described below.

USA

- The Engineered Systems product line consists of custom and standard compression packages for reciprocating and screw compressor applications from Enerflex's manufacturing facility located in Houston, Texas. In addition, the Company engineers, designs, manufactures, constructs, and installs modular natural gas processing equipment, energy transition solutions, refrigeration systems, and electric power solutions. Retrofit provides re-engineering, re-configuration, and re-packaging of compressors for various field applications.
- The Service product line provides mechanical services and parts, as well as maintenance solutions to the oil and natural gas industry in the USA. The Company is a Platinum Tier Gas Compression Solution Provider of INNIO Waukesha, providing worldwide factory-direct access to Waukesha engines and parts. In addition, Enerflex packages CAT engines and parts. Enerflex's USA service branches are located in Colorado, Louisiana, New Mexico, North Dakota, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming.
- The Energy Infrastructure product line provides natural gas compression equipment rentals to oil and natural gas customers in the USA (under its Contract Compression operations), primarily operating in the Permian and SCOOP/STACK formations utilizing a fleet of low- to high-horsepower packages. These compressor packages are typically used in wellhead, gas-lift and natural gas gathering systems, and other applications primarily in connection with natural gas and oil production. In addition, power generation rental solutions are also available in the USA region. The Energy Infrastructure product line in the USA operates out of Enerflex's Houston, Texas facility.

Rest of World

- The Rest of World segment deploys products typically fabricated by Enerflex's Engineered Systems division in Houston, Texas.
- The Latin America region, with locations in Argentina, Bolivia, Brazil, Colombia, and Mexico provides Engineered Systems products, including integrated turnkey natural gas compression, processing, low-carbon, and electric power solutions, with local construction and installation capabilities. The Service product line in the region focuses on after-market services, parts, and components, as well as operations, maintenance, and overhaul services. Enerflex's Energy Infrastructure product line provides natural gas compression and processing equipment for rent to oil and gas customers in the region. Enerflex has a number of BOOM facilities of varying size and scope in this region providing customers with alternate solutions to meet their natural gas compression, processing, and electric power needs. These BOOM facilities can be treated as either operating or finance leases.
- The Middle East/Africa ("**MEA**") region, through its operations in Bahrain, Oman, Kuwait, and the UAE, provides engineering, design, procurement, and construction services for compression, process, low-carbon, and power generation equipment, as well as rentals, after-market service, parts, and operations and maintenance services for gas compression and processing facilities in the region. The Energy Infrastructure product line provides natural gas compression and processing equipment for rent to oil and gas customers in the region. Enerflex has a number of BOOM facilities of varying size and scope in this region providing customers with alternate solutions to meet their natural gas compression, processing, and electric power needs. These BOOM facilities can be treated as either operating or finance leases.
- The Australia region is headquartered in Brisbane, Queensland with additional locations in Queensland, Western Australia, and New Zealand providing after-market services, equipment and parts supply, and general asset management.
- The Asia region, with locations and operations in Indonesia, Malaysia, and Thailand, provides Engineered Systems, as well as after-market services and parts through the Company's local operations.
- Through its location in the United Kingdom, the Company provides customized compression, processing, and high-end refrigeration solutions in the Europe region.
- As a Platinum Tier Gas Compression Solution Provider of INNIO Waukesha engines, the Company provides factory-direct access to Waukesha engines and parts in its Rest of World regions. This region also packages CAT engines and parts.

Canada

- The Engineered Systems product line is comprised of compression, process, low-carbon, and electric power solutions. Enerflex provides custom and standard compression packages for reciprocating and screw compressor applications. It also engineers, designs, manufactures, constructs, and installs modular processing equipment and waste gas systems for natural gas facilities. Enerflex provides integrated turnkey power generation solutions and gas compression and processing facilities. Retrofit solutions provide re-engineering, re-configuration, and re-packaging of compressors for various field applications. Enerflex has a manufacturing facility in Calgary, Alberta and retrofit facilities in Calgary, Grand Prairie, and Red Deer, Alberta.

- The Service product line provides after-market mechanical service and parts distribution. As a Platinum Tier Gas Compression Solution Provider of INNIO Waukesha, the Company has worldwide factory-direct access to Waukesha engines and parts. In addition, Enerflex is also the authorized distributor and service provider of INNIO’s Jenbacher gas engines and parts in Canada. The Company also packages CAT and MAN engines and parts. The Service product line operates out of service branches located in Alberta, British Columbia, Ontario, and Quebec.
- The Energy Infrastructure product line provides reciprocating and rotary screw natural gas compression packages ranging from 50 HP to 2,000 HP, as well as electric power equipment for rent to customers.

Product Lines

As noted above, Enerflex's operations in each of its geographical business segments are generally structured along three main product lines: Engineered Systems, Service, and Energy Infrastructure.

Engineered Systems

Enerflex's Engineered Systems product line includes engineering, design, fabrication, and assembly of standard and custom-designed compression, processing, low-carbon, refrigeration, and electric power solutions. Facilities dedicated to the Engineered Systems product line occupy approximately 250,000 square feet of manufacturing space in Canada and 315,000 square feet of manufacturing space in the USA. In addition, the Company has approximately 40,000 square feet of shop space in Australia that is devoted to retrofit, service, and overhaul activities. The Engineered Systems product line is comprised of four product offerings: Compression, Process, Energy Transition, and Electric Power. Enerflex is able to combine one or more of these product offerings into an integrated solution, including civil works, piping and structural fabrication, electrical, instrumentation, controls, and automation, as well as installation and commissioning. Enerflex’s ITK offering allows customers to simplify their supply chain, eliminate interface risk, and reduce the concept-to-commissioning cycle time of major projects.

Compression

Enerflex is a leading supplier of natural gas compression packages which are powered by gas-fuelled engines or electric motors. These natural gas compression packages typically consist of reciprocating or screw compressors, cooling fans, piping, and instrumentation and controls. A typical compressor package consists of a steel skid, a natural gas compressor, a driver (such as a reciprocating engine, gas turbine, or electric motor), a natural gas cooler, a liquid and/or particulate separator, piping, and a control system. Compressor packages destined for use in colder climates are often enclosed in an insulated building. Applications include natural gas gathering compression, gas lift compression, inlet and residue compression in processing facilities, compression for natural gas storage, and pipeline compression.

Enerflex engineers, designs, fabricates, constructs, commissions, operates, and services a wide variety of natural gas compression packages for customers domestically and internationally from facilities in Calgary, Alberta and Houston, Texas, which are standard or custom-designed with major components supplied by leaders and innovators within the industry. Enerflex offers compression packages from 20 HP to 10,000 plus HP, ranging from low specification field compressors to high specification process compressors for onshore and offshore applications.

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

Enerflex's customers for compression equipment range from small independent producers to majors, as well as midstream and third-party processing providers. Key North American markets include, but are not limited to, the Permian, Marcellus, SCOOP/STACK, Bakken, Woodford, and Eagle Ford plays in the USA, as well as the Montney and Duvernay plays in Canada. Enerflex also provides compression equipment to the international market, which represents a significant proportion of the Company's overall business.

Natural gas is found in naturally occurring underground reservoirs, coal seams, and shale seams. The pressure of the natural gas at the wellhead is generally too low to enable the natural gas to be transported to its ultimate market without assistance. For this reason, virtually every cubic foot of natural gas requires compression at some point in the production, transportation, and processing cycles. Compression equipment is used to increase the pressure within natural gas gathering systems and processing plants to facilitate transportation and processing of the natural gas. Generally, several compressors are required to sustain the pressure required to deliver natural gas from a typical field to the mainline high-pressure transmission facility and to its end use.

Demand for compression occurs when new natural gas wells are drilled or when reservoir pressures decline in existing natural gas fields. A combination of additional compression and development drilling is invariably required to offset the decline in reservoir pressures. This is particularly evident in shallow gas reservoirs and CSG fields, which often experience low initial production pressure or rapid declines in production due to decreases in reservoir pressure.

Processing

Enerflex engineers, designs, fabricates, constructs, commissions, operates, and services oil and natural gas processing equipment. Complete oil and natural gas processing modules are designed and fabricated at Enerflex's facilities located in Calgary, Alberta and Houston, Texas. Modular fabrication facilitates delivery to a global market from these facilities. Enerflex also provides supervision and project management services across the world with respect to the installation, commissioning, and start-up of such products and facilities. Process applications include dehydration, NGL recovery, refrigeration, cryogenic processing, condensate stabilization, dew point control, and amine sweetening.

In North America, Enerflex's processing customers include small to large producers and midstream processing providers. Internationally, processing customers range from regionally significant players to some of the world's largest producers, including national oil companies. Gas processing facilities outside North America tend to be large and complex, requiring worldwide logistics capability, plus the technical expertise to provide design guarantees. Key markets include Latin America and Arabian Gulf nations such as Bahrain, Oman, Kuwait, and the UAE.

