QUARTERLY REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 9, 2022

The Management's Discussion and Analysis ("MD&A") for Enerflex Ltd. ("Enerflex" or "Company" or "we" or "our") should be read in conjunction with the unaudited interim condensed consolidated financial statements (the "Financial Statements") for the three and nine months ended September 30, 2022 and 2021, the Company's amended and restated 2021 Annual Report, the Annual Information Form ("AIF") for the year ended December 31, 2021, and the cautionary statement regarding forward-looking information in the "Forward-Looking Statements" section of this MD&A.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise stated.

The MD&A focuses on information and key statistics from the Financial Statements and considers known risks and uncertainties relating to the oil and gas services sector. This discussion should not be considered exhaustive, as it excludes potential future changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur which could affect industry conditions and/or Enerflex in the future. Additional information relating to the Company can be found in the AIF and Management Information Circular, which are available under Enerflex's SEDAR profile at www.sedar.com.

FINANCIAL OVERVIEW

	Three months ended September 30,		Nine months ended September 30,	
($Canadian thousands, except percentages and horsepower)	**2022**	2021[1]	**2022**	2021[1]
Revenue	**$ 392,813**	$ 231,097	**$ 1,087,959**	$ 638,809
Gross margin	**78,670**	50,314	**195,902**	146,892
Selling and administrative expenses ("SG&A")	**55,102**	40,713	**145,252**	112,525
Operating income	**23,568**	9,601	**50,650**	34,367
Earnings before finance costs and income taxes ("EBIT")[2]	**(24,070)**	9,963	**3,937**	34,542
Net earnings (loss)	**$ (32,808)**	$ 6,958	**$ (19,825)**	$ 14,252
Key Financial Performance Indicators[3]				
Engineered Systems bookings	**$ 347,630**	$ 191,084	**$ 897,810**	$ 444,321
Engineered Systems backlog	**883,698**	375,430	**883,698**	375,430
Gross margin as a percentage of revenue	**20.0%**	21.8%	**18.0%**	23.0%
EBIT as a percentage of revenue	**(6.1)%**	4.3%	**0.4%**	5.4%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")	**$ (2,375)**	$ 31,956	**$ 69,580**	$ 98,996
Adjusted EBITDA	**52,507**	32,801	**136,111**	98,556
Return on capital employed ("ROCE")[4]	**1.6%**	4.0%	**1.6%**	4.0%
Rental horsepower	**816,554**	785,627	**816,554**	785,627

[1] Certain prior period amounts have been reclassified between cost of goods sold ("COGS") and SG&A. Please refer to Note 1(b) of the Financial Statements for additional details.
[2] EBIT includes a $48.0 million goodwill impairment for the three- and nine-months ending September 30, 2022 (September 30, 2021 – nil).
[3] These key financial performance indicators are non-IFRS measures. Further detail is provided in the Non-IFRS Measures section of this MD&A.
[4] Determined by using the trailing 12-month period.

THIRD-QUARTER 2022 OVERVIEW

For the three months ended September 30, 2022:

- On October 13, 2022, the Company completed its previously announced acquisition (the "Transaction") of Exterran Corporation ("Exterran"). The combined entity will continue to operate as Enerflex Ltd. and is a premier integrated global provider of energy infrastructure and energy transition solutions. Pursuant to the agreement and plan of merger among Enerflex, Enerflex US Holdings Inc., a wholly-owned subsidiary of Enerflex, and Exterran, Enerflex acquired Exterran by issuing 1.021 common shares of Enerflex for each share of Exterran common stock held. The total share value of the Transaction was $213.9 million. The Company is currently assessing the fair values of identifiable assets and assumed liabilities, and the preliminary purchase price allocation will be determined and disclosed as part of the Company's reported results for the three months and year ended December 31, 2022.
- On October 12, 2022, Enerflex successfully closed its previously announced private offering (the "Offering") of $625 million USD aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Upon closing of the Transaction, Enerflex used the net proceeds of approximately $578 million USD of the Offering, together with its $150 million USD three-year secured term loan facility, an initial draw under its $700 million USD three-year secured revolving credit facility (the "Revolving Credit Facility"), and cash on hand, to fully repay the existing Enerflex and Exterran notes and revolving credit facilities and put in place a new debt capital structure. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes and will provide liquidity for Enerflex.
- The Company recognized a $48.0 million goodwill impairment in the Canada segment. This non-cash impairment was largely driven by movements in interest rates, and slightly compounded by a more drawn-out recovery in the region.
- Engineered Systems bookings totaled $347.6 million, up significantly from $191.1 million in the same period of 2021, reflecting the increased activity in the Company's manufacturing business, particularly our process and compression packages in the USA. Movement in foreign exchange rates resulted in an increase of $42.5 million on foreign currency denominated backlog during the third quarter of 2022.
- Engineered Systems backlog at September 30, 2022 was $883.7 million compared to the backlog of $557.5 million at December 31, 2021. This $326.2 million increase is due to the strength of the Engineered Systems bookings during the first nine months of the year, which has outpaced the revenue recognized in the period. Including legacy Exterran's product sales backlog, the combined pro forma backlog was approximately $1.5 billion at September 30, 2022.
- The Company recorded revenue of $392.8 million in the current quarter compared to $231.1 million in the comparable period. This increase is mainly due to a stronger opening backlog leading to improved Engineered Systems revenues, an increase in Service activities from improved parts sales and customer maintenance activities, and higher Energy Infrastructure revenue, primarily from higher rental utilizations in the USA, and non-recurring rental equipment sales of approximately $11 million, also in the USA.
- Gross margin was $78.7 million and 20.0 percent for the third quarter of 2022 compared to $50.3 million and 21.8 percent for the comparable period. The higher gross margin is primarily due to the increased volume of work; however, the Company reported a lower gross margin percentage due to a shift in the product mix, and government grants received in the prior year that the Company is no longer eligible for.
- SG&A of $55.1 million in the third quarter of 2022 were up from $40.7 million in the same period last year, primarily due to higher total compensation, Transaction-related costs, and reduced cost recoveries from government subsidies. These increases are partially offset by lower share-based compensation.
- Operating income of $23.6 million was higher than the prior period operating income of $9.6 million, primarily due to the increased gross margin from higher revenue, which was partially offset by higher SG&A in the third quarter of 2022.
- The Company invested $26.6 million in rental assets; the majority of which was directed at the organic expansion of the USA contract compression fleet. The Company also invested $19.1 million for the construction of a natural gas infrastructure asset that was awarded in the fourth quarter of 2021 and will be accounted for as a finance lease. At September 30, 2022, the USA contract compression fleet totaled approximately 392,000 horsepower and its average fleet utilization was a record 95 percent for the quarter.
- At September 30, 2022, the Company's bank-adjusted net debt to EBITDA ratio was 1.03:1, compared to a maximum ratio of 3:1. This leverage ratio excludes the non-recourse debt.
- Subsequent to September 30, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on January 12, 2023, to shareholders of record on November 24, 2022. The Board of Directors (the "Board") will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions and the general needs of the business.

For the nine months ended September 30, 2022:

- Engineered Systems bookings totaled $897.8 million, up significantly from $444.3 million in the same period last year, reflecting the increased activity in Enerflex's manufacturing business. Movement in foreign exchange rates resulted in an increase of $51.8 million on foreign currency denominated backlog during the first nine months of 2022.
- Enerflex generated revenue of $1,088.0 million compared to $638.8 million in the prior year. Higher revenue generated in 2022 is the result of a third straight quarter of strong activity for the Company, combined with a higher opening backlog, a considerable increase in Service activities from improved parts sales and customer maintenance activities, and higher rental utilizations in the USA.
- Gross margin was $195.9 million and 18.0 percent compared to $146.9 million and 23.0 percent in the comparative period. This increase to gross margin is primarily due to the increased volume of work. However, the Company reported a lower gross margin percent due to a shift in the product mix, government grants received in the prior year that the Company is no longer eligible for, and warranty recoveries recognized in the second quarter of 2021 that did not repeat in 2022.
- SG&A of $145.3 million increased from $112.5 million in the same period last year due to higher total compensation, Transaction-related costs, and reduced cost recoveries from government subsidies. These increases are partially offset by lower share-based compensation.

ADJUSTED EBITDA

The Company's results include items that are unique and items that Management and users of the financial statements adjust for when evaluating the Company's results. The presentation of Adjusted EBITDA should not be considered in isolation from EBIT or EBITDA as determined under IFRS. Adjusted EBITDA may not be comparable to similar measures presented by other companies and should not be considered in isolation or as a replacement for measures prepared as determined under IFRS.

The items that have historically been adjusted for presentation purposes relate generally to five categories: 1) impairment or gains on idle facilities (not including rental asset impairments); 2) severance costs associated with restructuring activities and cost reduction activities undertaken in response to the COVID-19 pandemic; 3) grants received from Federal governments in response to the COVID-19 pandemic; 4) transaction costs related to mergers and acquisitions activity; and 5) share-based compensation. Enerflex has presented the impact of share-based compensation as it is an item that can fluctuate significantly with share price changes during a period based on external factors that are not specific to the long-term performance of the Company. Please note, the current quarter also includes an addback for impairment of goodwill, which is a unique, non-recurring and non-cash transaction during the three- and nine-months ended September 30, 2022, which is not indicative of the ongoing normal operations of the Company. The addback is consistent with how the Company has historically treated impairment of goodwill.

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

Three months ended September 30, 2022				
($ Canadian thousands)	**Total**	**USA**	**ROW**	**Canada**
EBIT	**$ (24,070)**	**$ 16,677**	**$ 9,301**	**$ (50,048)**
Transaction costs	**3,785**	**2,485**	**705**	**595**
Share-based compensation	**3,097**	**1,215**	**1,281**	**601**
Depreciation and amortization	**21,695**	**11,855**	**7,966**	**1,874**
Impairment of goodwill	**48,000**	**-**	**-**	**48,000**
Adjusted EBITDA	**$ 52,507**	**$ 32,232**	**$ 19,253**	**$ 1,022**

Three months ended September 30, 2021				
($ Canadian thousands)	Total	USA	ROW	Canada
EBIT	$ 9,963	$ (637)	$ 11,085	$ (485)
Government grants in COGS and SG&A	(3,891)	(262)	-	(3,629)
Share-based compensation	4,736	1,650	1,973	1,113
Depreciation and amortization	21,993	10,756	9,342	1,895
Adjusted EBITDA	$ 32,801	$ 11,507	$ 22,400	$ (1,106)

Nine months ended September 30, 2022				
($ Canadian thousands)	**Total**	**USA**	**ROW**	**Canada**
EBIT	**$ 3,937**	**$ 31,066**	**$ 26,800**	**$ (53,929)**
Transaction costs	**14,052**	**7,577**	**3,856**	**2,619**
Share-based compensation	**4,479**	**1,983**	**1,654**	**842**
Depreciation and amortization	**65,643**	**35,077**	**24,881**	**5,685**
Impairment of goodwill	**48,000**	**-**	**-**	**48,000**
Adjusted EBITDA	**$ 136,111**	**$ 75,703**	**$ 57,191**	**$ 3,217**

Nine months ended September 30, 2021				
($ Canadian thousands)	Total	USA	ROW	Canada
EBIT	$ 34,542	$ 4,609	$ 25,198	$ 4,735
Severance costs in COGS and SG&A	749	112	202	435
Government grants in COGS and SG&A	(14,350)	(1,645)	-	(12,705)
Share-based compensation	13,161	5,388	5,197	2,576
Depreciation and amortization	64,454	31,306	27,413	5,735
Adjusted EBITDA	$ 98,556	$ 39,770	$ 58,010	$ 776

In addition to the above, the Company has provided further details regarding the impact of finance leases on its operating income. Leases in which the Company is a lessor are assessed upon commencement and are classified as either an operating or finance lease. A finance lease exists when the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the underlying leased asset to the lessee. In substance, a finance lease is considered an upfront sale with a financing component attached. Upon commencement, an upfront gain is recognized equal to the fair value of the equipment, or if lower, the present value of the minimum lease payments at a market rate of interest. Subsequent to this initial recognition, financing income is recognized reflecting a constant rate of return on the outstanding lease receivable from the end customer.

Management has isolated these details, so that users of the Financial Statements can better analyze the non-recurring and non-cash upfront profit recognized upon the commencement of a finance lease, the impact of the non-cash interest income earned, and the total cash payment received. Isolating these three components gives users a better sense of the Company's continuing cash generating capabilities. These details can be found in the table below and within Note 6 of the Financial Statements.

($ Canadian thousands)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Impact of finance leases:				
Upfront gain recognized	**-**	-	**(6,556)**	-
Interest income earned	**(2,972)**	(1,124)	**(8,844)**	(3,406)
Total cash payments received	**5,260**	1,297	**16,747**	3,847
Total impact of finance leases	**$ 2,288**	$ 173	**$ 1,347**	$ 441

Please refer to the section "Segmented Results" for additional information about results by geographic location.