Processing prepares natural gas for transportation by pipeline for end-use consumption. Substantially all newly produced natural gas requires the removal of water, CO_2, and other impurities. Gas containing NGLs (ethane, propane, butane, and condensate) typically requires more complex processing. The North

American producing sector's increased focus on liquids-rich gas opportunities has generated new demand for processing facilities, including cryogenic processing facilities. Enerflex has historically focused on dew point processing, however, the natural gas sector's current drive to optimize production economics by maximizing liquids recovery creates attractive opportunities in cryogenic processing. Enerflex has a dedicated engineering and design team, plus the resources and fabrication capabilities to provide complete cryogenic processing facilities for deep-cut liquids extraction. These systems are engineered to dry and recover NGL's for natural gas feedstock flow rates of 30 MMSCFD to 200 MMSCFD utilizing the Recycle-Split-Vapor process, or the Gas Subcooled Process, depending on desired recovery rates. The facilities use turboexpanders to achieve an ultra-low temperature allowing recovery rates of 95+% of the inlet stream's ethane, 99.8+% of propane, and 100% of the butane. Enerflex's core configuration for cryogenic plants includes inlet dehydration using molecular sieve equipment, cryogenic gas processing system, and turbo-expander/re-compressor skid.

Energy Transition Solutions

Building on the Company's strong foundation of technical excellence in modular equipment, Enerflex has extended its core competencies to support the industry's decarbonization goals. Since the early 1980s, Enerflex has engineered, designed, fabricated, and constructed energy transition solutions, including projects related to carbon capture utilization and sequestration ("**CCUS**"), renewable natural gas, electrification, and hydrogen.

To date, Enerflex has completed over 150 CCUS projects globally, with a total combined capacity of approximately 5 million tonnes per year of CO_2. CCUS is a key avenue to achieve deep decarbonization and technology is rapidly advancing. However, even with an optimistic market outlook and being inherently aligned within Enerflex's capabilities, project feasibility in CCUS will be the highest in areas where long-term carbon tax credits and other incentives exist.

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

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

In addition to these three solutions, Enerflex has also been actively involved in the e-compression space for decades, having packaged over 3 million HP of electric drive compression, and completed a multitude of retrofits. This space consists of a growing list of customers who look to decarbonize their facilities with low-carbon new builds – and includes Enerflex's own growing Electric Motor Drive (EMD) fleet. Adding to e-compression with solar self-generation, Enerflex continues to expand into the renewable space with these highly economical and complimentary solutions

Electric Power

The Company provides electric power solutions and after-market services required for on-going life cycle support of this equipment. Enerflex's typical power generation units range from 20 kW to 50 MW using natural gas reciprocating engines, a generator, and control devices. Power generation equipment may operate on multiple gaseous fuel sources including natural gas, biogas, sewage gas, landfill gas, syngas, solution gas, flare gas, propane, or a combination of these fuels. The power systems provided to the market by Enerflex are used for the generation of power in island-mode prime power, fast response peak shaving applications, and co-generation and tri-generation – combined heat and power. In the latter process, waste heat produced by the engine is captured and used for space heating in applications such as greenhouses, where the exhaust from the engine is also treated to capture the waste CO_2 for fertilization of agricultural products. In addition, Enerflex provides temporary, standby, and backup power for construction sites, pipeline pumping stations, and electrical grids.

Enerflex's electric power packages are powered by Waukesha, Jenbacher, or MAN engines. Each engine manufacturer is continually evolving its technologies to improve operating efficiency and environmental performance. The Company provides field construction, installation, and commissioning for an integrated electric power solution, taking advantage of Enerflex's reputation in gas-fuelled engines and its skills in modular engineering, fabrication, and after-market support.

Enerflex's electric power solutions cover the oil and gas, industrial, institutional, greenhouse, data centres, mining, renewables, and agriculture sectors across the world. Customers range from pulp and paper mills, landfill sites, hospitals, city facilities, beverage facilities, greenhouses, utilities and power companies, and a range of oil and gas producers.

Service

Enerflex's Service product line provides after-market services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, long-term service agreements, and technical services to its global customers. The product line operates through an extensive network of branch offices and generally provides its services at the customer's wellsite location using trained technicians and mechanics. Enerflex's after-market service and support business includes distribution and remanufacturing facilities, with 53 outlets situated in active natural gas producing areas, over 400 service vehicles, hundreds of skilled mechanics, and a sizable inventory of original equipment manufacturer ("**OEM**") parts from key manufacturers.

Enerflex services a large base of natural gas compression and storage facilities installed in North America, Latin America, the Middle East, and Asia Pacific. The workshop facility in Brisbane supports the Company's retrofit, service, and overhaul activities in the Asia Pacific region. In addition, Enerflex provides contract operations and maintenance for large natural gas facilities in the Middle East, Latin America, and other markets.

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

Enerflex has entered into distribution and service agreements with INNIO, pursuant to which Enerflex is a Platinum Tier Gas Compression Solution Provider of INNIO Waukesha engines and parts. Additionally, the Company is a distributor for INNIO's Jenbacher gas engines and parts in Canada. INNIO produces high-quality reciprocating gas-fuelled engines, sold under the brand name Waukesha primarily for natural gas compression and power generation applications, and the brand name Jenbacher for power generation.

Enerflex is also the authorized distributor for Altronic, a leading manufacturer of ignition and control systems, in all its operating regions.

Energy Infrastructure

Enerflex's Energy Infrastructure (formerly "Rentals") product line offers a variety of rental and leasing alternatives for natural gas compression, processing, and electric power equipment. The rental fleet is deployed across Canada, the USA, Argentina, Brazil, Colombia, Mexico, Bahrain, and Oman, and provides comprehensive contract operations services to customers in each of those regions. In addition to Enerflex’s asset fleet, this product line provides customers with trained personnel, equipment, tools, materials, and supplies to meet their natural gas compression, processing, and power generation needs, as well as designing, sourcing, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services. The Energy Infrastructure product line encompasses a fleet of natural gas compressors totalling approximately 800,000 HP on rent or available for rent globally. Rental customers range from independent producers and regionally significant players to some of the world's largest producers, including national oil companies.

When the Company enters into a rental contract with a customer, the initial term of the commitment generally ranges between one to five years, however, in some cases, initial terms or extensions to initial terms can result in the customer renting the equipment for greater than 10 years. These rental contracts typically require Enerflex to provide all the engineering, design, and installation services in order to bring the rental equipment online, and these arrangements require Enerflex to make a significant investment in equipment, facilities, and related installation costs. These projects may include several compressor units on one site or entire facilities designed to process and treat oil or natural gas to make it suitable for end use. Customers generally are required to pay a monthly service fee even during periods of limited or disrupted oil or natural gas flows, which enhances the stability and predictability of the Company’s cash flows. Additionally, the Company does not have direct exposure to the fluctuations in commodity prices due to the fact that Enerflex provides an up-time guarantee and does not take title to the oil or natural gas being compressed, processed, or treated.

The energy infrastructure fleet is maintained in accordance with established maintenance schedules and OEM guidelines. These maintenance procedures are updated as technology changes and as new techniques and procedures are developed. In addition, because Enerflex field technicians provide maintenance on the Company’s contract operations equipment, they are familiar with the condition of the equipment and can readily identify potential problems. It is Enerflex's experience that these maintenance procedures maximize equipment life and unit availability, minimize avoidable downtime, and lower the overall maintenance expenditures over the equipment life.

In the USA, Enerflex provides contract compression rental services in a number of shale plays including the Permian Basin and the SCOOP/STACK. The demand for Enerflex's products and services is driven by domestic production of natural gas and crude oil, where compression is typically required to move produced volumes from the wellhead and through gathering systems. In addition, contract compression can also improve performance in maturing fields.

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

Segmented Revenue Details

Enerflex's 2021 and 2020 revenue, by business segment and by product line, is set forth in the following table:

$ Thousands (unaudited) as at December 31,	**2021 Revenue $000**	**%**	2020 Revenue $000	%
Business Segment				
USA	**470,383**	**49**	632,286	52
Rest of World	**309,557**	**32**	353,011	29
Canada	**180,216**	**19**	231,755	19
Total	**$960,156**	**100%**	$1,217,052	100%
Product Line				
Engineered Systems	**354,127**	**37**	598,566	49
Service	**327,376**	**34**	303,269	25
Energy Infrastructure (formerly "Rentals")	**278,653**	**29**	315,217	26
Total	**$960,156**	**100%**	$1,217,052	100%

Product Line	**2021 Revenue $000**		2020 Revenue $000	
Engineered Systems				
USA	**218,558**	**62**	390,178	65
Rest of World	**22,500**	**6**	40,485	7
Canada	**113,069**	**32**	167,903	28
	$354,127	**100%**	$598,566	100%
Service				
USA	**153,722**	**47**	150,939	50
Rest of World	**111,500**	**34**	96,092	32
Canada	**62,154**	**19**	56,238	18
	$327,376	**100%**	$303,269	100%
Energy Infrastructure (formerly "Rentals")				
USA	**98,103**	**35**	91,169	29
Rest of World	**175,557**	**63**	216,434	69
Canada	**4,993**	**2**	7,614	2
	$278,653	**100%**	$315,217	100%
Total	**$960,156**	**100%**	$1,217,052	100%

Enerflex's Facilities

Enerflex has 57 locations worldwide. The Company has 14 locations in Canada, 9 of which are located in Alberta including the head office and one manufacturing facility in Calgary, Alberta, primarily serving the Canadian market. Enerflex also has 24 locations throughout the USA, including the Company's manufacturing facility located in Houston, Texas, serving the USA and international markets. In Latin America, Enerflex has 6 locations. In Australia and New Zealand, Enerflex has 5 locations including a facility in Brisbane that is devoted to retrofit, services, and overhaul activities. There are 4 locations across the Asia region, 4 locations throughout the Middle East/Africa, and 1 location in Europe. See "*Description of the Business – Geographic Markets"* for further details.

Enerflex's Customers

The Enerflex customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including small to large independent producers, integrated oil and natural gas companies, midstream and petrochemical companies, power generation companies, users of natural gas-fired electric power, and carbon capture players. Certain customers may from time-to-time account for over 10 percent of the Company's business in a given year. For the year ended December 31, 2021, the Company had no individual customers which accounted for more than 10 percent of its revenue.

Sources and Availability of Components and Raw Materials

Raw materials, components, parts, and engines used by Enerflex's equipment/package operations are generally available from a variety of sources. Enerflex acquires most of its natural gas engines through OEM agreements with INNIO, Finning CAT (Finning International Inc.), and Mustang CAT. Enerflex also has relationships with the Ariel Corporation, the Howden Group, and the Frick Company (Johnson Controls Inc.) for the provision of reciprocating and rotary screw compressors. Enerflex purchases coolers for its natural gas compression units from a select number of suppliers. See "*Risk Factors – Availability of Raw Materials, Component Parts, or Finished Products*."

Competitive Conditions

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

The Company views its competitive landscape by region. In the USA during 2021, the principal competitors for Engineered Systems project work were SNC Lavalin, SEC Energy Services, and AG Equipment Co., and a number of private U.S.-based corporations; and the principal competitors for Energy Infrastructure and Service offerings were USA Compression Partners, Archrock, CSI Compressco, and a number of private U.S.-based corporations, including Kodiak Gas Services. In the Rest of World segment during 2021, the principal competitors were Exterran Corporation, SNC Lavalin, Thermo Design Engineering, Euro Gas

Systems, UOP, and Schlumberger, as well as local competitors in each of the countries in which the Company operates. In Canada during 2021, the principal competitors were a number of private Canadian-based corporations that are able to provide some combination of products and services similar to Enerflex's Engineered Systems, Service, and Energy Infrastructure offerings. See "*Risk Factors – Competition*."

Competitive Issues in the Oil and Natural Gas Service Industry

The availability of major components used in the fabrication of Enerflex's products and access to skilled personnel to meet the technical and trade requirements for designing and assembling these products are under increasing pressure on a worldwide basis. The Company's global footprint assists Enerflex in managing these issues by broadening the markets in which personnel can be accessed and allowing the Company to manage its inventory levels on a larger scale thus improving its supply chain. In addition to the various business risk factors outlined in the section of this AIF entitled "*Risk Factors*" below, investors should be aware of the following competitive issues in the USA, Rest of World, and Canada segments.

USA

There are several global competitors in the compression and processing fabrication business, and a number of smaller regional competitors in the USA and globally. Larger companies are able to compete across more regions while offering many products and services that compete with Enerflex, whereas typically smaller companies are able to focus their resources on one competitive offering for a specific region.

For Engineered Systems, Enerflex's management believes that the United States market will continue to provide Enerflex with opportunities to expand its business through the supply of compression, processing, low carbon, electric power, and integrated turnkey solutions, from its Houston, Texas fabrication facility. Enerflex is also able to effectively leverage this capability to serve both Rest of World and Energy Transition Infrastructure project opportunities, achieving synergies via this vertical integration.

Similar to the Engineered Systems business, the Energy Infrastructure market in the USA is highly competitive, with both very large and small contract compression companies vying for the same customers as Enerflex. These competitors may adapt more quickly to changes within the industry and changes in economic conditions as a whole and adopt more aggressive pricing policies. Management believes that the USA contract compression rental market will continue to grow. By continuing to offer customers competitively priced and readily available equipment, availability guarantees, exceptional customer service, and flexibility in meeting customers needs, the Company expects to continue to grow its market share in the contract compression rental business.

Rest of World

In the Rest of World segment, Enerflex generally faces the same competitors as in North America. Many significant North American compression and processing equipment fabricators pursue international opportunities. Enerflex has increased the size and scope the Company's international business, particularly in the Middle East and Latin American markets, by leveraging its Engineered Systems products, either as standalone projects or ITK or BOOM projects with associated operations and maintenance contracts.

Enerflex continues to anticipate growth in the MEA market, with opportunities in Engineered Systems, ITK, and BOOM projects, as well as after-market service opportunities. Enerflex is well positioned to offer equipment and facility sales, rental equipment, and after-market services, including operations and maintenance contracts, through its branch network covering the MEA region.

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

In Asia Pacific, Enerflex is well positioned to service and maintain the compression equipment installed in the region and to capitalize on the expanding natural gas infrastructure and power generation needs of the region. The Company has a history of successfully supplying and servicing natural gas production, distribution, and storage facility projects.

Canada

The Canadian compression and processing equipment fabrication markets are very competitive. To be successful, Enerflex must compete on the basis of product quality and variety, strong relationships, and exceptional service, all while remaining price competitive. The general downturn in the oil and gas industry over the past two years appears to be reversing and we are optimistic for a return to growth for our Engineered Systems business.

The Canadian region has developed expertise in electric power solutions. This expertise has been leveraged to secure gas fired power generation opportunities in the oil and gas industry, as well as a multitude of non-related industries, such as greenhouses, malting applications, and landfill gas-to-power. We expect to see increased growth via this product platform for our business in Canada and in other operating areas.

While there are a number of public and private competitors for after-market services, Enerflex is a market leader in Canada with an extensive branch network to maintain proximity to customer locations. In addition, the Company aims to drive recurring revenue through an increased focus on long-term service agreements for compression, processing, and electric power solutions.

In Canada, the majority of compression equipment is owned by producers, rather than contracted. Enerflex has the ability and strong track record to reconfigure or retrofit, replace, or upgrade gas engines, electric motors, and compression equipment to reduce emissions and optimize performance as the future production profile changes.

Intangible Properties

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

Cycles and Seasonality

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

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

Economic Dependence

For the year ended December 31, 2021, the Company had no individual customers which accounted for more than 10 percent of its revenue.

Enerflex is committed to building strong relationships with suppliers and recognizes that success is achieved by fostering trust and respect between the parties. Enerflex has developed an effective, competitive bidding process to provide opportunities for all new and existing suppliers. Enerflex is not substantially dependent on any single supplier.

Changes to Contracts

There is no aspect of the Company's business reasonably expected to be materially affected by renegotiation or termination of contracts or sub-contracts. See "*Risk Factors – Availability of Raw Materials, Component Parts, or Finished Products*."

Environmental Protection and Emissions

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

Chemicals Management

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

All such chemicals are consumed during use. Enerflex's activities do not produce hazardous waste for disposal.

GHG Emissions

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

GHG Emissions[1]	2021	2020[2] (restated)	SASB CODE
Gross global Scope 1 emissions (TCO_2e)	14,100	14,800	EM-MD-110a.1
Global Scope 1 emissions (by business segment) (TCO_2e)			
• Engineered Systems	140	180	n/a
• Service	6,300	6,800	n/a
• Energy Infrastructure	7,700	7,800	n/a
Percentage methane (CH_4)	<1%	<1%	EM-MD-110a.1
Gross global Scope 2 emissions (TCO_2e)	9,500	11,100	n/a
Combined gross global Scope 1 and 2 emissions (TCO_2e)	23,600	25,900	n/a
Scope 1 and 2 emissions intensity per revenue (TCO_2e/$M revenue)	24.6	21.3	n/a
Scope 3 emissions from Energy Infrastructure	2,170,000	2,390,000	n/a

Notes:

(1) Enerflex has defined Scope 1, 2, and 3 emissions according to the methodology contained in the GHG Protocol (March 2004). Scope 1 emissions include all emissions from sources owned or controlled by Enerflex, using the operational control consolidation approach under the GHG Protocol. Scope 2 emissions include all indirect emissions resulting from the generation of purchased electricity consumed by Enerflex. Enerflex has calculated Scope 1 and 2 emissions using the industry-specific calculation methodology set forth in the API Compendium (August 2009), including only CO_2, CH_4 and N_2O (emissions of the other Kyoto Protocol gases have been deemed inconsequential).

(2) Enerflex has revised its methodology for calculating Scope 1 emissions. Previously Enerflex used the financial control consolidation approach under the GHG Protocol, pursuant to which the emissions from its Energy Infrastructure business segment (contract compression fleet and BOOM assets) were included as Scope 1. Currently, consistent with the GHG Protocol's operational control consolidation approach, Enerflex categorizes the emissions from its Energy Infrastructure as Scope 3, which better reflects the fact that Enerflex does not have operational control of such assets. The 2020 data in the table above has been restated to reflect the operational control consolidation approach.

See the ESG section of the Enerflex website at www.enerflex.com for the Company's 2021 GHG emissions inventory.