ENGINEERED SYSTEMS BOOKINGS AND BACKLOG

Enerflex monitors its Engineered Systems bookings and backlog as indicators of future revenue generation and business activity levels. Bookings are recorded in the period when a firm commitment or order is received from customers. Bookings increase backlog in the period they are received, while revenue recognized on Engineered Systems products decreases backlog in the period the revenue is recognized.

The following tables set forth the Engineered Systems bookings and backlog by reporting segment:

($ Canadian thousands)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Engineered Systems Bookings				
USA	**$ 292,004**	$ 126,220	**$ 698,302**	$ 290,365
Rest of World	**14,578**	9,743	**37,122**	50,609
Canada	**41,048**	55,121	**162,386**	103,347
Total bookings	**$ 347,630**	$ 191,084	**$ 897,810**	$ 444,321

($ Canadian thousands)	September 30, 2022	December 31, 2021
Engineered Systems Backlog		
USA	**$ 628,247**	$ 262,937
Rest of World	**119,678**	179,655
Canada	**135,773**	114,957
Total backlog	**$ 883,698**	$ 557,549

Enerflex's Engineered Systems bookings improved during the third quarter of 2022 compared to the third quarter of 2021 due to the Company's ability to secure a higher volume of projects.

Despite Enerflex's customers continuing to demonstrate capital discipline, ongoing commodity price volatility, and the increased likelihood of a global economic slowdown, the global demand for natural gas remains robust, and Enerflex is positioned to expand its Engineered Systems business by serving growing natural gas markets in the Company's key operating regions.

The Engineered Systems backlog of $883.7 million at September 30, 2022 has grown from December 31, 2021 due to bookings outpacing revenue recognized in the period, and favourable foreign exchange impacts. The change in exchange rates resulted in increases in foreign currency-denominated backlog of $42.5 million and $51.8 million during the three and nine months ended September 30, 2022, compared to increases of $6.9 million and $4.8 million in the same periods of 2021.

This continued momentum in our Engineered Systems business, particularly in the USA segment, resulted in the Company's largest quarterly booking since 2018. Including Exterran's product sales backlog, the combined pro forma backlog was approximately $1.5 billion at September 30, 2022.

SEGMENTED RESULTS

Enerflex has three reportable operating segments: USA, ROW and Canada, each supported by the Corporate function. Corporate overheads are allocated to the operating segments based on revenue. In assessing its operating segments, the Company considered economic characteristics, the nature of products and services provided, the nature of production processes, the types of customers for its products and services, and distribution methods used.

The following summary describes the operations of each of the Company's reportable segments:

- USA generates revenue from engineering, designing, and manufacturing modular natural gas compression, processing, cryogenic, and electric power equipment, in addition to generating revenue from mechanical services, parts, and maintenance solutions, and contract compression rentals;
- ROW generates revenue from the installation of large-scale compression and process equipment, after-market services, including parts distribution, operations, maintenance, and overhaul services, and rentals of compression and processing equipment. The ROW segment has been successful in securing Build-Own-Operate-Maintain ("BOOM") and other infrastructure leases of varying size and scope; and
- Canada generates revenue from manufacturing natural gas compression, processing, and electric power equipment, as well as providing after-market mechanical service, parts, and compression and power generation rentals.

USA SEGMENT RESULTS

($ Canadian thousands)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Engineered Systems bookings	**$ 292,004**	$ 126,220	**$ 698,302**	$ 290,365
Engineered Systems backlog	**628,247**	243,871	**628,247**	243,871
Segment revenue	**$ 248,220**	$ 118,429	**$ 657,062**	$ 324,148
Intersegment revenue	**(6,404)**	(2,732)	**(70,428)**	(20,846)
Revenue	**$ 241,816**	$ 115,697	**$ 586,634**	$ 303,302
Revenue – Engineered Systems	**$ 142,687**	$ 49,334	**$ 332,992**	$ 123,272
Revenue – Service	**$ 56,002**	$ 40,993	**$ 151,356**	$ 108,302
Revenue – Energy Infrastructure	**$ 43,127**	$ 25,370	**$ 102,286**	$ 71,728
Operating income (loss)	**$ 16,677**	$ (637)	**$ 31,066**	$ 4,601
EBIT	**$ 16,677**	$ (637)	**$ 31,066**	$ 4,609
EBITDA	**$ 28,532**	$ 10,119	**$ 66,143**	$ 35,915
USA revenue as a % of consolidated revenue	**61.6%**	50.1%	**53.9%**	47.5%
Operating income (loss) as a % of revenue	**6.9%**	(0.6)%	**5.3%**	1.5%
EBIT as a % of revenue	**6.9%**	(0.6)%	**5.3%**	1.5%
EBITDA as a % of revenue	**11.8%**	8.7%	**11.3%**	11.8%

USA recorded Engineered Systems bookings of $292.0 million in the third quarter of 2022, which is a healthy increase of $165.8 million compared to the same period in the prior year. The Company booked a significant number of projects as a result of improved activity levels in the oil and natural gas industry. With activity levels and demand for our products improving, the Company is seeing an increase in sold margins.

Revenue increased by $126.1 million and $283.3 million during the three and nine months ended September 30, 2022 compared to the same periods last year. This increase is primarily due to higher Engineered Systems revenue on improved activity levels and stronger opening backlog, higher Service revenues on strong parts sales and volume of work, and higher Energy Infrastructure revenue from improved contract compression utilizations, a larger fleet and improved pricing, and a non-recurring rental equipment sale of approximately $11 million during the third quarter of 2022. Gross margin increased during the three and nine months ended September 30, 2022 compared to last year, which is attributable to the increased activity and higher revenues generated by all product lines.

SG&A was higher during the three and nine months ended September 30, 2022 compared to the same periods last year as a result of increased total compensation associated with a higher headcount, higher profit share, and allocated Transaction-related costs, partially offset by lower share-based compensation.

Operating income was higher during the three and nine months ended September 30, 2022 when compared to the same periods in 2021 due to significantly improved revenue generated by all three product lines, partially offset by an unfavourable movement in SG&A. To date, the Company has been able to mitigate supply chain challenges and inflationary pressures by proactively working with customers and vendors where possible, including activating certain contract clauses to increase our cost recoveries and reviewing rates and pricing practices to better align with the market.

At September 30, 2022, the USA contract compression fleet totaled approximately 392,000 horsepower, compared to approximately 400,000 horsepower at December 31, 2021. The average utilization of the USA contract compression fleet for the three months and nine months ended September 30, 2022 was 95 percent and 93 percent, compared to 88 percent and 85 percent in the comparative periods in 2021.

REST OF WORLD SEGMENT RESULTS

($ Canadian thousands)		Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021
Engineered Systems bookings	**$**	**14,578**	$	9,743	**$**	**37,122**	$	50,609
Engineered Systems backlog		**119,678**		52,238		**119,678**		52,238
Segment revenue	**$**	**85,370**	$	74,881	**$**	**298,889**	$	210,827
Intersegment revenue		**(175)**		(49)		**(364)**		(89)
Revenue	**$**	**85,195**	$	74,832	**$**	**298,525**	$	210,738
Revenue – Engineered Systems	**$**	**12,997**	$	2,463	**$**	**97,099**	$	14,547
Revenue – Service	**$**	**33,594**	$	30,767	**$**	**88,489**	$	81,346
Revenue – Energy Infrastructure	**$**	**38,604**	$	41,602	**$**	**112,937**	$	114,845
Operating income	**$**	**9,301**	$	11,086	**$**	**26,800**	$	25,169
EBIT	**$**	**9,301**	$	11,085	**$**	**26,800**	$	25,198
EBITDA	**$**	**17,267**	$	20,427	**$**	**51,681**	$	52,611
ROW revenue as a % of consolidated revenue		**21.7%**		32.4%		**27.4%**		33.0%
Operating income as a % of revenue		**10.9%**		14.8%		**9.0%**		11.9%
EBIT as a % of revenue		**10.9%**		14.8%		**9.0%**		12.0%
EBITDA as a % of revenue		**20.3%**		27.3%		**17.3%**		25.0%

Engineered Systems bookings were higher in the third quarter of 2022 compared to the same period of 2021 by $4.8 million which is primarily the result of favourable foreign exchange. Bookings for the first nine months of 2022 were lower than the same period of 2021 due to the booking of a 10-year natural gas infrastructure contract in the comparative period. Engineered Systems bookings in the ROW segment are typically larger in nature and scope and as a result are less frequent.

During the three and nine months ended September 30, 2022, ROW revenues increased by $10.4 million and $87.8 million when compared to the same periods last year. This is driven by a higher opening backlog in the current year related to manufacturing of finance lease assets. Service revenues have improved in the region, primarily due to improved parts sales. Energy Infrastructure revenues decreased slightly during the three and nine months ended September 30, 2022 as a result of a previous BOOM contract that was converted to a finance lease. Gross margin in the third quarter of 2022 declined slightly when compared to last year, due to reduced gross margin percentage from an increase in under-recovered overhead costs, partially offset by increased revenues. Gross margin increased in the first nine months of 2022 compared to the same period last year on higher overall revenues, partially offset by availability bonuses in 2021 that did not repeat, as well as the impact of supply chain disruptions and inflation.

SG&A increased during the three and nine months ended September 30, 2022 compared to the same periods last year, primarily due to the segment's allocated share of Transaction-related costs, and increased total compensation expense, partially offset by lower share-based compensation.

Operating income decreased by $1.8 million in the third quarter of 2022 compared to the same period in 2021 due to lower gross margins and slightly higher SG&A. Operating income increased by $1.6 million in the first nine months of 2022 on higher gross margin, partially offset by availability bonuses in 2021 that did not repeat, and higher SG&A.

CANADA SEGMENT RESULTS

($ Canadian thousands)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Engineered Systems bookings	**$ 41,048**	$ 55,121	**$ 162,386**	$ 103,347
Engineered Systems backlog	**135,773**	79,321	**135,773**	79,321
Segment revenue	**$ 67,526**	$ 40,851	**$ 207,855**	$ 131,608
Intersegment revenue	**(1,724)**	(283)	**(5,055)**	(6,839)
Revenue	**$ 65,802**	$ 40,568	**$ 202,800**	$ 124,769
Revenue – Engineered Systems	**$ 45,200**	$ 22,837	**$ 141,570**	$ 74,045
Revenue – Service	**$ 19,513**	$ 16,596	**$ 58,289**	$ 46,874
Revenue – Energy Infrastructure	**$ 1,089**	$ 1,135	**$ 2,941**	$ 3,850
Operating income (loss)	**$ (2,410)**	$ (848)	**$ (7,216)**	$ 4,597
EBIT	**$ (50,048)**	$ (485)	**$ (53,929)**	$ 4,735
EBITDA	**$ (48,174)**	$ 1,410	**$ (48,244)**	$ 10,470
Canada revenue as a % of consolidated revenue	**16.8%**	17.6%	**18.6%**	19.5%
Operating income (loss) as a % of revenue	**(3.7)%**	(2.1)%	**(3.6)%**	3.7%
EBIT as a % of revenue	**(76.1)%**	(1.2)%	**(26.6)%**	3.8%
EBITDA as a % of revenue	**(73.2)%**	3.5%	**(23.8)%**	8.4%

Bookings in the third quarter of 2022 decreased to $41.0 million compared to $55.1 million in the comparable period. Despite the decrease, Canada has recorded a number of compression and process bookings in the period and continues to secure orders for electric power generated equipment. Despite the slower recovery in Canada than in other regions, the Company is confident that robust commodity prices will translate into new bookings for the remainder of 2022 and the first half of 2023, and remains well positioned to capitalize on pending projects. Competition for bookings and pricing pressures for the Canadian region continue to remain high, which will continue to put pressure on margins on new bookings.

Revenue increased by $25.2 million and $78.0 million during the three and nine months ended September 30, 2022 compared to the same periods last year. This improvement is primarily due to higher Engineered Systems revenue based on the strength of higher opening backlog. Service revenues have increased due to higher customer maintenance activities and parts sales. Energy Infrastructure revenue decreased due to lower utilization of available rental units based on lower demand. Gross margins in the third quarter of 2022 were higher than the same period last year due to increased revenue but is offset by reduced government grants and lower gross margin percentage from an unfavourable shift in product mix. Gross margin was lower in the first nine months of 2022 compared to the same period last year, primarily driven by reduced government grants, continued pressure on project margins, and gross margin erosion from unanticipated cost overruns. The region continues to mitigate against supply chain challenges and cost escalations from inflation by proactively engaging with vendors and customers where possible by reviewing current contract agreements.

SG&A was higher in the third quarter of 2022 compared to the same period last year because of the segment's allocated share of Transaction-related costs, reduced government grants, and higher profit share, partially offset by share-based compensation. SG&A was higher in the first nine months of 2022 compared to the same period last year as a result of the segment's allocated share of transaction costs, reduced government grants, higher compensation and profit share expense, partially offset by lower share-based compensation.

The Canada segment recorded an operating loss of $2.4 million during the third quarter of 2022, compared to an operating loss of $0.8 million during the third quarter of 2021. The decrease in operating income is primarily due to higher SG&A, partially offset by higher gross margin. For the first nine months of 2022, the segment reported an operating loss of $7.2 million compared to operating income of $4.6 million in the same period of 2021. The decrease is primarily due to lower gross margins, reduced government grants and higher SG&A costs.