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

Management of Climate-Related Risks

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

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

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

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

Climate-Related Opportunities

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

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

The Company has made it its responsibility to understand the environmental impact of its operations and work towards minimizing its footprint. Beyond recycling and other waste management initiatives at corporate, manufacturing, and field locations, Enerflex's Canadian and USA manufacturing facilities use low VOC paint and VOC free thinner, and, in 2021, the Company implemented an enterprise-wide policy to limit standby running for vehicles and operating equipment. The Company has also reduced its usage of freshwater by mandating the use of recycled water for pressure testing vessels and pressure washing at its USA manufacturing facility and one of its contract compression facilities and using collected rainwater for pressure washing certain compressor packages in Colombia. The Company also has an Environmental Assessment Committee responsible for identifying opportunities to enhance environmental performance across Enerflex's facilities and fleet, and to quantify the Company's global GHG emissions inventory. This internal committee is also focussed on expanding collaboration across the organization and operations to identify and evaluate key environmental risks and opportunities for the business and helping develop ESG disclosures to be responsive to stakeholder expectations. Throughout 2021, climate-related risks and opportunities were integrated into Enerflex's strategic planning and investment decisions. In early 2021, the Board appointed a Chief Energy Transition Officer, responsible for progressing the Company's energy transition strategy and identifying, evaluating, and driving low-carbon energy solutions. See "*Directors and Officers – Executive Officers*".

Social and Safety Policies

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

Communities

Enerflex works to enhance the lives of its employees and the communities in which it operates, including by partnering with organizations that build and strengthen communities. Enerflex contributes directly to a number of social causes, and also supports charitable activities by encouraging employees to volunteer their time and talent. Enerflex is actively involved in supporting neighbouring businesses and non-profits such as Kids Cancer Care, MS Society, as well as Food Bank, Blood, Diabetes, and Heart Services agencies.

Safety

Since Enerflex's inception, safety has been a fundamental value and is integrated into its culture. The Company's goal of achieving and maintaining HSE performance excellence is supported by critical policies and systems designed to systemically drive improvement and protect both the Company and its people. Enerflex continues to implement and enhance its occupational health and wellness programs, inspection and incident investigation procedures, environmental management, as well as other initiatives intended to reinforce Enerflex's safety culture. The Company performs annual internal safety system audits, as well as periodic comprehensive third-party external audits, ensuring each location meets or exceeds industry standards and the Company's HSE requirements. The Company remains focused on strengthening its coordinated approach to HSE by engaging senior leadership and on-the-ground HSE teams to infuse the Company's safety practices throughout its operations and facilities. Of particular significance, in 2021, the Company achieved its total recordable incident rate ("**TRIR**") goal of 0.50 by finishing the fourth quarter of 2021 with a TRIR of 0.50. This is the lowest annual TRIR that the Company has achieved since the Arrangement with Toromont in 2011. The Company has consistent programs and processes across all regions and is committed to ensuring that employees have the required training, equipment, and resources to do their jobs effectively and safely, including by empowering all employees with stop work authority to stop any job that appears unsafe without fear of reprimand.

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

The Company's HSE policies outline Enerflex's values and expectations with respect to HSE matters and are reviewed annually by HSE leadership and senior management and updated as applicable. The HSE policies govern how Enerflex will manage its operations to protect the health and safety of its employees, contractors, visitors, the public, and the environment, while complying with or exceeding all applicable laws, regulations, industry, and internal standards, and stakeholder expectations. Enerflex's constant HSE goal is no harm to people, no damage to the environment, and effective control of all identifiable risks.

Catastrophic Risk Mitigation

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

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

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

Code of Conduct

Enerflex also strives to maintain a culture of integrity, ethical business conduct, transparency, and compliance. As part of these efforts, Enerflex maintains a written Business Code of Conduct (the "**Code**"), applicable to directors, officers, employees, and independent contractors of Enerflex and its subsidiaries. The Code provides guidance on areas such as conflicts of interest, outside employment, outside directorships, non-profit and professional associations, entertainment, gifts and favours, corporate property, anti-corruption, competition and anti-trust legislation, communication devices and related matters, proprietary and confidential information, corporate communications, insider trading, health, safety, and environment, human rights and respectful workplace, business and accounting practices, corporate donations, and political participation. The Code is reviewed annually by the NCG Committee and the Board and updated as necessary or advisable. Most recently, the Code was updated in 2021 to enhance the importance of ensuring compliance with applicable sanctions and trade controls laws, as well as the Company's Respectful Workplace Policy. The Board, through the Audit Committee and the HRC Committee, receives regular reports regarding compliance with the Code. Orientation sessions for new employees include training in respect of the Code. In accordance with the compliance provisions and the Company's training initiatives, directors, officers, and all Enerflex managers are required to acknowledge annually their compliance with the provisions of the Code. Company-wide certification occurs at least every 24 months, most recently in the fall of 2020. The Code has been translated into Arabic, English, French, Indonesian, Portuguese, and Spanish to ensure that Enerflex employees have the opportunity to read and understand its provisions in their native language.

Modern Slavery Policy

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

Employees

Enerflex had approximately 2,000 employees worldwide as at December 31, 2021. See "*Risk Factors – Personnel and Contractors*".

Backlog

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

$ Thousands (unaudited) as at December 31,	2021	2020
USA	262,937	76,778
Rest of World	179,655	16,176
Canada	114,957	50,019
Total Backlog	**$ 557,549**	**$ 142,973**

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

RISK FACTORS

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

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

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

The supply and demand for oil and gas is influenced by a number of factors, including the outlook for worldwide economies, as well as the activities of the Organization of Petroleum Exporting Countries (OPEC). Changing political, economic, or military circumstances throughout the energy producing regions of the world may impact the demand for oil and natural gas for extended periods of time, which in turn impacts the price of oil and natural gas. If economic conditions or international markets decline unexpectedly and oil and gas producing customers decide to cancel or postpone major capital expenditures, the Company's business may be adversely impacted.

Competition

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

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

Project Execution Risk

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

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

Climate Change Risks

Regulatory and Policy Risks

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

The direct or indirect costs of compliance with such laws or regulations may have a material adverse effect on the business, financial condition, results of operations, and prospects of the Company. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting regulatory requirements, it is not possible to predict with certainty the impact on the Company and its operations and financial condition.

Physical Risks

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

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

Technological Risks

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

ESG and Investor Sentiment

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

In addition, practices and disclosures relating to ESG matters (including but not limited to climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste, and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, Executive Management Team, and employees of Enerflex. Failing to implement the policies and practices, as requested, or expected by Enerflex's stakeholders, may result in such investors reducing their investment in Enerflex, or not investing in Enerflex at all. The Company's response to addressing ESG matters, and any negative perception thereof can also impact Enerflex's reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect Enerflex's business, future operations, and profitability.

Customer Credit Risk

A substantial portion of Enerflex's accounts receivable balances are with customers involved in the oil and natural gas industry. Many customers finance their exploration and development activities through cash flow from operations, the incurrence of debt, or the issuance of equity. During times when the oil or natural gas markets weaken, customers may experience decreased cash flow from operations, or a reduction in their ability to access capital. A reduction in borrowing bases under reserve-based credit facilities, the lack of availability of debt or equity financing or other factors that negatively impact customers' financial condition may impair their ability to pay for products or services rendered. Enerflex may extend credit to certain customers for products and services that it provides during its normal course of business. Enerflex monitors its credit exposure to its customers, but there can be no certainty that a credit-related loss will not materialize or have a material adverse impact on the organization. The consolidation of energy producers and increased number of smaller start-up exploration and production companies may alter Enerflex's exposure to credit risk. The financial failure of a customer may impair the Company's ability to collect on all or a portion of the accounts receivable balance from that customer.

The Company has remained vigilant during 2021 in monitoring the aging of receivables and proactively collecting outstanding balances. To address the challenging economic conditions confronted by the oil and natural gas industry in recent years, Enerflex has implemented additional monitoring processes in assessing the creditworthiness of its customers. See also "*Description of the Business – Enerflex's Customers*".

Public Health Crises, Including COVID-19

The Company’s business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics, or other health crises, including the ongoing COVID-19 pandemic which prevailed throughout 2021. Such public health crises may adversely affect Enerflex, causing a slowdown or temporary suspension of Enerflex’s operations in geographic locations impacted by an outbreak, including due to:

- reduced global economic activity and a corresponding decrease in demand for oil and natural gas, which could result in producers being forced to shut-in production and serve to lower demand for the Company’s products and services;
- impaired supply chain as a result of mass quarantines, lockdowns, or border closures, thereby limiting the supply and increasing the cost of goods and services used in Enerflex's operations; and
- restricted workforce as a result of quarantines and health impacts, rendering employees unable to work or travel.

Any limitations imposed on the mobility of Enerflex’s employees may have an impact on the Company’s ability to complete projects, including BOOM or ITK projects requiring installation in the field. In the event that Enerflex is unable to meet contractual requirements due to such public health crises and is unable to claim force majeure relief under the applicable contract or otherwise secure concessions from counterparties, the Company’s operational or financial results may be adversely impacted.

In addition to the overall slowdown in economic activity during the COVID-19 pandemic, the pandemic continued to impact the Company’s operations throughout 2021. COVID-related restrictions on travel and in-person gatherings remained in place in many parts of our operations, however business disruptions were not material, and the Company did not have to shut down any facilities or operations. Workforce COVID positivity rates were monitored to identify possible trends or operational vulnerabilities and the Company implemented continuity plans to mitigate the risk of business interruption. The Company was also able to maintain operations and otherwise mitigate COVID impacts by leveraging technologies which enable remote work arrangements, by proactively monitoring COVID cases and regulations in the communities in which we operate and by working with customers and supply chain partners to minimize disruptions. Enhanced cleaning protocols remained in place at Company facilities and the Company undertook efforts to ensure its workforce had access to advice from healthcare professionals. Where possible, the Company provided support to enable employees and their families to access vaccines.