Canada recognized a $48.0 million goodwill impairment during the current quarter. The impairment was largely driven by movements in interest rates and compounded by a slightly more drawn-out recovery in the region. Please note there is potential for future impairments as interest rates continue to fluctuate, and as the Company gets more visibility regarding future cash flows.

GROSS MARGIN BY PRODUCT LINE

Each of Enerflex's regional business segments has three main product lines: Engineered Systems, Service, and Energy Infrastructure. The Engineered Systems product line consists of the supply of equipment systems, typically involving engineering, design, manufacturing, construction, installation, and the start-up of equipment. The Service product line provides after-market services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, and technical services. The Energy Infrastructure product line encompasses a fleet of natural gas compression, processing, and electric power equipment totalling over 816,000 horsepower available for rent or lease; generating revenue from rental and lease agreements, and the sale of rental equipment to customers. In addition to Enerflex's rental fleet, the Company's Energy Infrastructure product line provides customers with personnel, equipment, tools, materials, and supplies to meet their natural gas compression, processing, and electric power needs, as well as designing, sourcing, owning, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services, including providing operation and maintenance as part of a BOOM agreement.

Recurring revenue is comprised of revenue from the Service and Energy Infrastructure product lines, which are typically contracted and extend into the future. The Company aims to diversify and expand Service and Energy Infrastructure offerings, which the Company believes offer longer-term stability in earnings compared to Engineered Systems revenue, which historically have been dependent on cyclical demand for new compression, process, and electric power equipment. While individual Service and Energy Infrastructure contracts are subject to cancellation or have varying lengths, the Company does not believe these characteristics preclude these product lines from being considered recurring in nature.

				Three months ended September 30, 2022
($ Canadian thousands)	**Total**	**Engineered Systems**	**Service**	**Energy Infrastructure**
Revenue	**$ 392,813**	**$ 200,884**	**$ 109,109**	**$ 82,820**
Cost of goods sold:				
Operating expenses	**294,544**	**172,048**	**88,040**	**34,456**
Depreciation and amortization	**19,599**	**1,478**	**2,472**	**15,649**
Gross margin	**$ 78,670**	**$ 27,358**	**$ 18,597**	**$ 32,715**
Gross margin %	**20.0%**	**13.6%**	**17.0%**	**39.5%**

				Three months ended September 30, 2021[1]
($ Canadian thousands)	Total	Engineered Systems	Service	Energy Infrastructure
Revenue	$ 231,097	$ 74,634	$ 88,356	$ 68,107
Cost of goods sold:				
Operating expenses	161,826	67,361	72,922	21,543
Depreciation and amortization	18,957	1,844	2,637	14,476
Gross margin	$ 50,314	$ 5,429	$ 12,797	$ 32,088
Gross margin %	21.8%	7.3%	14.5%	47.1%

($ Canadian thousands)		Total		Engineered Systems		Service		Nine months ended September 30, 2022 Energy Infrastructure
Revenue	$	1,087,959	$	571,661	$	298,134	$	218,164
Cost of goods sold:								
Operating expenses		834,494		502,346		245,421		86,727
Depreciation and amortization		57,563		5,005		7,524		45,034
Gross margin	$	195,902	$	64,310	$	45,189	$	86,403
Gross margin %		18.0%		11.2%		15.2%		39.6%

($ Canadian thousands)		Total		Engineered Systems		Service		Nine months ended September 30, 2021[1] Energy Infrastructure
Revenue	$	638,809	$	211,864	$	236,522	$	190,423
Cost of goods sold:								
Operating expenses		436,666		181,304		190,206		65,156
Depreciation and amortization		55,251		5,943		7,127		42,181
Gross margin	$	146,892	$	24,617	$	39,189	$	83,086
Gross margin %		23.0%		11.6%		16.6%		43.6%

[1] Certain prior period amounts have been reclassified between COGS and SG&A. Please refer to Note 1(b) of the Financial Statements for additional details.

INCOME TAXES

Income tax expense totaled $4.2 million and $10.9 million for the three and nine months ended September 30, 2022, compared to an income tax recovery $1.7 million and an income tax expense of $5.6 million in the same periods of 2021. Income tax expense for 2022 was higher due to a higher taxable income driven by increased operating income. The increase is partially offset by the earnings taxed in foreign jurisdictions and exchange rate effects on tax basis driven by exchange rate fluctuations and Argentina's hyperinflation. Please note, the Company does not recognize a deferred tax asset in Canada as it is unlikely that sufficient future taxable income will be available to utilize the losses or credits.

EXTERRAN TRANSACTION UPDATE

On January 24, 2022, the Company announced the proposed acquisition (the "Transaction") of Exterran Corporation ("Exterran"), in which Enerflex would acquire Exterran by issuing 1.021 common shares of Enerflex in exchange for each share of Exterran common stock held. The Transaction was completed on October 13, 2022 and we continue to operate as Enerflex Ltd. The Company continues trading under the same ticker symbol on the TSX, and additionally, is now listed on the New York Stock Exchange ("NYSE") trading under the symbol "EFXT". The Company will remain headquartered in Calgary, Alberta, Canada.

The Transaction establishes a premier integrated global provider of energy infrastructure and energy transition solutions. With enhanced scale and capabilities, Enerflex is optimally positioned to serve customers in key natural gas, energy transition, and produced water markets, which will enhance long-term shareholder value through sustainable improvements in efficiency, profitability, and cash flow generation. The combined company expects to deliver annual run-rate cost savings and synergies of approximately $60 million USD within 12 to 18 months of Transaction close.

On October 12, 2022, Enerflex successfully closed its previously announced private offering (the "Offering") of $625 million USD aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Enerflex used the net proceeds of approximately $578 million USD of the Offering, together with its $150 million USD three-year secured term loan facility, an initial draw under its $700 million USD three-year secured revolving credit facility (the "Revolving Credit Facility"), and cash on hand, to fully repay the existing Enerflex and Exterran notes and revolving credit facilities and put in place a new debt capital structure. The balance of the

Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes and will provide significant liquidity for Enerflex. The Company will be subject to covenants under its new structure, all calculated on a rolling four-quarter basis:

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

The Company will begin consolidating the operating results, cash flows and net assets of Exterran from October 13, 2022 onwards. Additionally, management is in the process of finalizing the operating and reporting segments for the Company and continues to evaluate how the segments may be presented in the future.

OUTLOOK

Commodity prices have strengthened significantly over the last year, given improved supply/demand fundamentals and a renewed focus on global energy security considering Russia's invasion of Ukraine. As a result, the balance sheets and free-cash-flow positions of exploration and production ("E&P") and midstream companies have improved considerably. Enerflex expects its customers in certain regions to increase their capital expenditure programs modestly, a trend reflected in the Company's strong Engineered Systems bookings.

An "Energy Transition" towards less carbon-intensive energy sources is underway, presenting new opportunities for the Company to leverage its strength in providing modularized engineer-to-order process solutions. The Company is working with new and existing customers to advance projects that: decarbonize core operations, provide a path for electrification, capture carbon, build infrastructure for Renewable Natural Gas ("RNG") and biofuels, and develop new hydrogen opportunities. Enerflex continues to expand its Energy Transition business, securing approximately $100 million of energy transition bookings during the third quarter of 2022. Once in operation, these carbon capture projects will collectively capture and permanently sequester over one million tonnes of carbon dioxide ("CO_2") per annum. The projects are included in the Company's Engineered Systems bookings and backlog.

Enerflex has entered into an agreement with a customer to provide a modularized integrated carbon capture facility that will abate approximately 450,000 tonnes of CO_2 per annum. With public policy increasingly supportive of investments required to decarbonize, Enerflex will continue to leverage its expertise in delivering modularized integrated process technology solutions to grow its energy transition business and support its customers on improving their emissions profiles while driving the global decarbonization agenda towards a sustainable future.

Enerflex is focused on providing a safe working environment for all employees, strengthening its financial position, and positioning the Company to capitalize on increased industry spending. Enerflex will prioritize reducing its debt and expects to lower its bank-adjusted net debt to EBITDA ratio to below 2.5 times within 12 to 18 months of closing the Transaction. Upon completion of three Energy Infrastructure investments and the cryogenic natural gas processing facility, Enerflex anticipates generating significant excess cash flow, which will be used to strengthen the Company's financial position. Together with the cost savings and synergies expected to be captured from the Transaction, as well as a combined pro forma backlog of approximately $1.5 billion, Enerflex has de-risked its deleveraging plan following the Transaction's closing. As of November 9, 2022, Enerflex's net debt balance was approximately $1.36 billion.

Once its debt target has been met, the Company will evaluate increasing returns to shareholders and profitable growth opportunities while balancing the expected impacts of broader market factors against the projected increases in demand for natural gas. Enerflex will continue to assess the effects of these contributing factors and the corresponding impact on customer activity levels, which will drive the demand for the Company's products and services in future periods.

OUTLOOK BY SEGMENT

USA

Enerflex’s USA segment continues to experience strong demand for its products and services, with increased E&P activity driven by robust market fundamentals and elevated commodity prices. Recurring revenue generated by the Company’s Service and contract compression product lines is stable, and contract compression utilization rates are at historic levels. Enerflex is strategically positioned to experience strength across all product lines, despite expected ongoing volatility in commodity prices and the potential for a global economic slowdown.

Growth in Energy Transition initiatives is expected to provide further opportunities in the USA segment. Enerflex's customers are adopting electric motor drive compression to eliminate their Scope 1 emissions from engine-driven compression. Additional carbon capture opportunities are supported through the federal government’s 45-Q tax incentive. Low-carbon fuel initiatives are also being adopted across the USA, which is expected to increase demand for modular equipment solutions like Enerflex’s.

Rest of World

In the ROW segment, the Company expects to continue generating strong recurring revenues in the Middle East and Latin America regions through its existing rental fleet and new large-scale, long-term energy infrastructure projects. The construction for the previously announced 10-year natural gas infrastructure contract is well underway, consisting of two projects in the Middle East. These investments are on track to become fully operational in late 2022. An Exterran BOOM produced water infrastructure project has commenced operations in early November 2022 on a four-year take-or-pay contract with a national oil company, and another Exterran BOOM produced water infrastructure facility is expected to be completed in the first half of 2023 on a 10-year take-or-pay contract with a joint venture between a national oil company and an international super-major oil and gas company.

The Company continues to observe the demand for large-scale, long-term rental assets and ITK projects in the Middle East. The Company is exploring new markets and opportunities within this region, focusing on projects that require products that Enerflex engineers and manufactures and generates long-term stable cash flows. An Exterran cryogenic natural gas processing facility is expected to be completed in 2023 and will be accounted for as a product sale.

In Latin America, many countries have indicated a renewed desire to develop crude oil and natural gas resources to support the rising need for reliable power. The Company is well-positioned to provide products and services throughout the region and has observed increased activity in key markets like Argentina, Bolivia, Brazil, Colombia, and Mexico.

In Australia, the demand for Enerflex service and maintenance support is robust given the strength of the region's liquified natural gas ("LNG") export market. Further, the downward pressure on production costs being felt by customers is increasing their desire to improve equipment reliability and efficiency, for which Enerflex is well-positioned to support.

Canada

Enerflex believes that a sustained increase in rig count and strengthened commodity process are positive indicators for elevated business activity in Canada, despite producers continuing to exhibit capital discipline and prioritizing returns to shareholders, over growing production. As a result, the Company is well-positioned to capitalize on natural gas liquids production growth within the Western Canadian Sedimentary Basin and has secured several orders for electric power generation equipment in 2022.

Performance from the Service product line was muted in early 2022; however, Enerflex has experienced an increase in activity that is expected to continue through the remainder of the year. The Company also continues to mitigate broad-based OEM supply chain challenges and inflationary pressures that have resulted in increased parts costs, late delivery of parts and components, and increased operating costs.

The Company continues to evaluate various Energy Transition opportunities in Canada. To date, discussions have centered around carbon capture and biofuels, both dependent on supporting government policies like the CCUS Investment Tax Credit. The federal and provincial governments are also evaluating hydrogen strategies which could present a growth market for Enerflex.

ENERFLEX STRATEGY

Enerflex's vision of *"Transforming Energy for a Sustainable Future"* is supported by a long-term strategy founded upon the following key pillars: technical excellence in modular energy systems; profitable growth achieved through vertically integrated and geographically diverse product offerings; financial strength and discipline; and sustainable returns to shareholders. Through consistent execution of its long-term strategy, and regular evaluation of its capital allocation priorities and decisions, Enerflex has managed a resilient business to create shareholder value over its 42-year history.

Enerflex leverages its strong presence in growing natural gas markets across the globe to offer vertically integrated energy infrastructure and energy transition solutions, delivering compression, processing, cryogenic, electric power, and produced water solutions, that span all phases of a project's lifecycle, from front-end engineering and design to after-market service. The Company also participates in global decarbonization efforts, working closely with customers across the globe as they strive to reduce their emissions profiles. Enerflex has proven expertise in delivering practical solutions to enable the energy transition, including carbon capture utilization and storage, electrification, RNG, and hydrogen solutions.

To build an increasingly resilient and sustainable business, Enerflex is focused on growing gross margins generated from its Energy Infrastructure and Service product lines to stabilize its cash flows and reduce cyclicality in the business over the long term.

To support its overarching corporate strategy, Enerflex has developed region-specific strategies:

USA

In the USA segment, Enerflex provides natural gas solutions to support the development of the upstream resources and midstream infrastructure required to meet local demand and the demand from a growing LNG export industry.

- **Energy Infrastructure**: Enerflex invests in the organic expansion of its contract compression fleet by engineering, designing, building, and renting out contract compression units.
- **Service**: Enerflex focuses on servicing a large installed base of compression solutions in a cost-effective manner.
- **Engineered Systems**: Enerflex engineers, designs, and manufactures modularized compression, processing, cryogenic, electric power, and carbon capture solutions.

Rest of World

In the ROW segment, Enerflex focuses primarily on long-term growth opportunities in the Middle East and Latin America through energy infrastructure ownership.

- **Energy Infrastructure**: Enerflex targets long-term BOOM solutions and other infrastructure leases of varying size and scope, as these projects support Enerflex's strategy to grow recurring revenues.
- **Service**: Enerflex leverages its large Energy Infrastructure and Engineered Systems footprint to grow its after-market service capabilities.
- **Engineered Systems**: Enerflex delivers electric power solutions to meet the rising need for reliable power, and engineers, designs, and manufactures compression and processing solutions which require construction and installation support at site.

Canada

In the Canada segment, Enerflex continues to evaluate opportunities to expand its market share in the natural gas sector, particularly in liquids-rich reservoirs, and to support the development of natural gas resources for a future LNG industry. In addition, the Company has looked to build on its successes in the electric power market to meet increasing demand for natural gas-fired power generation.

- **Energy Infrastructure**: Enerflex concentrates on reciprocating and rotary screw natural gas compression packages, and electric power equipment rentals.
- **Service**: Enerflex prioritizes securing long-term service and maintenance contracts with customers to grow the region's recurring revenue profile.
- **Engineered Systems**: In addition to offering extensive compression and processing solutions, Enerflex looks to expand its electric power offerings to meet the strong local demand for natural gas-fired power generation, as well as providing carbon capture solutions.

Enerflex will continue diversifying its revenue streams from multiple markets, growing its backlog, and ensuring strong profit margins through diligent cost control efforts.

NON-IFRS MEASURES

The success of the Company and its business unit strategies is measured using a number of key performance indicators, some of which do not have a standardized meaning as prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures are also used by Management in its assessment of relative investments in operations and include Engineered Systems bookings and backlog, recurring revenue, EBITDA, net debt to EBITDA ratio, and ROCE, and should not be considered as an alternative to net earnings or any other measure of performance under IFRS. The reconciliation of these non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS is provided below where appropriate. Engineered Systems bookings and backlog do not have a directly comparable IFRS measure.

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2022**	2021	**2022**	2021
EBITDA				
EBIT	**$ (24,070)**	$ 9,963	**$ 3,937**	$ 34,542
Depreciation and amortization	**21,695**	21,993	**65,643**	64,454
EBITDA	**$ (2,375)**	$ 31,956	**$ 69,580**	$ 98,996
Recurring Revenue				
Service	**$ 109,109**	$ 88,356	**$ 298,134**	$ 236,522
Energy Infrastructure[1]	**82,820**	68,107	**218,164**	190,423
Total Recurring Revenue	**$ 191,929**	$ 156,463	**$ 516,298**	$ 426,945
ROCE				
Trailing 12-month EBIT	**$ 24,492**	$ 65,415	**$ 24,492**	$ 65,415
Capital employed – beginning of period				
Net debt[2]	**$ 198,873**	$ 240,434	**$ 158,664**	$ 294,036
Shareholders' equity	**1,378,897**	1,362,297	**1,353,754**	1,396,695
	$ 1,577,770	$ 1,602,731	**$ 1,512,418**	$ 1,690,731
Capital employed – end of period				
Net debt[2]	**$ 169,626**	$ 243,030	**$ 169,626**	$ 243,030
Shareholders' equity	**1,419,844**	1,394,047	**1,419,844**	1,394,047
	$ 1,589,470	$ 1,637,077	**$ 1,589,470**	$ 1,637,077
Average capital employed[3]	**$ 1,556,918**	$ 1,639,860	**$ 1,556,918**	$ 1,639,860
Return on capital employed	**1.6%**	4.0%	**1.6%**	4.0%

[1] *Please refer to the "Adjusted EBITDA" section of the MD&A, which isolates the impacts of finance lease accounting.*
[2] *Net debt is defined as short- and long-term debt less cash and cash equivalents.*
[3] *Based on a trailing four-quarter average.*

FINANCIAL POSITION

The following table outlines significant changes in the Statements of Financial Position as at September 30, 2022 compared to December 31, 2021:

($ Canadian millions)	Increase (Decrease)	Explanation
Current assets	$195.4	The increase in current assets is primarily due to significantly higher inventories and accounts receivable, work-in-progress related to finance leases and cash and cash equivalents from increased activity levels, as well as favourable impacts of foreign exchange.
Rental equipment	$37.1	Rental equipment increased primarily due to the strengthening of the U.S. dollar relative to the Canadian dollar, as well as capital expenditures. The increases were offset by depreciation, disposals, and impairments.
Finance leases receivable	$34.9	The increase in the long-term portion of finance leases receivable is due to the recognition of a 10-year natural gas infrastructure project in the Middle East that began operations during the first quarter of 2022, along with the favourable impact of foreign exchange.
Goodwill	$(23.2)	The decrease in goodwill is due to the impairment in the Canada segment due to movements in interest rates, partially offset by favourable impacts of foreign exchange.
Current liabilities	$163.8	The increase in current liabilities is primarily due to significant increases in accounts payable and accrued liabilities, and deferred revenues, which is driven by increased activity levels.
Long-term debt	$31.1	The increase in long-term debt is primarily due to increased borrowings from the Bank Facility, and a strengthening U.S. dollar relative to the Canadian dollar, partially offset by net repayments on the Asset-Based Facility, and the amortization of deferred transaction costs.
Total shareholders' equity	$66.1	Total shareholders' equity increased primarily due to the $91.3 million impact on unrealized gains on the translation of foreign operations and foreign-denominated debt and $1.3 million of stock options, offset by net loss of $19.8 million and dividends of $6.7 million.

CAPITAL EXPENDITURES AND EXPENDITURES FOR FINANCE LEASES

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

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2022**	2021	**2022**	2021
Additions to property, plant and equipment	**$ 1,920**	$ 1,104	**$ 4,911**	$ 3,849
Additions to rental equipment:				
Growth	**21,672**	6,156	**30,603**	28,774
Maintenance	**4,940**	3,236	**10,704**	6,588
Total capital expenditures	**$ 28,532**	$ 10,496	**$ 46,218**	$ 39,211
Expenditures for finance leases	**$ 19,073**	$ 8,828	**$ 60,017**	$ 23,132
Total capital expenditures and expenditures for finance leases	**$ 47,605**	$ 19,324	**$ 106,235**	$ 62,343

LIQUIDITY

The Company expects that cash flows from operations in 2022, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets. As at September 30, 2022, the Company held cash and cash equivalents of $198.8 million and had cash drawings of $86.3 million against the Bank and Asset-Based Facilities leaving it with access to $673.3 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank Facility, Asset-Based Facility, and the Company's unsecured notes ("Notes"), with a bank-adjusted net debt to EBITDA ratio, excluding the non-recourse debt, of 1.03:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of 10:1 compared to a minimum ratio of 3:1. The interest coverage ratio is calculated by dividing the trailing 12-month bank-adjusted EBITDA, as defined by the Company's lenders, by interest expense over the same timeframe. At completion of the Transaction, the Company established a new debt capital structure. Please refer to the Subsequent Events section of this MD&A and Note 21 of the Financial Statements for additional details.

SUMMARIZED STATEMENTS OF CASH FLOW

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2022**	Restated[1] 2021	**2022**	Restated[1] 2021
Cash and cash equivalents, beginning of period	**$ 147,078**	$ 98,972	**$ 172,758**	$ 95,676
Cash provided by (used in):				
Operating activities	**37,713**	11,477	**36,098**	84,444
Investing activities	**5,792**	(963)	**(10,936)**	(13,342)
Financing activities	**(298)**	(7,144)	**(8,876)**	(61,416)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**8,502**	(69)	**9,743**	(3,089)
Cash and cash equivalents, end of period	**$ 198,787**	$ 102,273	**$ 198,787**	$ 102,273

[1] *Refer to note 20 of the Financial Statements for the details of this restatement.*

Operating Activities

For the three months ended September 30, 2022, cash provided by operating activities is higher than the comparative period, primarily driven by improvement in the net change in working capital, and an improvement in net earnings when removing the non-cash impact of the goodwill impairment. For the nine months ended September 30, 2022, cash provided by operating activities was lower compared to the same period last year and was primarily the result of the net change in working capital and other, partially offset by the improvement in net earnings when removing the non-cash impact of goodwill impairment. Movements in the net change in working capital are explained in the "Financial Position" section of this MD&A.

Investing Activities

Cash provided by investing activities for the three months ended September 30, 2022 is higher when compared to the three months ended September 30, 2021. The increase is due to the higher proceeds received on the disposal of rental equipment, partially offset by increased investment in associates and joint ventures, and higher capital expenditures on rental equipment. For the nine months ended September 30, 2022, cash used in investing activities decreased from the prior year primarily due to the higher capital expenditures on rental equipment, and increased investment in associates and joint ventures, partially offset by higher proceeds on the disposal of rental equipment.

Financing Activities

For the three and nine months ended September 30, 2022, cash used in financing activities decreased primarily due to larger net proceeds from long-term debt, partially offset by deferred refinancing and Transaction-related costs incurred in the current year.

QUARTERLY SUMMARY

($ Canadian thousands, except per share amounts)	Revenue	Net earnings (loss)	Earnings (loss) per share – basic	Earnings (loss) per share – diluted
September 30, 2022	**$ 392,813**	**$ (32,808)**	**$ (0.37)**	**$ (0.37)**
June 30, 2022	372,077	13,352	0.15	0.15
March 31, 2022	323,069	(369)	(0.00)	(0.00)
December 31, 2021	321,347	(32,707)	(0.36)	(0.36)
September 30, 2021	231,097	6,958	0.08	0.08
June 30, 2021	204,507	4,291	0.05	0.05
March 31, 2021	203,205	3,003	0.03	0.03
December 31, 2020	298,837	32,668	0.36	0.36
September 30, 2020	265,037	10,736	0.12	0.12
June 30, 2020	287,438	7,415	0.08	0.08
March 31, 2020	365,740	37,438	0.42	0.42
December 31, 2019	474,362	31,436	0.35	0.35
September 30, 2019	544,284	63,074	0.71	0.70

CAPITAL RESOURCES

On October 31, 2022, Enerflex had 123,694,020 shares outstanding. Enerflex has not established a formal dividend policy and the Board anticipates setting the quarterly dividends based on the availability of cash flow, anticipated market conditions, and the general needs of the business. Subsequent to the third quarter of 2022, the Company declared a quarterly dividend of $0.025 per share.

At September 30, 2022, the Company had combined drawings $86.3 million against the Bank and Asset-Based Facilities (December 31, 2021 – $67.9 million). The weighted average interest rate on the Bank and Asset-Based Facilities at September 30, 2022 was 3.3 percent and 4.7 percent (December 31, 2021 – 2.1 percent and 3.0 percent).

The composition of the borrowings on the Bank Facility, Asset-Based Facility, and the Company's Notes was as follows:

($ Canadian thousands)	**September 30, 2022**	December 31, 2021
Drawings on the Bank Facility	**$ 64,040**	$ 30,522
Drawings on the Asset-Based Facility	**22,268**	37,411
Notes due December 15, 2024	**158,924**	148,119
Notes due December 15, 2027	**125,949**	118,746
Deferred transaction costs	**(2,768)**	(3,376)
	$ 368,413	$ 331,422
Current portion of long-term debt	**$ 5,904**	$ -
Non-current portion of long-term debt	**362,509**	331,422
	$ 368,413	$ 331,422

On October 13, 2022, upon closing of the Transaction, Enerflex fully repaid the existing Enerflex and Exterran Notes and Revolving Credit Facilities.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying Financial Statements, and has in place appropriate information systems, procedures, and controls to ensure that information used internally by Management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the Financial Statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of Management, evaluate the effectiveness of the Company's DC&P and ICFR using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this review, the Company has concluded that its DC&P and ICFR was not effective for the three and nine months ended September 30, 2021, due to a material weakness as described below. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified a material weakness in design and operation of the control over review of financial statement presentation and disclosure, which led to the amendment and restatement of its unaudited Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2021. This deficiency was due to reliance on system automation to correctly classify and present amounts in the financial statements and insufficient precision of financial statement review controls to have identified a material misstatement in the financial statements. Due to this material weakness, certain financial statement presentation was incorrect, which included the misclassification of certain cash flows, and non-cash items being reflected as transfers between Operating, Investing, and Financing cash flows. The Statements of Cash Flows and related disclosures have been adjusted for this misclassification and these non-cash transfers.