Contract Compression Operations

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

Contracted Revenue

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

Compliance with HSE Regulations

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

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

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

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

The Company is also subject to various federal, provincial, state, and local laws and regulations relating to safety and health conditions in its manufacturing facilities and other operations. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any noncompliance, as well as potential business disruption if any of its facilities, or a portion of any facility, is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See "*Risk Factors – Health and Safety Risks.*"

Health and Safety Risks

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

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

International Operations

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

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

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

Corruption, Sanctions, Trade Compliance

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

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

Litigation Risk and Liability Claims

The Company's operations entail inherent risks, including but not limited to equipment defects, malfunctions and failures, and natural disasters that could result in uncontrollable flows of natural gas or well fluids, fires, and explosions. Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury or loss of life, or damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these incidents, the Company could face litigation and may be held liable for those losses. In the normal course of Enerflex's operations, it may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions related to contract disputes, property damage, environmental matters, employment matters, and personal injury. The Company may not be able to adequately protect itself contractually and insurance coverage may not be available or adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able to maintain insurance in the future at levels of risk coverage or policy limits that management deems adequate. Any Claims made under the Company's policies may cause its premiums to increase (see *"Risk Factors – Insurance"*). Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations, and financial condition.

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

Information Technology and Information Security

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

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

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

Security measures, such as incident monitoring, vulnerability testing, and response planning, and employee education and training have been implemented to protect the Company's information security and network infrastructure. However, the Company's mitigation measures cannot provide absolute security, and the information technology infrastructure may be vulnerable to criminal cyberattacks or data security incidents due to employee or customer error, malfeasance, or other vulnerabilities. Additionally, Enerflex is reliant on third-party service providers for certain information technology applications. While the Company conducts due-diligence and believes that these third-party service providers have adequate security measures, there can be no assurance that these security measures will prevent any cyber events or computer viruses from impacting the applications that Enerflex relies on.

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

Availability of Raw Materials, Component Parts, or Finished Products

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

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

Personnel and Contractors

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

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

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

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

Additionally, in increasing measures, Enerflex is dependent upon the skills and availability of various professional and administrative personnel to meet the increasing demands of the requirements and regulations of various professional and governmental bodies.

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

Inflationary Pressures

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

Insurance

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

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

Access to Capital

Enerflex relies on its cash, as well as the credit and capital markets to provide some of the capital required to continue operations. Enerflex relies on its Bank Facility, Asset-Based Facility and Senior Notes to meet its funding and liquidity requirements. Of the Company's $725.0 million Bank Facility, which is senior unsecured indebtedness and is subject to floating rates of interest, $660.0 million is due on June 30, 2025 while the remaining $65.0 million is due June 30, 2023 and may be renewed annually with the consent of the lenders. The Asset-Based Facility, which is subject to floating interest rates, is secured by certain assets of an Enerflex subsidiary band is non-recourse to the Company. The Senior Notes, which are also senior unsecured indebtedness of the organization, mature as follows: U$105.0 million and C$15.0 million of seven-year notes mature on December 15, 2024; and U$70.0 million and C$30.0 million of ten-year notes mature on December 15, 2027. As of December 31, 2021, the Company had $266.9 million in Senior Notes issued and outstanding, $37.4 million outstanding on its Asset-Based Facility, and $30.5 million outstanding on its Bank Facility.

Significant instability or disruptions to the capital markets, including the credit markets, may impact the Company's ability to successfully renegotiate all or part of its Bank Facility prior to its due date which could have important adverse consequences including: making it more difficult to satisfy contractual obligations; increasing vulnerability to general adverse economic conditions and industry conditions; limiting the ability to fund future working capital, capital expenditures or acquisitions; limiting the ability to refinance debt in the future or borrow additional funds to fund ongoing operations; and paying future dividends to shareholders.

As at December 31, 2021, the Company had $681.5 million combined available in borrowing base on its Bank Facility and Asset-Based Facility.

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

Future Acquisitions

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

Payment of Future Cash Dividends

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

Foreign Exchange

Enerflex reports its financial results to the public in Canadian dollars; however, a significant percentage of its revenues and expenses are denominated in currencies other than Canadian dollars. The Company identifies and hedges all significant transactional currency risks and its hedging policy remains unchanged in the current year. Further information on Enerflex's hedging activities is provided in Note 28 in the audited consolidated financial statements for the year ended December 31, 2021.

Transaction Exposure

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

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

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

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the U.S. dollar, Australian dollar, and Brazilian real.

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

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

Tax Matters

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

Interest Rate Risk

The Company's liabilities include long-term debt that may be subject to fluctuations in interest rates. The Company's Senior Notes outstanding at December 31, 2021 are at fixed interest rates and therefore will not be impacted by fluctuations in market interest rates. The Company's Bank and Asset-Based Facilities, however, is subject to changes in market interest rates. As at December 31, 2021 the Company had $67.9 million of indebtedness that is effectively subject to floating interest rates. Changes in economic conditions outside of Enerflex's control could result in higher interest rates, thereby increasing Enerflex's interest expense which may have a material adverse impact on Enerflex's financial results, financial condition, or ability to declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends.*"

For each one percent change in the rate of interest on the Bank and Asset-Based Facilities, the change in interest expense for the twelve months ended December 31, 2021 would be approximately $0.7 million. All interest charges are recorded in finance costs on the consolidated statements of earnings. Any increase in market interest rates could have a material adverse impact on the Company's financial results, financial condition, or ability to declare and pay dividends.

Terrorism

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

Seasonal Factors and Demand

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

DESCRIPTION OF CAPITAL STRUCTURE

Enerflex is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. As of December 31, 2021, there were 89,678,845 Common Shares issued and outstanding and no preferred shares outstanding. The following is a summary of the rights, privileges, restrictions, and conditions attached to the Common Shares and preferred shares.

Common Shares

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

Preferred Shares

Enerflex currently has no preferred shares outstanding, but preferred shares may be issued at any time in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the Board. Subject to the provisions of the CBCA, the Board may fix, before the issue thereof, the designation, rights, privileges, restrictions, and conditions attached to each series of the preferred shares. Holders of Enerflex preferred shares are not entitled to vote at any meeting of the shareholders of Enerflex but may be entitled to vote if Enerflex fails to pay dividends on that series of preferred shares and as otherwise provided for under the CBCA.

DIVIDENDS

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

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

Declaration Date	Date Paid	Rate Per Share
November 8, 2018	January 10, 2019	$0.105
February 21, 2019	April 4, 2019	$0.105
May 2, 2019	July 4, 2019	$0.105
August 8, 2019	October 3, 2019	$0.105
November 7, 2019	January 9, 2020	$0.115
February 20, 2020	April 2, 2020	$0.115
May 7, 2020	July 2, 2020	$0.020
August 6, 2020	October 1, 2020	$0.020
November 5, 2020	January 7, 2021	$0.020
February 24, 2021	April 1, 2021	$0.020
May 20, 2021	July 8, 2021	$0.020
August 19, 2021	October 7, 2021	$0.020
November 4, 2021	January 6, 2022	$0.025
February 23, 2022	April 7, 2022	$0.025

Restrictions on Paying Dividends

There are many factors which may restrict the ability of the Company to declare dividends and to make a dividend payment to shareholders. The Company's Bank Facility and Senior Notes, typical to commercial lending arrangements, contain provisions which could limit the payment of dividends if certain financial covenants are not met. As at December 31, 2021, the Company was in full compliance with these covenants. The declaration and payment of dividends are also subject to complying with the solvency tests set out in the CBCA. See also "*Risk Factors – Access to Capital*".

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the trading symbol "EFX". The table below describes the price range and trading volume for the Common Shares for the year ended December 31, 2021.

Period	High ($)	Low ($)	Close ($)	Volume (#)
2021				
January	7.80	6.43	6.58	6,923,094
February	9.38	6.53	8.74	7,610,551
March	9.75	8.05	8.11	9,525,725
April	8.51	7.53	8.20	5,253,482
May	8.62	7.29	8.06	5,204,256
June	9.21	7.92	8.39	6,019,673
July	8.64	7.13	7.24	3,961,992
August	8.07	6.76	7.67	3,610,472
September	9.54	7.48	9.28	3,542,205
October	11.12	9.22	10.55	4,186,803
November	11.07	7.28	7.37	8,463,089
December	7.80	6.87	7.66	3,632,422

During the financial year ended December 31, 2021, the Company granted options to acquire an aggregate of 654,847 Common Shares with a weighted average exercise price of $7.85.

DIRECTORS AND OFFICERS

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the CBCA. The next annual shareholder meeting is scheduled for May 3, 2022. Each director will devote the amount of time as is required to fulfill his or her obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

In 2013, the Board approved a board retirement policy (the "**Retirement Policy**") pursuant to which nominees for directors are not eligible to stand for election or be appointed as a director if such director has attained the age of 72 or has served the Company as a director for 12 years since 2013. Although the Board retains discretion to waive the application of the Retirement Policy if it is in the best interests of the Company to do so, the Board is of the view that imposing such limits is an important mechanism for ensuring board renewal. Therefore, in accordance with the Retirement Policy, neither Mr. Savidant nor Mr. Boswell is eligible to stand for election as directors at the next annual meeting of the shareholders of the Company as each has attained the age of 72. As both retirements had been anticipated by the Board, the Board took steps beginning in 2020 to bring on additional directors to ensure a smooth transition.