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

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

Certain remedial measures were undertaken in the second quarter of 2022 that resulted in an effective control design over the Company's reliance on system automation to correctly classify and prepare the Statements of Cash Flows. However, Management is unable to conclude that these controls are operationally effective until a sufficient number of periods have passed. Although the Company can give no assurance that the above actions will remediate this material weakness in internal controls or that additional material weaknesses in our ICFR will not be identified in the future, Management believes the foregoing efforts will effectively remediate the identified material weakness. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Company's ICFR environment.

Outside of the material weakness noted above, there have been no significant changes in the design of the Company's ICFR during the three and nine months ended September 30, 2022, that would materially affect, or is reasonably likely to materially affect, the Company's ICFR.

While the Officers of the Company have designed the Company's DC&P and ICFR, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

SUBSEQUENT EVENTS

Exterran Acquisition

On January 24, 2022, the Company announced the proposed acquisition (the "Transaction") of Exterran Corporation ("Exterran") in which Enerflex would acquire Exterran by issuing 1.021 common shares of Enerflex for each share of Exterran common stock held. The Transaction was completed on October 13, 2022. Enerflex's common shares continue to trade on the Toronto Stock Exchange ("TSX") under the symbol "EFX", and the Company has commenced trading on the New York Stock Exchange ("NYSE") under the symbol "EFXT". To complete the Transaction, the Company issued 34,013,055 Enerflex common shares with a fair value of $213.9 million, based on the October 12, 2022, closing share price of $6.29, as reported on the TSX.

Concurrent with the closing of the acquisition, Enerflex successfully closed its previously announced private offering (the "Offering") of $625 million USD aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Enerflex has used the net proceeds of approximately $578 million USD of the Offering, together with its $150 million USD three-year secured term loan facility, an initial draw under its $700 million USD three-year secured revolving credit facility (the "Revolving Credit Facility"), and cash on hand, to fully repay the existing Enerflex and Exterran Notes, Bank Facility and Asset-Based Facility, and put in place a new debt capital structure. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes, as required, and will provide significant liquidity for Enerflex. The Company is subject to covenants under its new structure, all calculated on a rolling four-quarter basis:

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

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

The Company will begin consolidating the operating results, cash flows and net assets of Exterran from October 13, 2022 onwards. The purchase price allocation associated with the Transaction is based on Management's best estimate of fair value. At this time, the purchase price allocation has not been finalized as the Company is still assessing the fair values of identifiable assets and assumed liabilities. The preliminary purchase price allocation will be determined and disclosed during the fourth quarter of 2022.

Dividends

Subsequent to September 30, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on January 12, 2023, to shareholders of record on November 24, 2022. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws and within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to the respective Management expectations about future events, results of operations, and the future performance (both financial and operational) and business prospects of Enerflex, Exterran, or the combined entity. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “future", “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “pursue”, “potential”, “objective” and “capable” and similar expressions are intended to identify forward-looking information. In particular, this MD&A includes (without limitation) forward-looking information pertaining to: the anticipated financial performance of the combined entity, including its expected gross margin; the intended use by Enerflex of the net proceeds from the Offering, the three-year secured term loan facility, the initial draw under the Revolving Credit Facility, and cash on hand; the expectation that the investment by Enerflex towards construction of a natural gas infrastructure asset that was awarded in the fourth quarter of 2021, will be accounted for as a finance lease; the expected reporting segments of the combined company; the expected cost savings and synergies of the combined company to be achieved as a result of the Transaction and the timing to realize such cost savings and synergies; anticipated shareholder value; expected accretion to adjusted EBITDA, cash flow per share, and earnings per share for shareholders of Enerflex; excess cash flow beginning in 2023; future capital expenditures, including the amount and nature thereof; Engineered Systems bookings and backlog; crude oil and natural gas prices and the impact of such prices on demand for the combined entity’s products and services; development trends in the oil and gas industry; seasonal variations in the activity levels of certain crude oil and natural gas markets; business prospects and strategy; expansion and growth of the business and operations, including position in the Energy Services markets; expectations regarding future dividends; implications of changes in government regulation, laws and income taxes; environmental, social, and governance matters; the disclosures provided in the section titled “Outlook” and “Outlook by Segment” and the remediation plan and the effectiveness of the actions taken pursuant to the remediation plan to remediate the identified material weakness.

This forward-looking information is based on assumptions, estimates and analysis made by Enerflex and its perception of trends, current conditions and expected developments, as well as other factors that are believed by Enerflex to be reasonable and relevant in the circumstances and in light of the Transaction. All forward-looking information in this MD&A, primarily in the Outlook and Enerflex Strategy sections, is subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect Enerflex’s operations, including, without limitation: receipt of all necessary regulatory and/or competition approvals on a post-closing basis on terms acceptable to Enerflex; the impact of economic conditions including volatility in the price of crude oil, natural gas, and natural gas liquids; supply chain interruptions leading to delays in receiving materials and parts to produce equipment; interest rates and foreign exchange rates; industry conditions including supply and demand fundamentals for oil and gas, and the related infrastructure including new environmental, taxation and other laws and regulations; business disruptions resulting from the ongoing COVID-19 pandemic; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; political unrest; and other factors, many of which are beyond the control of Enerflex. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While Enerflex believes that there is a reasonable basis for the forward-looking information and statements included in this MD&A, as a result of such known and unknown risks, uncertainties, and other factors, actual results, performance, or achievements could differ and such differences could be material from those expressed in, or implied by, these statements. The forward-looking information included in this MD&A should not be unduly relied upon as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to: the ability of the combined entity to realize the anticipated benefits of, and synergies from, the Transaction and the timing and quantum thereof; potential undisclosed liabilities unidentified during the due diligence process; the accuracy of the pro forma financial information of the combined entity; the interpretation of the Transaction by tax authorities; the success of business integration and the time required to successfully integrate; the focus of Management's time and attention on the Transaction and other disruptions arising from the Transaction; the ability to maintain desirable financial ratios; the ability to access various sources of debt and equity capital, generally, and on acceptable terms, if at all; the ability to utilize tax losses in the future; the ability to maintain relationships with partners and to successfully manage and operate integrated businesses; risks associated with technology and equipment, including potential cyberattacks; the occurrence of unexpected events such as pandemics, war, terrorist threats, and the instability resulting therefrom; risks associated with existing and potential future lawsuits, shareholder proposals, and regulatory actions; and those factors referred to under the heading "Risk Factors" in Enerflex's Annual Information Form ("AIF") and Exterran's Form 10-K, each for the year ended December 31, 2021, and in Enerflex's MD&A and Exterran's Form 10-Q, each for the three and six months ended June 30, 2022, available on SEDAR and EDGAR, respectively.

This MD&A contains information that may constitute future-oriented financial information or financial outlook information (“FOFI”) about Enerflex and the combined entity’s prospective financial performance, financial position, or cash flows, including annual run-rate synergies, adjusted EBITDA, capital expenditures, total expenditures, gross margin and bank-adjusted net debt to EBITDA ratio, all of which is subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may provide to be imprecise or inaccurate and, as such, undue reliance should not be placed on FOFI. Enerflex, Exterran or the combined entity's actual results, performance and achievements could differ materially from those expressed in, or implied by, FOFI. Enerflex and Exterran have included FOFI in this MD&A in order to provide readers with a more complete perspective on the combined entity's future operations and Management's current expectations regarding the combined entity's future performance. Readers are cautioned that such information may not be appropriate for other purposes.

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

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

($ Canadian thousands)		**September 30, 2022**		December 31, 2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**198,787**	$	172,758
Accounts receivable (Note 2)		**241,150**		212,206
Contract assets (Note 2)		**91,032**		82,760
Inventories (Note 3)		**244,004**		172,687
Work-in-progress related to finance leases (Note 3)		**63,639**		36,169
Current portion of finance leases receivable (Note 6)		**22,093**		15,248
Income taxes receivable		**4,097**		3,732
Derivative financial instruments (Note 15)		**2,438**		294
Prepayments		**37,916**		13,853
Total current assets		**905,156**		709,707
Property, plant and equipment (Note 4)		**99,613**		96,414
Rental equipment (Note 4)		**647,437**		610,328
Lease right-of-use assets (Note 5)		**46,684**		49,887
Finance leases receivable (Note 6)		**123,035**		88,110
Deferred tax assets (Note 11)		**10,199**		9,293
Other assets		**69,466**		51,315
Intangible assets		**6,564**		10,118
Goodwill (Note 7)		**543,070**		566,270
Total assets	**$**	**2,451,224**	$	2,191,442
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**315,888**	$	240,747
Warranty provision		**7,357**		6,636
Income taxes payable		**6,845**		9,318
Deferred revenues (Note 8)		**167,853**		84,614
Current portion of long-term debt (Note 9)		**5,904**		-
Current portion of lease liabilities (Note 10)		**13,753**		13,906
Derivative financial instruments (Note 15)		**1,643**		180
Total current liabilities		**519,243**		355,401
Long-term debt (Note 9, 21)		**362,509**		331,422
Lease liabilities (Note 10)		**40,014**		43,108
Deferred tax liabilities (Note 11)		**95,202**		91,972
Other liabilities		**14,412**		15,785
Total liabilities	**$**	**1,031,380**	$	837,688
Shareholders' equity				
Share capital	**$**	**375,540**	$	375,524
Contributed surplus		**659,904**		658,615
Retained earnings		**248,410**		274,962
Accumulated other comprehensive income		**135,990**		44,653
Total shareholders' equity		**1,419,844**		1,353,754
Total liabilities and shareholders' equity	**$**	**2,451,224**	$	2,191,442

See accompanying Notes to the unaudited interim condensed consolidated financial statements, including guarantees, commitments, and contingencies (Note 17).

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

($ Canadian thousands, except per share amounts)	Three months ended September 30, 2022	2021[1]	Nine months ended September 30, 2022	2021[1]
Revenue (Note 12)	**$ 392,813**	$ 231,097	**$ 1,087,959**	$ 638,809
Cost of goods sold	**314,143**	180,783	**892,057**	491,917
Gross margin	**78,670**	50,314	**195,902**	146,892
Selling and administrative expenses	**55,102**	40,713	**145,252**	112,525
Operating income	**23,568**	9,601	**50,650**	34,367
Gain (loss) on disposal of property, plant and equipment (Note 4)	**9**	(1)	**88**	37
Equity earnings from associates and joint ventures	**353**	363	**1,199**	138
Impairment of goodwill (Note 7)	**(48,000)**	-	**(48,000)**	-
Earnings before finance costs and income taxes	**(24,070)**	9,963	**3,937**	34,542
Net finance costs (Note 14)	**4,522**	4,722	**12,853**	14,668
Earnings before income taxes	**(28,592)**	5,241	**(8,916)**	19,874
Income taxes (Note 11)	**4,216**	(1,717)	**10,909**	5,622
Net earnings (loss)	**$ (32,808)**	$ 6,958	**$ (19,825)**	$ 14,252
Net earnings (loss) per share – basic	**$ (0.37)**	$ 0.08	**$ (0.22)**	$ 0.16
Net earnings (loss) per share – diluted	**$ (0.37)**	$ 0.08	**$ (0.22)**	$ 0.16
Weighted average number of shares – basic	**89,680,965**	89,678,845	**89,680,584**	89,678,845
Weighted average number of shares – diluted	**89,680,965**	89,805,117	**89,680,584**	89,788,682

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

[1] Certain amounts for the three and nine months ended September 30, 2021 have been reclassified. Refer to Note 1(b) for additional details.