In addition, during 2021, Ms. Wesley was appointed President of a Florida-based utility company and in conjunction with the additional responsibilities associated with that appointment, Ms. Wesley has decided to step down from the Enerflex Board. Accordingly, having served the Company as a director for the past nine years, Ms. Wesley will not stand for re-election at this year's annual meeting of the shareholders of the Company.

As of December 31, 2021, the directors and executive officers of the Company as a group owned, controlled, or directed, directly or indirectly, an aggregate of 569,915 Common Shares, representing approximately 0.64 percent of the issued and outstanding Common Shares.

The following table contains information with respect each of the current directors of the Company as at December 31, 2021. Mr. Savidant, Mr. Boswell, Mr. Dunn, Mr. Marshall, and Mr. Weill were appointed as members of the Board of Directors effective June 1, 2011 pursuant to the Arrangement; Ms. Wesley was appointed as a member of the Board of Directors effective August 14, 2013; Ms. Cormier Jackson and Mr. Reinhart were appointed as members of the Board of Directors effective May 17, 2017; Mr. Villegas was appointed as to the Board of Directors effective May 29, 2019; Mr. Assing was appointed to the Board of Directors effective August 6, 2020; and Ms. Hale was appointed as a member of the Board of Directors effective October 18, 2021.

Directors

Name, Municipality, Country of Residence, and Position with the Company	Principal Occupation
Stephen J. Savidant (1) Victoria, British Columbia, Canada Director and Chairman	Independent Businessman and Corporate Director
Marc E. Rossiter Calgary, Alberta, Canada Director, President, and Chief Executive Officer	President and Chief Executive Officer, Enerflex Ltd.
Fernando Assing (6) Houston, Texas, USA Director	President and Chief Executive Officer, Centurion Group Limited
Robert S. Boswell (4)(6) Denver, Colorado, USA Director	Chairman and Chief Executive Officer, Laramie Energy LLC
Maureen Cormier Jackson (5) Calgary, Alberta, Canada Director	Independent Businesswoman and Corporate Director
W. Byron Dunn (6)(7) Dallas, Texas, USA Director	Chief Executive Officer, Tubular Synergy Group, LP
Mona Hale Edmonton, Alberta, Canada Director	Independent Businesswoman and Corporate Director
H. Stanley Marshall (3)(7) Paradise, Newfoundland, Canada Director	Independent Businessman and Corporate Director
Kevin Reinhart (2) Calgary, Alberta, Canada Director	Independent Businessman and Corporate Director

Name, Municipality, Country of Residence, and Position with the Company	Principal Occupation
Juan Carlos Villegas (6) Vitacura, Región Metropolitana, Chile Director	Independent Businessman and Corporate Director
Michael A. Weill (5)(7) Houston, Texas, USA Director	Chief Executive Officer, Global Deepwater Partners LLC
Helen J. Wesley (5)(7) Tampa, Florida, USA Director	President, TECO Peoples Gas Systems

Notes:
(1) Chair of the Board.
(2) Chair of the Audit Committee.
(3) Chair of the HRC Committee.
(4) Chair of the NCG Committee.
(5) Member of the Audit Committee.
(6) Member of the HRC Committee.
(7) Member of the NCG Committee.

Stephen J. Savidant is the Chair of the Board of Directors of Enerflex. He is an independent businessperson with over 46 years of industry experience. He was the Chair of ProspEx Resources Ltd., a Calgary-based oil and gas company focused on exploration for natural gas in the Western Canadian Sedimentary Basin from August 13, 2004 until it was acquired by Paramount Resources Ltd. on May 31, 2011. He served as an independent director of Toromont Industries Ltd. from April 26, 2007 until the spin-out of Enerflex on June 1, 2011. Mr. Savidant was previously President and Chief Executive Officer of Esprit Energy Trust from 2002 to 2006 and Canadian Hunter Exploration from 1998 to 2001. Mr. Savidant holds a Bachelor of Engineering and a Master of Business Administration from McGill University. As Chair of the Board, Mr. Savidant is not a member of any of the Board's committees, however he does attend all or substantially all committee meetings by invitation, to the extent possible given overlapping meeting times.

Marc E. Rossiter is the President and Chief Executive Officer of Enerflex and is responsible for the Company’s value creation and global growth strategy across Enerflex’s regions and through its three operating segments: Engineered Systems, After-Market Service, and Energy Infrastructure. Together with the Executive Management Team, he concentrates on sustainable growth opportunities while executing the Company's vision of "*Transforming energy for a sustainable future*."

With more than 25 years of experience at Enerflex in a progression of leadership roles, Mr. Rossiter, a Professional Engineer in the province of Alberta, brings an entrepreneurial mindset with a depth of leadership that is essential to the Company's success. Until his appointment to President and Chief Executive Officer in May 2019, Mr. Rossiter was Enerflex's Executive Vice President and Chief Operating Officer, where he was critical in driving revenue growth, while safely delivering reliable solutions. Mr. Rossiter joined the Company in Calgary as a Project Engineer and moved to the United States in 2003. Before his appointment as Executive Vice President and Chief Operating Officer in April 2018, Mr. Rossiter was President of the USA region and worked in a variety of engineering and sales management roles. Mr. Rossiter graduated from the Royal Military College of Canada with a Bachelor of Engineering in Chemical and Materials Engineering and served the country as an officer in the Canadian Army.

Fernando Assing is the President and Chief Executive Officer of Centurion Group Limited, the global rental, services, and infrastructure platform of SCF Partners. He has 30 years of experience in the EPC and oilfield service industries, including senior management roles in marketing, business development, commercial, and project and operations management. Prior to joining Centurion Group Limited, Mr. Assing was President and Chief Executive Officer of Tesco Corporation until its sale to Nabors Industries, and prior thereto he served in multiple global and regional positions with Schlumberger and Technip. He has extensive international experience in the energy industry, including operations in the United States, Canada, Latin America, the Middle East, Africa, Southeast Asia, Australia, and Europe. Mr. Assing holds a Bachelor of Civil Engineering from Jose Maria Vargas University and serves on the Centurion board.

Robert S. Boswell is Chairman and Chief Executive Officer of Laramie Energy, LLC, a Denver-based company primarily focused on finding and developing natural gas reserves from unconventional natural gas reservoirs in the Western Sedimentary Basin of North America. Mr. Boswell was previously Chief Executive Officer of Forest Oil Company (an oil and natural gas company) from 1995 to 2003. Mr. Boswell holds a Bachelor of Science in Chemical Engineering from Vanderbilt University and a Master of Business Administration from the University of Texas.

Maureen Cormier Jackson is an independent businessperson with over 36 years of executive, financial, and operational expertise in the oil and gas industry. From 2012 and until her retirement in 2014, Ms. Cormier Jackson was Senior Vice President, Chief Process and Information Officer at Suncor Energy Inc. ("**Suncor**"). Her career spanned numerous roles at Suncor which provided experience in the areas of accounting and financial controls, environment, health and safety, and project management. Ms. Cormier Jackson also serves on the Dean’s Advisory Board of Dean of Medicine at the University of Calgary. She was previously a director of Obsidian Energy Ltd. as well as a privately-owned family business for more than 15 years and has been involved in several non-profit organizations in various capacities during her career. Ms. Cormier Jackson is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from Memorial University. She also holds a Directors Designation from the Institute of Corporate Directors.

W. Byron Dunn is the Chief Executive Officer and Founding Partner of Tubular Synergy Group, LP which acts as a sales, marketing, and supply chain services provider of tubular products targeted toward the oil and gas industry. Prior thereto, Mr. Dunn had a 32-year career with Lone Star Steel Company of which he was Chief Executive Officer, President, and a Director from 1997 to 2007. Mr. Dunn holds a Bachelor of Arts degree in Management from Texas Christian University and an Executive Master of Business Administration degree from the Edwin L. Cox School of Business at Southern Methodist University.

Mona Hale is an independent businessperson with over 35 years of executive, financial, and operational leadership experience across the oil and gas, mining, and telecommunication sectors. She was the Senior Vice-President, Global Commercial and Financial Performance Management at Finning International Inc. until her retirement in 2020. Prior thereto, Ms. Hale was the Chief Financial Officer for Edmonton Economic Development Corporation and held senior executive leadership positions at Prairie Mines & Royalty Ltd. and TELUS. Over the course of her career, Ms. Hale had roles providing experience in accounting and financial controls, commercial management, operational leadership, and corporate strategic planning. Ms. Hale currently serves as a director of Edmonton Airports, FortisAlberta Inc., and the University of Alberta. She holds a Bachelor of Commerce from the University of Alberta and resides in Edmonton, Alberta. Ms. Hale is a Fellow of the Chartered Professional Accountants of Alberta and a past recipient of the YWCA Women of Distinction Business Entrepreneur Award.