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

($ Canadian thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net earnings (loss)	**$ (32,808)**	$ 6,958	**$ (19,825)**	$ 14,252
Other comprehensive income (loss):				
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Change in fair value of derivatives designated as cash flow hedges, net of income tax recovery	**518**	72	**578**	222
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income taxes	**5**	(7)	**(34)**	(181)
Unrealized gain (loss) on translation of foreign denominated debt	**(3,531)**	(1,492)	**(4,425)**	(39)
Unrealized gain (loss) on translation of financial statements of foreign operations	**78,639**	27,558	**95,218**	(12,869)
Other comprehensive income (loss)	**$ 75,631**	$ 26,131	**$ 91,337**	$ (12,867)
Total comprehensive income	**$ 42,823**	$ 33,089	**$ 71,512**	$ 1,385

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ Canadian thousands)	Three months ended September 30, 2022	Three months ended September 30, Restated (Note 20) 2021	Nine months ended September 30, 2022	Nine months ended September 30, Restated (Note 20) 2021
Operating Activities				
Net earnings (loss)	**$ (32,808)**	$ 6,958	**$ (19,825)**	$ 14,252
Items not requiring cash and cash equivalents:				
Depreciation and amortization	**21,695**	21,993	**65,643**	64,454
Equity earnings from associates and joint ventures	**(353)**	(363)	**(1,199)**	(138)
Deferred income taxes (Note 11)	**(3,275)**	1,287	**(4,937)**	(1,872)
Share-based compensation expense (Note 13)	**3,097**	4,736	**4,479**	13,161
(Gain) loss on sale of property, plant and equipment (Note 4)	**(9)**	1	**(88)**	(37)
Impairment on rental equipment (Note 4)	**-**	-	**349**	485
Impairment of goodwill (Note 7)	**48,000**	-	**48,000**	-
	36,347	34,612	**92,422**	90,305
Net change in working capital and other (Note 16)	**1,366**	(23,135)	**(56,324)**	(5,861)
Cash provided by operating activities	**$ 37,713**	$ 11,477	**$ 36,098**	$ 84,444
Investing Activities				
Additions to:				
Property, plant and equipment (Note 4)	**$ (1,920)**	$ (1,104)	**$ (4,911)**	$ (3,849)
Rental equipment (Note 4)	**(26,612)**	(9,392)	**(41,307)**	(35,362)
Proceeds on disposal of:				
Property, plant and equipment (Note 4)	**18**	21	**105**	98
Rental equipment (Note 4)	**10,601**	651	**13,294**	1,669
Investment in associates and joint ventures	**(5,483)**	(130)	**(5,950)**	(130)
Dividends received from associates and joint ventures	**3,094**	-	**3,094**	-
Net change in accounts payable related to the addition of property, plant and equipment, and rental equipment	**26,094**	8,991	**24,739**	24,232
Cash provided by (used in) investing activities	**$ 5,792**	$ (963)	**$ (10,936)**	$ (13,342)
Financing Activities				
Net proceeds from (repayment of) the Bank Facility (Note 9)	**$ 12,201**	$ 1,861	**$ 32,879**	$ (45,004)
Net proceeds from (repayment of) the Asset-Based Facility (Note 9)	**(6,178)**	(2,881)	**(17,039)**	40,833
Repayment of the Notes (Note 9)	**-**	-	**-**	(40,000)
Lease liability principal repayment (Note 10)	**(3,626)**	(3,404)	**(10,957)**	(9,891)
Dividends paid	**(2,242)**	(1,794)	**(6,726)**	(5,381)
Stock option exercises (Note 13)	**-**	-	**12**	-
Debt refinancing and transaction costs	**(453)**	(926)	**(7,045)**	(1,973)
Cash used in financing activities	**$ (298)**	$ (7,144)	**$ (8,876)**	$ (61,416)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$ 8,502**	$ (69)	**$ 9,743**	$ (3,089)
Increase in cash and cash equivalents	**51,709**	3,301	**26,029**	6,597
Cash and cash equivalents, beginning of period	**147,078**	98,972	**172,758**	95,676
Cash and cash equivalents, end of period	**$ 198,787**	$ 102,273	**$ 198,787**	$ 102,273

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

($ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total
At January 1, 2021	$ 375,524	$ 656,832	$ 301,040	$ 63,270	$ 29	$ 63,299	$ 1,396,695
Net earnings	-	-	14,252	-	-	-	14,252
Other comprehensive loss	-	-	-	(12,908)	41	(12,867)	(12,867)
Effect of stock option plans	-	1,348	-	-	-	-	1,348
Dividends	-	-	(5,381)	-	-	-	(5,381)
At September 30, 2021	$ 375,524	$ 658,180	$ 309,911	$ 50,362	$ 70	$ 50,432	$ 1,394,047
At January 1, 2022	$ 375,524	$ 658,615	$ 274,962	$ 44,544	$ 109	$ 44,653	$ 1,353,754
Net loss	-	-	(19,825)	-	-	-	(19,825)
Other comprehensive income	-	-	-	90,793	544	91,337	91,337
Effect of stock option plans	16	1,289	-	-	-	-	1,305
Dividends	-	-	(6,727)	-	-	-	(6,727)
At September 30, 2022	**$ 375,540**	**$ 659,904**	**$ 248,410**	**$ 135,337**	**$ 653**	**$ 135,990**	**$ 1,419,844**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited interim condensed consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and were approved and authorized for issue by the Board of Directors (the "Board") on November 9, 2022.

(b) Basis of Presentation and Measurement

These Financial Statements for the three and nine months ended September 30, 2022 and 2021 were prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting using accounting policies consistent with IFRS as issued by the IASB and the IFRS Interpretations Committee ("IFRIC"). The Financial Statements do not include all the disclosures included in the annual consolidated financial statements for the year ended December 31, 2021, and therefore should be read in conjunction with the amended and restated annual consolidated financial statements. Certain comparative figures have been reclassified to conform to the current period's presentation.

During the first quarter of 2022, Management performed a review of the classification of the function of expenditures incurred. Following its review, the Company corrected the classification of certain costs related to facilities, insurance, and compensation, resulting in a net reclassification of costs from selling and administrative expenses ("SG&A") to cost of goods sold ("COGS"). This correction provides more relevant information and reflects costs that are directly attributable to the production of goods or the supply of services. The impact of the net reclassification on COGS and gross margin for the three- and nine-month comparative periods ending September 30, 2021 are $4.1 million and $12.8 million, respectively. There is no impact to net earnings or net earnings per share. These reclassifications are summarized in the tables below:

Excerpt from unaudited interim condensed consolidated statements of earnings for the three months ended September 30, 2021		As previously reported		Reclassification		Revised
Revenue	$	231,097	$	-	$	231,097
COGS		176,678		4,105		180,783
Gross margin		54,419		(4,105)		50,314
SG&A		44,818		(4,105)		40,713
Net earnings		6,958		-		6,958

Excerpt from unaudited interim condensed consolidated statements of earnings for the nine months ended September 30, 2021		As previously reported		Reclassification		Revised
Revenue	$	638,809	$	-	$	638,809
COGS		479,163		12,754		491,917
Gross margin		159,646		(12,754)		146,892
SG&A		125,279		(12,754)		112,525
Net earnings		14,252		-		14,252

The Financial Statements are presented in Canadian dollars rounded to the nearest thousand, except per share amounts or as otherwise noted, and are prepared on a going concern basis under the historical cost basis, with certain financial assets and financial liabilities recorded at fair value. There have been no significant changes in accounting policies compared to those described in the annual consolidated financial statements for the year ended December 31, 2021.

NOTE 2. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable consisted of the following:

	September 30, 2022	December 31, 2021
Trade receivables	$ 247,989	$ 213,815
Less: allowance for doubtful accounts	(11,176)	(10,334)
Trade receivables, net	$ 236,813	$ 203,481
Other receivables	4,337	8,725
Total accounts receivable	$ 241,150	$ 212,206

Aging of trade receivables:

	September 30, 2022	December 31, 2021
Current to 90 days	$ 208,108	$ 183,105
Over 90 days	39,881	30,710
	$ 247,989	$ 213,815

Movement in allowance for doubtful accounts:

	September 30, 2022	December 31, 2021
Balance, January 1	$ 10,334	$ 11,439
Impairment provision additions on receivables	228	275
Amounts settled and derecognized during the period	(212)	(1,317)
Currency translation effects	826	(63)
Closing balance	$ 11,176	$ 10,334

Movement in contract assets:

	September 30, 2022	December 31, 2021
Balance, January 1	$ 82,760	$ 66,722
Unbilled revenue recognized	297,035	244,372
Amounts billed	(294,506)	(228,327)
Currency translation effects	5,743	(7)
Closing balance	$ 91,032	$ 82,760

Amounts recognized as contract assets are typically billed to customers within three months.

NOTE 3. INVENTORIES

Inventories consisted of the following:

		September 30, 2022		December 31, 2021
Direct materials	**$**	**104,784**	$	83,943
Repair and distribution parts		**76,864**		54,156
Work-in-progress		**59,022**		31,298
Equipment		**3,334**		3,290
Total inventories	**$**	**244,004**	$	172,687

		September 30, 2022		December 31, 2021
Work-in-progress related to finance leases	**$**	**63,639**	$	36,169

The amount of inventory and overhead costs recognized as an expense and included in COGS for the three and nine months ended September 30, 2022 were $314.1 million and $892.1 million (September 30, 2021 – $180.8 million and $491.9 million). COGS is made up of direct materials, direct labour, depreciation on manufacturing assets, post-manufacturing expenses, and overhead. COGS also includes inventory write-downs pertaining to obsolescence and aging, and recoveries of past write-downs upon disposition. The net change in inventory reserves charged to the unaudited interim condensed consolidated statements of earnings and included in COGS for the three and nine months ended September 30, 2022 was $0.9 million and $1.8 million (September 30, 2021 – $1.3 million and $3.9 million).

The costs related to the construction of rental assets determined to be finance leases are accounted for as work-in-progress related to finance leases. Once the project is completed and enters service it is reclassified to COGS. During the three and nine months ended September 30, 2022, the Company invested $19.1 million and $60.0 million (September 30, 2021 – $8.8 million and $23.1 million) related to finance leases.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

During the three and nine months ended September 30, 2022, the Company invested $1.9 million and $4.9 million in property, plant and equipment ("PP&E") (September 30, 2021 – $1.1 million and $3.8 million) and $26.6 million and $41.3 million in rental equipment (September 30, 2021 – $9.4 million and $35.4 million). The impact of foreign exchange movements on assets denominated in a foreign currency during the three and nine months ended September 30, 2022, was an increase of $5.4 million and $6.8 million on PP&E and an increase of $37.2 million and $48.1 million on rental equipment (September 30, 2021 – increase of $2.4 million and a decrease of $0.1 million; increase of $15.2 million and a decrease of $0.5 million, respectively).

Depreciation of PP&E and rental equipment included in earnings for the three months ended September 30, 2022, was $17.1 million (September 30, 2021 – $16.5 million), of which $16.7 million was included in COGS (September 30, 2021 – $16.2 million) and $0.4 million was included in SG&A (September 30, 2021 – $0.3 million).

Depreciation of PP&E and rental equipment included in earnings for the nine months ended September 30, 2022, was $50.0 million (September 30, 2021 – $48.3 million), of which $48.7 million was included in COGS (September 30, 2021 – $47.4 million) and $1.3 million was included in SG&A (September 30, 2021 – $0.9 million).

During the first quarter of 2022, the Company reclassified certain prior period amounts between COGS and SG&A. Refer to Note 1(b) for more details. As a result, during the three and nine months ended September 30, 2021, $0.6 million and $1.8 million of PP&E depreciation was reclassified from SG&A to COGS.

Impairment of rental equipment included in earnings for the nine months ended September 30, 2022, was $0.3 million (September 30, 2021 - $0.5 million).

NOTE 5. LEASE RIGHT-OF-USE ASSETS

During the three and nine months ended September 30, 2022, the Company added $3.2 million and $6.9 million in lease right-of-use ("ROU") assets (September 30, 2021 – $5.5 million and $9.2 million) and disposed of lease ROU assets with a net book value of less than $0.1 million and $0.8 million (September 30, 2021 – nil). The impact of foreign exchange movements on lease ROU assets during the three and nine months ended September 30, 2022 was an increase of $1.1 million and $1.3 million (September 30, 2021 – increase of $0.5 million and a decrease of $0.1 million).

Depreciation of lease ROU assets included in earnings for the three months ended September 30, 2022 was $3.5 million (September 30, 2021 – $3.5 million), of which $2.9 million was included in COGS (September 30, 2021 – $2.8 million) and $0.6 million was included in SG&A (September 30, 2021 – $0.7 million).

Depreciation of lease ROU assets included in earnings for the nine months ended September 30, 2022 was $10.6 million (September 30, 2021 – $10.2 million), of which $8.9 million was included in COGS (September 30, 2021 – $7.9 million) and $1.7 million was included in SG&A (September 30, 2021 – $2.3 million).

During the first quarter of 2022, the Company reclassified certain prior period amounts between COGS and SG&A. Refer to Note 1(b) for more details. As a result, during the three and nine months ended September 30, 2022, $0.9 million and $2.5 million of lease ROU asset depreciation was reclassified from SG&A to COGS.

NOTE 6. FINANCE LEASES RECEIVABLE

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

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

	Minimum lease payments and unguaranteed residual value		Present value of minimum lease payments and unguaranteed residual value	
	September 30, 2022	December 31, 2021	**September 30, 2022**	December 31, 2021
Less than one year	**$ 24,046**	$ 16,420	**$ 22,093**	$ 15,248
Between one and five years	**97,064**	64,739	**72,124**	49,546
Later than five years	**83,622**	62,827	**50,911**	38,564
	$ 204,732	$ 143,986	**$ 145,128**	$ 103,358
Less: Unearned finance income	**(59,604)**	(40,628)	**-**	-
	$ 145,128	$ 103,358	**$ 145,128**	$ 103,358

	September 30, 2022	December 31, 2021
Balance, January 1	**$ 103,358**	$ 64,274
Additions	**38,947**	40,154
Interest income	**8,844**	5,417
Billings and payments	**(16,747)**	(6,597)
Currency translation effects	**10,726**	110
Closing balance	**$ 145,128**	$ 103,358

During the three and nine months ended September 30, 2022, the Company recognized nil and $6.6 million of selling profit related to the commencement of finance leases (September 30, 2021 – nil). Additionally, the Company recognized $3.0 million and $8.8 million of interest income on the finance leases receivable (September 30, 2021 – $1.1 million and $3.4 million). Income related to variable lease payments was nominal during the three and nine months ended September 30, 2022 and 2021.

For the years ended December 31, 2021, 2020, and 2019, the Company recognized selling profit related to the commencement of finance leases of $6.2 million, $14.7 million, and nil. Additionally, the Company recognized $5.4 million, $0.1 million, and $0.1 million of interest income on the finance leases receivable, during the twelve months ended December 31, 2021, 2020, and 2019. Income related to variable lease payments was nominal during the years ended December 31, 2021, 2020, and 2019.

The average interest rates implicit in the leases are fixed at the contract date for the entire lease term. At September 30, 2022, the average interest rate was 7.8 percent per annum (December 31, 2021 – 8.0 percent). The finance leases receivables at the end of reporting period are neither past due nor impaired.

NOTE 7. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

	September 30, 2022	December 31, 2021
Balance, January 1	**$ 566,270**	$ 576,028
Impairment	**(48,000)**	-
Currency translation effects	**24,800**	(9,758)
Closing balance	**$ 543,070**	$ 566,270

At September 30, 2022, the Company determined that there were indicators of impairment for the Canada and ROW segments, which stem from the substantial change in the risk-free rate and cost of debt in multiple jurisdictions. An assessment comparing the carrying amount and recoverable amount for these segments were completed in accordance with IAS 36.10(b), resulting in a $48.0 million impairment in Canada. No impairment was recorded in ROW as the recoverable amount exceeded the carrying value of its assets. There were no indicators of impairment for the USA region, and therefore no assessment was performed.

In assessing whether goodwill has been impaired, the carrying amount of the segment (including goodwill) is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use. The recoverable amounts for the segments have been determined based on value-in-use calculations, using discounted cash flow projections as at September 30, 2022. Management has adopted a five-year projection period to assess each segment's value-in-use. A terminal value is then determined using a perpetual growth methodology based on the fifth year. This five-year projection is based on Management's expectations of cash flows for 2023 to 2027.

Key Assumptions Used in Value-In-Use Calculations:

The Company completed an assessment for goodwill impairment for the Canada and ROW segments and determined that goodwill associated with Canada of $48.0 million was not recoverable at September 30, 2022, and an impairment charge for this amount has been recorded in the unaudited interim condensed consolidated statements of earnings. The cash flows used in the impairment calculation were discounted using a 12.7 percent (December 31, 2021 – 10.7 percent) post-tax discount rate, as the recoverable amount was less than the carrying amount of $147.5 million.

The recoverable amount for the ROW segment exceeded the carrying amount using a 14.0 percent (December 31, 2021 – 12.6 percent) post-tax discount rate.

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

- Earnings Before Finance Costs and Taxes: Management has made estimates relating to the amount and timing of revenue recognition for projects included in backlog, and the assessment of the likelihood of maintaining and growing market share. For each ten percent change in earnings before finance costs and taxes, the impact on the value-in-use would be $11.4 million for the Canada segment and $85.7 million for the ROW segment. This ten percent change in earnings before finance costs and taxes would trigger an impairment in the ROW segment and a further impairment in the Canada segment.
- Discount Rate: Management determines a discount rate for each segment based on the estimated weighted average cost of capital of the Company, using the five-year average of the Company's peer group debt to total enterprise value, adjusted for a number of risk factors specific to each segment. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Company's estimated equity market risk premium, the Company's cost of debt, and the tax rate in the local jurisdiction. For each one percent change in the discount rate, the impact on the value-in-use would be $10.2 million for the Canada segment and $110.8 million for the ROW segment. This one percent change in weighted average cost of capital would trigger an impairment in the ROW segment and a further impairment in the Canada segment.

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

NOTE 8. DEFERRED REVENUES

	September 30, 2022		December 31, 2021	
Balance, January 1	**$**	**84,614**	$	35,409
Cash received in advance of revenue recognition		**331,427**		167,956
Revenue subsequently recognized		**(258,326)**		(118,438)
Currency translation effects		**10,138**		(313)
Closing balance	**$**	**167,853**	$	84,614

Amounts recognized as deferred revenues are typically recognized into revenue within six months.

NOTE 9. LONG-TERM DEBT

The syndicated revolving credit facility ("Bank Facility") has a maturity date of June 30, 2025 (the "Maturity Date") for $660.0 million of $725.0 million in commitments. The maturity date for the remaining $65.0 million is June 30, 2023. In addition, the Bank Facility may be increased by $150.0 million at the request of the Company, subject to the lenders' consent. The Maturity Date of the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders.

A subsidiary of the Company has access to a credit facility, secured by certain assets of the subsidiary, of up to $52.5 million U.S. dollars ("Asset-Based Facility"). This credit facility is non-recourse to the Company. Under the terms of the Asset-Based Facility, the Company is required to maintain certain covenants. As at September 30, 2022, the Company was in compliance with its covenants. Pursuant to the terms and conditions of the Asset-Based Facility, a margin is applied to drawings on the Asset-Based Facility in addition to the quoted interest rate. The margin is established as a percentage and is based on a consolidated total funded debt to earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") ratio.

The composition of the borrowings on the Bank Facility, Asset-Based Facility, and the Company's senior unsecured notes ("Notes") was as follows:

	September 30, 2022		December 31, 2021	
Drawings on the Bank Facility	**$**	**64,040**	$	30,522
Drawings on the Asset-Based Facility		**22,268**		37,411
Notes due December 15, 2024		**158,924**		148,119
Notes due December 15, 2027		**125,949**		118,746
Deferred transaction costs		**(2,768)**		(3,376)
	$	**368,413**	$	331,422
Current portion of long-term debt	**$**	**5,904**	$	-
Non-current portion of long-term debt		**362,509**		331,422
	$	**368,413**	$	331,422

The weighted average interest rate on the Bank Facility for the nine months ended September 30, 2022 was 3.3 percent (December 31, 2021 – 2.1 percent), and the weighted average interest rate on the Asset-Based Facility for the nine months ended September 30, 2022 was 4.7 percent (December 31, 2021 – 3.0 percent). At September 30, 2022 without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $245.2 million, and $125.9 million thereafter.

Subsequent to September 30, 2022, upon closing the acquisition of Exterran Corporation (the "Transaction"), Enerflex fully repaid the Bank Facility, and Asset-Based Facility and the Notes, and put in place a new debt capital structure. Refer to Note 21 for further details.

NOTE 10. LEASE LIABILITIES

	September 30, 2022	December 31, 2021
Balance, January 1	**$ 57,014**	$ 61,926
Additions	**6,194**	9,721
Lease interest	**2,019**	3,029
Payments made against lease liabilities	**(12,976)**	(17,244)
Currency translation effects and other	**1,516**	(418)
Closing balance	**$ 53,767**	$ 57,014
Current portion of lease liabilities	**$ 13,753**	$ 13,906
Non-current portion of lease liabilities	**40,014**	43,108
	$ 53,767	$ 57,014

In addition to the lease payments made above, during the three and nine months ended September 30, 2022, the Company paid $0.3 million and $0.5 million (September 30, 2021 – $0.1 million and $0.2 million) relating to short-term and low-value leases which were expensed as incurred. During the three and nine months ended September 30, 2022, the Company also paid $0.6 million and $1.4 million (September 30, 2021 – $0.8 million and $1.7 million) in variable lease payments not included in the measurement of lease liabilities, of which $0.2 million and $0.8 million (September 30, 2021 – $0.5 million and $0.9 million) was included in COGS and $0.4 million and $0.6 million (September 30, 2021 – $0.3 million and $0.8 million) was included in SG&A. Interest expense on lease liabilities was $0.7 million and $2.0 million for the three and nine months ended September 30, 2022 (September 30, 2021 – $0.8 million and $2.3 million). Total cash outflow for leases for the three and nine months ended September 30, 2022 was $5.2 million and $14.9 million (September 30, 2021 – $5.0 million and $14.1 million).

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

	September 30, 2022
2022	**$ 4,245**
2023	**13,511**
2024	**10,051**
2025	**7,614**
2026	**5,150**
Thereafter	**22,920**
	$ 63,491
Less:	
Imputed interest	**9,660**
Short-term leases	**60**
Low-value leases	**4**
	$ 53,767

NOTE 11. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

		Three months ended September 30,				Nine months ended September 30,		
		2022		2021		**2022**		2021
Current income taxes	**$**	**7,491**	$	(3,004)	**$**	**15,846**	$	7,494
Deferred income taxes		**(3,275)**		1,287		**(4,937)**		(1,872)
	$	**4,216**	$	(1,717)	**$**	**10,909**	$	5,622

(b) Reconciliation of Tax Expense

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

		Three months ended September 30,				Nine months ended September 30,		
		2022		2021		**2022**		2021
Earnings before income taxes	**$**	**(28,592)**	$	5,241	**$**	**(8,916)**	$	19,874
Canadian statutory rate		**23.4%**		23.8%		**23.4%**		23.8%
Expected income tax provision	**$**	**(6,690)**	$	1,247	**$**	**(2,086)**	$	4,730
Add (deduct):								
Change in recognized deferred tax asset[1]		**2,153**		-		**7,943**		-
Impairment of goodwill		**11,232**		-		**11,232**		-
Exchange rate effects on tax basis		**(1,523)**		(1,132)		**(4,259)**		(1,417)
Earnings taxed in foreign jurisdictions		**(361)**		(2,003)		**(1,630)**		(630)
Withholding tax on dividends received from foreign subsidiaries		**-**		-		**-**		2,763
Amounts not deductible (taxable) for tax purposes		**(95)**		37		**148**		395
Impact of accounting for associates and joint ventures		**(83)**		(86)		**(281)**		(33)
Other		**(417)**		220		**(158)**		(186)
Income taxes	**$**	**4,216**	$	(1,717)	**$**	**10,909**	$	5,622

[1] *This balance is the result of the Company no longer recognizing deferred tax recoveries in Canada, as it is unlikely that sufficient future taxable income will be available to offset against the existing deductible temporary differences and any unused Canadian tax losses or credits.*

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

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

NOTE 12. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Engineered Systems	**$ 200,884**	$ 74,634	**$ 571,661**	$ 211,864
Service	**109,109**	88,356	**298,134**	236,522
Energy Infrastructure[1]	**82,820**	68,107	**218,164**	190,423
Total revenue	**$ 392,813**	$ 231,097	**$ 1,087,959**	$ 638,809

[1] During the three and nine months ended September 30, 2022, the Company recognized $20.1 million and $48.3 million of revenue related to operating leases in its Canada and ROW segments (September 30, 2021 - $16.3 million and $50.8 million). Additionally, the Company recognized $31.9 million and $89.1 million of revenue related to its USA contract compression fleet (September 30, 2021 - $25.4 million and $71.7 million).

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
United States	**$ 244,715**	$ 114,837	**$ 566,662**	$ 302,107
Canada	**58,853**	37,811	**189,185**	118,028
Oman	**14,495**	16,719	**79,397**	50,664
Australia	**11,844**	14,522	**47,675**	46,695
Mexico	**17,285**	7,392	**43,915**	19,621
Argentina	**8,804**	8,247	**33,050**	22,638
Bahrain	**7,207**	12,768	**25,879**	28,410
Brazil	**8,034**	4,170	**25,638**	11,189
Colombia	**3,840**	4,742	**17,662**	12,351
United Arab Emirates	**8,068**	334	**13,357**	1,018
Other	**9,668**	9,555	**45,539**	26,088
Total revenue	**$ 392,813**	$ 231,097	**$ 1,087,959**	$ 638,809

The following table outlines the Company's unsatisfied performance obligations, by product line, as at September 30, 2022:

	Less than one year	One to two years	Greater than two years	**Total**
Engineered Systems	$ 883,475	$ 223	$ -	**$ 883,698**
Service	47,013	20,374	51,355	**118,742**
Energy Infrastructure	248,829	155,857	716,764	**1,121,450**
	$ 1,179,317	**$ 176,454**	**$ 768,119**	**$ 2,123,890**

NOTE 13. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Equity-settled share-based payments	**$ 366**	$ 455	**$ 1,293**	$ 1,348
Cash-settled share-based payments	**2,731**	4,281	**3,186**	11,813
Share-based compensation expense	**$ 3,097**	$ 4,736	**$ 4,479**	$ 13,161

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

During the nine months ended September 30, 2021, the Board granted CPTs, PSUs and RSUs to officers and key employees of the Company. The DSU, PSU, and RSU holders had dividends credited to their accounts during the period. The carrying value of the liability relating to cash-settled share-based payments at September 30, 2022 included in current liabilities was $6.1 million (December 31, 2021 – $4.3 million) and in other long-term liabilities was $8.1 million (December 31, 2021 - $13.4 million).