H. Stanley Marshall is an independent businessperson who retired as Chief Executive Officer of Nalcor Energy, an electricity, oil and gas, and industrial fabrication and energy marketing company in June 2021. Prior to joining Nalcor Energy in 2016, Mr. Marshall was the President and Chief Executive Officer of Fortis Inc. from 1996 until he retired in 2014. He is a director of Trans Mountain Corporation and Chair of the Expansion Project Oversight Committee of the Board which is responsible for oversight of the pipeline expansion project. He is also a former director of Fortis Inc. and several of its subsidiaries. Mr. Marshall holds a Bachelor of Applied Science in Chemical Engineering from the University of Waterloo and a Bachelor of Laws from Dalhousie University.

Kevin J. Reinhart is an independent businessperson with over 35 years of executive and financial experience in international energy company operations. After an early career in public accounting, Mr. Reinhart joined Nexen Inc. ("**Nexen**") in 1994 and held a number of senior roles in financial reporting, treasury, risk management, corporate planning, and business development before becoming Nexen's Chief Financial Officer in 2009 and its Interim President and Chief Executive Officer in 2012. Following the sale of Nexen to CNOOC Limited (a Chinese state-owned enterprise) in 2013, Mr. Reinhart continued as President of their western-world operations until his retirement in 2014. Mr. Reinhart has served as a director of three publicly listed companies. Mr. Reinhart is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from Saint Mary's University.

Juan Carlos Villegas is an independent businessperson with 41 years of demonstrated executive and operational leadership experience in the industrial services sector across North America and Latin America. After an early career with Cummins and Komatsu in Latin America, Mr. Villegas joined Finning International Inc. and held numerous senior executive roles which provided experience in corporate planning, business development, operations leadership, and risk management. Until his retirement in December 2018, Mr. Villegas was President and Chief Operating Officer of Finning Canada and prior thereto was Chief Operating Officer for Finning International. Mr. Villegas was educated in Chile and attended the University of California at Irvine. For the past 17 years, he has served as a director on both publicly listed and private organizations. Until his retirement in December 2018, Mr. Villegas sat on the Caterpillar Global Mining Counsel.

Michael A. Weill is an independent businessperson with 42 years of executive and operational experience in the oil and gas sector across the globe. He was formerly the Chief Executive Officer of Global Deepwater Partners LLC until 2021. Global Deepwater Partners LLC is a private company, which provides exploration, appraisal, and concept select services to National Oil Companies. From 1996 to 2007, Mr. Weill served in various positions with BHP Billiton Petroleum including as President, Production - Americas, and as President Operations and Technology, Americas/Australia, based in Houston. He also served as President, Integrated Business Development based in Melbourne, Australia. Prior thereto, Mr. Weill served in various positions with Royal Dutch Shell in Houston, New Orleans, and The Hague from 1980 to 1996. Mr. Weill holds a Bachelor of Science degree in Chemical Engineering from Cornell University.

Helen J. Wesley is the President of TECO Peoples Gas Systems in Florida, a subsidiary of Emera Inc. She has over 26 years of experience in the North American and international oil and gas, utilities, and chemicals industries. Prior to joining Peoples Gas, Ms. Wesley was Executive Vice President Finance and IT and Chief Financial Officer of ENMAX Corporation, one of the largest electricity providers in Alberta. Other prior roles include senior leadership positions at Talisman Energy, Suncor Energy and Petro-Canada located in both Calgary, Alberta and London, England. Ms. Wesley earned her Bachelor of Commerce in Marketing degree from the University of Calgary, and her Master of Business Administration in International Business from Boston's Bentley College. She also holds a Chartered Financial Analyst designation and a Directors Designation from the Institute of Corporate Directors. Ms. Wesley is a member of both the Audit Committee and the NCG Committee.

Executive Officers

The following section contains information with respect to each of the executive officers of the Company as at December 31, 2021.

Name, Municipality, and Country of Residence	Principal Occupation
Marc E. Rossiter (1) Calgary, Alberta, Canada	President and Chief Executive Officer
Sanjay Bishnoi Calgary, Alberta, Canada	Senior Vice President and Chief Financial Officer
Helmuth Witulski Calgary, Alberta, Canada	President, Canada
Patricia Martinez Houston, Texas, USA	President, Latin America and Chief Energy Transition Officer
Gregory Stewart Houston, Texas, USA	President, United States of America
Phil Pyle Abu Dhabi, United Arab Emirates	President, International
David H. Izett Calgary, Alberta, Canada	Senior Vice President, General Counsel

Note:
(1) For Mr. Rossiter's biography, see the section entitled "*Directors*" above.

Mr. Sanjay Bishnoi, Senior Vice President and Chief Financial Officer, oversees all aspects of Enerflex's financial affairs, including reporting, compliance, treasury, corporate governance, and capital market activity, in addition to guiding strategy, corporate development and investor relations functions. Working alongside the Executive Management Team, Mr. Bishnoi provides direction and financial guidance for the Company's growth and development strategy. Mr. Bishnoi demonstrated track-record of enhancing shareholder value through financial discipline, strategic corporate development, and the adoption of performance measurements driving growth serves Enerflex well. Mr. Bishnoi also serves on the Board of Directors of ESGEN Acquisition Corporation (Nasdaq: ESACU).

Mr. Bishnoi is a proven Chief Financial Officer with over 20 years of financial and leadership experience in the energy and professional services sectors, with deep capabilities in the North American asset ownership space. Mr. Bishnoi joined Enerflex from Caprock Midstream, a Houston-based, private-equity natural gas, oil, and water oriented midstream venture, where he was the co-founder and Chief Financial Officer for five years. Prior to this role at Caprock Midstream, Mr. Bishnoi served as Managing Director for GE Corporate Ventures, and Vice President with GE Energy Financial Services Natural Resources platform. Mr. Bishnoi also held financial and operational roles with The Dow Chemical Company, El Paso Corporation, The Boston Consulting Group, and Imperial Oil Resources. Mr. Bishnoi holds an MBA from the University of Chicago, a Ph.D. in Chemical Engineering from the University of Texas at Austin, and a Bachelor of Science in Chemical Engineering from the University of Calgary.

Mr. Helmuth Witulski, President, Canada is responsible for providing strategic and operational leadership across the Canadian region with a focus on delivering and servicing natural gas processing, compression, and electric power solutions. He is a valued member of the Company's Executive Management Team and charged with ensuring alignment of Enerflex's core business offerings across the natural gas value chain.

Mr. Witulski is a proven leader, with over 25 years of experience, whose roots are in gas compression, processing, and refrigeration. Prior to his appointment as Canadian President, Mr. Witulski was Enerflex's Regional Director, Asia Pacific. Under his strategic direction, Enerflex remained the dominant player in the Asia Pacific market – an experience that afforded him the opportunity to develop a deep understanding of our business processes, products and services, and unique customer value drivers.

Prior to joining Enerflex in 2011, Mr. Witulski held several leadership positions with York International and Johnson Controls in South Africa and Australia, as well as worked with Grenco (GEA) South Africa. He holds a Master of Business Administration A and a Graduate Diploma in Business Administration from the University of Queensland, as well as a Diploma in Industrial Compression from OTTC in South Africa.

Ms. Patricia Martinez is the Chief Energy Transition Officer and President, Latin America. As an instrumental member of Enerflex's leadership team and as President, Latin America is responsible for driving the growth of the Company's Latin American business. In addition to her regional operating responsibilities, in 2021, Ms. Martinez was appointed Chief Energy Transition Officer. In this role, Ms. Martinez is accountable for the Company's global strategy on Energy Transition space, focused on delivering low-carbon energy solutions and positioning Enerflex for long-term success.

Prior to joining Enerflex, Ms. Martinez Senior Vice President of International Contract Services for Axip Energy Services LP, where she oversaw the management and growth of Axip's international business, which included operations in Latin America, Southeast Asia, and the Middle East. Prior to that role, Ms. Martinez was Vice President of Latin America and Director of International Ventures for Valerus Compression Services, Axip's predecessor company. She also held several sales and marketing positions over a number of years, working with Shell U.S.A. and Conoco Argentina.

Ms. Martinez holds a Master of Business Administration from Houston Baptist University and a Bachelor of Business Administration degree from Universidad Argentina de la Empresa in Buenos Aires. She is a board member of the Instituto Argentino del Petroleo y Gas – Houston (IAPGH) and until the recent merger with Galaxy served on the Board of Orocobre Limited, a global lithium carbonate producer and established producer of boron. She is also a member of the Young Presidents Organization (YPO).

Mr. Gregory Stewart is the President, United States of America and is responsible for guiding the strategic direction, operations, and business development for Enerflex's USA region. He is a member of the Company's Executive Management Team and is tasked with facilitating the growth of the USA region, while also supporting the Rest of World regional requirements for Engineered Systems products and solutions.

Prior to his appointment as President of the USA region, Mr. Stewart was Enerflex's Executive Vice President, Corporate Services and Chief Information Officer. While in that role for over nine years, he was responsible for the development and implementation of Company-wide shared services strategies to support regional growth. Before joining Enerflex, Mr. Stewart was Vice President Business Services with Superior Propane for eight years and held numerous positions of increasing responsibility over a 14-year career in Information Services at Canadian Pacific Railway. He holds a Master of Business Administration with a specialization in Information Systems, BA (French), along with HRCCC and C.Dir. designations from McMaster University. In addition, Mr. Stewart holds a Bachelor of Business Administration (Brock University) and Diplome d'Etudes Françaises (Université de Franche-Comté).

Mr. Phil Pyle is the President, International. Mr. Pyle leads Enerflex's operations in Asia Pacific, the Middle East, Africa, and the Europe region. Drawing on his more than 35 years of international industry experience, and as a member of the Executive Management Team, Mr. Pyle guides the development of Enerflex's international business to meet the demands of the oil and gas industry.

Prior to joining Enerflex, Mr. Pyle held numerous senior positions over an eight-year career with Fluor, serving most recently as their Regional Director for the Middle East and Asia where he was responsible for developing and maintaining joint venture companies with local partners for long-term, site-oriented, service, engineering, and projects contracts in Mongolia, Russia, Kazakhstan, Qatar, Saudi, and Indonesia. In addition to his years at Fluor, Mr. Pyle gained extensive industrial leadership experience at companies like BHP Billiton and the Water Corporation of Western Australia.

Mr. Pyle holds a Master of Business Administration from the University of New England in Australia and a Bachelor of Mechanical Engineering from the University of Western Australia.

Mr. David H. Izett, the Senior Vice President, General Counsel, is responsible for leading Enerflex's global legal, governance, and compliance affairs. Mr. Izett also has executive oversight of Enerflex's global HSE group. He is a member of the Law Society of Alberta and has over 19 years of experience in energy, manufacturing, and mining sectors across the globe. As an integral member of the Executive Management Team, Mr. Izett's extensive experience in complex project development, project management, joint ventures, risk management and international operations serves Enerflex well as it strengthens its asset ownership focus and diversifies its business model.

Mr. Izett joined Enerflex in 2019 from Nutrien, a provider of crop inputs, services, and solutions where he served most recently as Assistant General Counsel, Nitrogen and International, and previously as Chief Legal Counsel for the Wholesale business unit of Agrium, one of Nutrien's predecessor entities. Prior to his leadership roles at Nutrien, Mr. Izett acted as legal counsel and held various leadership roles within Occidental Petroleum, supporting several of its oil and gas business units across the Middle East. Mr. Izett holds his Juris Doctor from Dalhousie University and his Bachelor of Arts in Religious Studies from the University of Calgary.

Corporate Cease Trade Orders

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

Penalties or Sanctions

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

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

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

Bankruptcies

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

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

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

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

Conflicts of Interests

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

LEGAL PROCEEDINGS

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

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

INTERESTS OF EXPERTS, TRANSFER AGENT, AND REGISTRAR

Ernst & Young LLP, the Company's external auditor, has prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2021. Ernst & Young LLP is independent within the meaning of Chartered Professional Accountants of Alberta Rules of Professional Conduct.

The transfer agent and registrar for the Common Shares is TSX Trust Company, formerly AST Trust Company (Canada), at its principal offices in Calgary and Toronto. The register of transfers of the Company's securities is located at the office of TSX Trust Company.

MATERIAL CONTRACTS

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

The Merger Agreement and Plan of Merger

Pursuant to an Agreement and Plan of Merger dated January 24, 2022, Enerflex US Holdings Inc., a wholly-owned subsidiary of Enerflex, intends to acquire all of the voting securities of Exterran Corporation in exchange for Common Shares of Enerflex. As a result of the acquisition, Enerflex US Holdings Inc. will be merged into Exterran Corporation, with Exterran Corporation surviving as a wholly-owned subsidiary of Enerflex.

The transaction is expected to close in the second or third quarter of 2022, subject to, among other things, the receipt of all required regulatory and shareholder approvals. Copies of the Agreement and Plan of Merger and related materials have been filed by Enerflex with the Canadian securities regulators and are available for viewing under Enerflex's profile on www.sedar.com. See "*Recent Developments*."

The Bank Facility

The Company most recently amended the existing Bank Facility during July 2021. This amendment principally served to extend the maturity date of $660.0 million of the $725.0 million of the Back Facility from June 30, 2023 to June 30, 2025 with the remaining $65.0 million set to mature on June 30, 2023. Notwithstanding the maturity date, the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facility may be increased by an additional $150.0 million at the request of the Company, subject to the lenders' consent. There is no required or scheduled repayment of principal until the maturity date.

The Company's Bank Facility is unsecured and ranks *pari passu* with the Senior Notes. The Company is required to maintain certain covenants on its Bank Facility. As at December 31, 2021, the Company was in compliance with these covenants. At December 31, 2021, the Company had a total of approximately $30.5 million cash drawings against its Bank Facility.

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

AUDIT COMMITTEE

Audit Committee Charter

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

Composition of the Audit Committee

As at the date of this AIF, the Audit Committee of the Company is comprised of Kevin J. Reinhart (Chair), Maureen Cormier Jackson, Michael A. Weill, and Helen J. Wesley, the majority of whom are financial experts, and all of whom are considered by the Board of Directors to be financially literate and independent within the meaning of National Instrument 52-110 – *Audit Committees.* In addition, Mr. Reinhart, Ms. Cormier Jackson, and Ms. Wesley are each "financial experts" within the meaning set forth by Glass Lewis (having experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officer).

Pursuant to the Retirement Policy, neither Mr. Savidant nor Mr. Boswell is eligible to stand for election as directors at the next annual meeting of the shareholders of the Company as each has attained the age of 72. In addition, Ms. Wesley, having served the Company as a director for the past nine years, has also decided to not stand for re-election following her recent appointment as President of a Florida-based utility company. In light of the foregoing, it is expected that Mr. Reinhart will assume the role of Independent Chair of the Board, succeeding Mr. Savidant, and will therefore resign as chair of the Audit Committee. Ms. Cormier Jackson will assume the role of chair of the Audit Committee, succeeding Mr. Reinhart, and Ms. Hale will join the Audit Committee as a member joining Ms. Cormier Jackson (as anticipated Chair) and Mr. Weill. Ms. Hale is financially literate and independent within the meaning of National Instrument 52-110 – *Audit Committees* and is also a "financial expert" within the meaning set forth by Glass Lewis (having experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officer).

Mandate of the Audit Committee

The principal duties of the Audit Committee include: oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications; establishing appropriate financial policies; ensuring the integrity of accounting systems and internal controls; approving all audit and non-audit services provided by the independent auditor; consulting with the auditor independent of management and overseeing the work of the independent auditor; monitoring and directing, as appropriate, the activities of Enerflex's internal audit group; and overseeing the Company's cyber-security and information technology programs.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee member is as follows:

Audit Committee Member	Relevant Education and Experience
Kevin J. Reinhart	Mr. Reinhart is a former Chief Financial Officer and a former interim President and Chief Executive Officer of Nexen Inc. He holds a Bachelor of Commerce (Hons) from Saint Mary's University and is a Chartered Professional Accountant.
Maureen Cormier Jackson	Ms. Cormier Jackson held numerous roles at Suncor Energy Inc., including Senior Vice President, Chief Process and Information Officer, and Vice President, Corporate Controller. She holds a Bachelor of Commerce from Memorial University and is a Chartered Professional Accountant. She also holds a Directors Designation from the Institute of Corporate Directors.
Michael A. Weill	Mr. Weill is the former Chief Executive Officer of Global Deepwater Partners LLC and former President of BHP Billiton Petroleum. Mr. Weill holds a Bachelor of Science in Chemical Engineering from Cornell University.

Audit Committee Member	Relevant Education and Experience
Helen J. Wesley	Ms. Wesley is the President of TECO Peoples Gas Systems in Florida and has over 26 years of experience in the North American and international oil and gas, utilities, and chemicals industries. She holds a Bachelor of Commerce in Marketing from the University of Calgary and a Masters of Business Administration in International Business from Boston's Bentley College. She earned a Chartered Financial Analyst designation in 1998 and her Institute of Corporate Directors designation in 2015.

Pre-Approval Policies and Procedures

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

Remuneration of Auditors

The following table sets out the aggregate fees paid or accrued by Enerflex and its subsidiaries to the external auditors, Ernst & Young LLP, for the fiscal years ended December 31, 2021 and December 31, 2020.

	2021	2020
Audit Fees (1)	$1,864,023	$1,714,000
Audit Related Fees (2)	$-	$19,000
Tax Fees (3)	$502,000	$533,900
All other Fees (4)	$-	$-

Notes:

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

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

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

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

ADDITIONAL INFORMATION

Additional information about Enerflex may be found under our profile on SEDAR (www.sedar.com). Our 2022 information circular, which we expect to file on or about March 4, 2022, has more information about our directors' and officers' remuneration and indebtedness, the principal holders of Common Shares and the securities authorized for issuance under equity compensation plans. Additional information about the Company including additional financial information is provided in the financial statements and management's discussion and analysis, copies of which may be found on SEDAR (www.sedar.com). If you would prefer to have printed copies of these documents, we will send them to you free of charge upon request to Investor Relations, Enerflex Ltd., 904 -1331 Macleod Trail S.E., Calgary, Alberta T2G 0K3, Phone 1.403.387-6377, email ir@enerflex.com, or on the Company's website at www.enerflex.com.

Appendix A

AUDIT COMMITTEE
TERMS OF REFERENCE

ORGANIZATION

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

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

STATEMENT OF POLICY

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

RESPONSIBILITIES AND PROCESSES

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

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

Relationship with External Auditor

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

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

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

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

Financial Reporting

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

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

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

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

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

Internal Audit and Controls

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

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

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

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

- The Committee shall put in place procedures for:
  - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.[1]

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

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

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

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

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

August, 2021