(b) Equity-Settled Share-Based Payments

	September 30, 2022		December 31, 2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**4,456,444**	**$ 11.66**	4,057,142	$ 12.78
Granted	**-**	**-**	654,847	7.85
Exercised[1]	**(2,120)**	**5.51**	-	-
Forfeited	**(27,286)**	**13.51**	(24,267)	9.25
Expired	**(1,094,697)**	**14.40**	(231,278)	20.75
Options outstanding, end of period	**3,332,341**	**$ 10.75**	4,456,444	$ 11.66
Options exercisable, end of period	**1,914,533**	**$ 12.23**	2,445,230	$ 13.62

[1] *The weighted average share price of options at the date of exercise for the nine months ended September 30, 2022 was $7.89 (September 30, 2021 – nil).*

The Company did not grant stock options for the nine months ended September 30, 2022 (September 30, 2021 – 654,847). Using the Black-Scholes option pricing model, the weighted average fair value of stock options granted for the period ended September 30, 2021 was $2.89 per option.

The following table summarizes options outstanding and exercisable at September 30, 2022:

	Options Outstanding				Options Exercisable			
Range of exercise prices	Number outstanding	Weighted average remaining life (years)		Weighted average exercise price	Number outstanding	Weighted average remaining life (years)		Weighted average exercise price
$5.51 – $6.68	828,880	4.87	$	5.51	331,552	4.87	$	5.51
$6.69 – $13.51	1,271,103	3.86		10.10	658,363	2.27		11.54
$13.52 – $16.12	1,232,358	3.11		14.95	924,618	2.95		15.14
Total	**3,332,341**	**3.84**	**$**	**10.75**	**1,914,533**	**3.05**	**$**	**12.23**

(c) Cash-Settled Share-Based Payments

During the three and nine months ended September 30, 2022, the value of directors' compensation and executive bonuses elected to be received in DSUs totalled $0.5 million and $1.6 million (September 30, 2021 – $0.4 million and $1.5 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2022	1,406,170	$	10.51
Granted	234,733		6.70
Vested	(108,500)		5.45
In lieu of dividends	15,024		7.07
DSUs outstanding, September 30, 2022	**1,547,427**	**$**	**10.25**

NOTE 14. FINANCE COSTS AND INCOME

	Three months ended September 30,				Nine months ended September 30,			
		2022		2021		**2022**		2021
Finance Costs								
Short- and long-term borrowings	**$**	**4,696**	$	4,199	**$**	**13,168**	$	12,994
Interest on lease liability		**658**		750		**2,019**		2,300
Total finance costs	**$**	**5,354**	$	4,949	**$**	**15,187**	$	15,294
Finance Income								
Interest income	**$**	**832**	$	227	**$**	**2,334**	$	626
Net finance costs	**$**	**4,522**	$	4,722	**$**	**12,853**	$	14,668

NOTE 15. FINANCIAL INSTRUMENTS

Designation and Valuation of Financial Instruments

Financial instruments at September 30, 2022 were designated in the same manner as they were at December 31, 2021. Accordingly, with the exception of the Notes and certain long-term receivables, the estimated fair values of financial instruments approximated their carrying values. The carrying value and estimated fair value of the Notes as at September 30, 2022 was $284.9 million and $270.8 million, respectively (December 31, 2021 – $266.9 million and $280.3 million, respectively). The fair value of these Notes at September 30, 2022 was determined on a discounted cash flow basis with a weighted average discount rate of 7.0 percent (December 31, 2021 – 3.5 percent).

The Company holds preferred shares that were initially recorded at fair value and subsequently measured at amortized cost and recognized as long-term receivables in Other assets. The carrying value and estimated fair value of the preferred shares at September 30, 2022 was $27.7 million and $27.2 million, respectively (December 31, 2021 – $24.2 million and $27.5 million, respectively).

Derivative Financial Instruments and Hedge Accounting

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

The following table summarizes the Company's commitments to buy and sell foreign currencies as at September 30, 2022:

			Notional amount	Maturity
Canadian Dollar Denominated Contracts				
Purchase contracts	USD	$	**28,136**	October 2022 – June 2023
Sales contracts	USD		**(18,665)**	October 2022 – May 2023
Purchase contracts	EUR		**3,568**	October 2022 – March 2023
Sales contracts	EUR		**(2,453)**	March 2023

At September 30, 2022, the fair value of derivative financial instruments classified as financial assets were $2.4 million, and as financial liabilities were $1.6 million (December 31, 2021 – $0.3 million and $0.2 million, respectively).

Foreign Currency Translation Exposure

The Company is subject to foreign currency translation exposure, primarily due to fluctuations of the Canadian dollar against the U.S. dollar, Australian dollar, and the Brazilian real. Enerflex currently uses U.S. dollar denominated borrowings to hedge against a portion of the foreign exchange exposure that arises from U.S. foreign subsidiaries as a net investment hedge. As a result, exchange gains and losses on the translation of $43.0 million U.S. dollars in designated foreign currency borrowings are included in accumulated other comprehensive income for the three and nine months ended September 30, 2022. The following table shows the sensitivity to a 5.0 percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real.

Canadian dollar weakens by 5 percent		USD		AUD		BRL
Earnings from foreign operations						
Earnings before income taxes	$	3,055	$	(131)	$	161
Financial instruments held in foreign operations						
Other comprehensive income	$	15,729	$	568	$	362
Financial instruments held in Canadian operations						
Earnings before income taxes	$	(9,676)	$	-	$	-

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

Interest Rate Risk

The Company's liabilities include long-term debt that is subject to fluctuations in interest rates. The Company's Notes outstanding at September 30, 2022 include interest rates that are fixed and therefore the related interest expense will not be impacted by fluctuations in interest rates. Conversely, the Company's Bank and Asset-Based Facilities are subject to changes in market interest rates.

For each one percent change in the rate of interest on the Bank and Asset-Based Facilities, the change in annual interest expense would be $0.9 million. All interest charges are recorded on the annual consolidated statements of earnings as finance costs.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. In managing liquidity risk, the Company has access to a significant portion of its Bank and Asset-Based Facilities for future drawings to meet the Company's future growth targets. As at September 30, 2022, the Company held cash and cash equivalents of $198.8 million and had drawn $86.3 million against the Bank and Asset-Based Facilities, leaving it with access to $673.3 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank and Asset-Based Facilities, and Notes, with a bank-adjusted net debt to EBITDA ratio of 1.03:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of 10:1 compared to a minimum ratio of 3:1. The interest coverage ratio is calculated by dividing the trailing 12-month bank-adjusted EBITDA, as defined by the Company's lenders, by interest expense over the same time frame.

A liquidity analysis of the Company's financial instruments has been completed on a maturity basis. The following table outlines the cash flows, including interest associated with the maturity of the Company's financial liabilities, as at September 30, 2022:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 544	$ 1,099	$ -	$ 1,643
Accounts payable and accrued liabilities	315,888	-	-	315,888
Long-term debt – Bank Facility	-	5,904	58,136	64,040
Long-term debt – Asset-Based Facility	-	-	22,268	22,268
Long-term debt – Notes	-	-	284,873	284,873
Other long-term liabilities	-	-	14,412	14,412

The Company expects that cash flows from operations in 2022, together with cash and cash equivalents on hand and credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

NOTE 16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
		Restated (Note 20)		Restated (Note 20)
	2022	2021	**2022**	2021
Net change in working capital and other				
Accounts receivable	**$ 17,429**	$ (14,276)	**$ (28,944)**	$ 13,885
Contract assets	**5,287**	(12,803)	**(8,272)**	959
Inventories	**(50,219)**	(5,030)	**(71,317)**	20,411
Work-in-progress related to finance leases	**(19,405)**	(8,828)	**(27,470)**	(23,132)
Finance leases receivable	**(5,956)**	(2,162)	**(41,770)**	(1,226)
Income taxes receivable	**(1,649)**	(7,067)	**(365)**	1,108
Accounts payable and accrued liabilities, and provisions[1]	**10,630**	17,531	**47,677**	(19,041)
Income taxes payable	**(2,405)**	1,445	**(2,473)**	354
Deferred revenue	**50,917**	5,962	**83,239**	(393)
Foreign currency and other	**(3,263)**	2,093	**(6,629)**	1,214
	$ 1,366	$ (23,135)	**$ (56,324)**	$ (5,861)

[1] *The change in accounts payable and accrued liabilities, provisions, and income taxes payable represents only the portion relating to operating activities.*

Cash interest and taxes paid and received during the period:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Interest paid – short- and long-term borrowings	**$ 1,768**	$ 1,343	**$ 10,856**	$ 9,774
Interest paid – lease liabilities	**658**	750	**2,019**	2,300
Total interest paid	**$ 2,426**	$ 2,093	**$ 12,875**	$ 12,074
Interest received	**292**	83	**784**	279
Taxes paid	**$ 9,766**	$ 2,746	**$ 15,946**	$ 11,422
Taxes received	**133**	172	**2,581**	6,047

Changes in liabilities arising from financing activities during the period:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Long-term debt, opening balance	**$ 345,951**	$ 339,406	**$ 331,422**	$ 389,712
Changes from financing cash flows	**6,023**	(1,020)	**15,840**	(44,171)
The effect of changes in foreign exchange rates	**16,264**	7,557	**20,541**	839
Amortization of deferred transaction costs	**285**	286	**902**	896
Deferred transaction costs	**(110)**	(926)	**(292)**	(1,973)
Long-term debt, closing balance	**$ 368,413**	$ 345,303	**$ 368,413**	$ 345,303

NOTE 17. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At September 30, 2022, the Company had outstanding letters of credit of $37.3 million (December 31, 2021 - $42.1 million).

The Company is involved in litigation and claims associated with normal operations against which certain provisions may be made in the Financial Statements. Management is of the opinion that any resulting settlement arising from the litigation would not materially affect the consolidated financial position, results of operations, or liquidity of the Company.

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

2022	$	**183,377**
2023		**190,259**
2024		**5,966**

NOTE 18. SEASONALITY

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

NOTE 19. SEGMENTED INFORMATION

Enerflex has identified three reportable operating segments: USA, ROW and Canada, each supported by the Corporate head office. Corporate overheads are allocated to the operating segments based on revenue. In assessing its operating segments, the Company considered economic characteristics, the nature of products and services provided, the nature of production processes, the types of customers for its products and services, and distribution methods used. For each of the operating segments, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis. For the nine months ended September 30, 2022, the Company had no individual customers which accounted for more than 10 percent of its revenue (September 30, 2021 - none).

The following summary describes the operations of each of the Company's reportable segments:

- *USA generates revenue from manufacturing natural gas compression, refrigeration, processing, and electric power equipment, including custom and standard compression packages and modular natural gas processing equipment and refrigeration systems, in addition to generating revenue from mechanical services and parts, and maintenance solutions, and contract compression rentals;*
- *ROW generates revenue from manufacturing (focusing on large-scale process equipment), after-market services, including parts and components, as well as operations, maintenance, and overhaul services, and rentals of compression and processing equipment. The ROW segment has been successful in securing build-own-operate-maintain and integrated turnkey projects; and*
- *Canada generates revenue from manufacturing both custom and standard natural gas compression, processing, and electric power equipment, as well as providing after-market mechanical service, parts, and compression and power generation rentals.*

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies.

Three months ended September 30,	USA 2022	USA 2021	ROW 2022	ROW 2021	Canada 2022	Canada 2021	Total 2022	Total 2021
Segment revenue	**$ 248,220**	$ 118,429	**$ 85,370**	$ 74,881	**$ 67,526**	$ 40,851	**$ 401,116**	$ 234,161
Intersegment revenue	**(6,404)**	(2,732)	**(175)**	(49)	**(1,724)**	(283)	**(8,303)**	(3,064)
Revenue	**$ 241,816**	$ 115,697	**$ 85,195**	$ 74,832	**$ 65,802**	$ 40,568	**$ 392,813**	$ 231,097
Revenue – Engineered Systems	**142,687**	49,334	**12,997**	2,463	**45,200**	22,837	**200,884**	74,634
Revenue – Service	**56,002**	40,993	**33,594**	30,767	**19,513**	16,596	**109,109**	88,356
Revenue – Energy Infrastructure	**43,127**	25,370	**38,604**	41,602	**1,089**	1,135	**82,820**	68,107
Operating income (loss)[1]	**$ 16,677**	$ (637)	**$ 9,301**	$ 11,086	**$ (2,410)**	$ (848)	**$ 23,568**	$ 9,601

Nine months ended September 30,	USA 2022	USA 2021	ROW 2022	ROW 2021	Canada 2022	Canada 2021	Total 2022	Total 2021
Segment revenue	**$ 657,062**	$ 324,148	**$ 298,889**	$ 210,827	**$ 207,855**	$ 131,608	**$ 1,163,806**	$ 666,583
Intersegment revenue	**(70,428)**	(20,846)	**(364)**	(89)	**(5,055)**	(6,839)	**(75,847)**	(27,774)
Revenue	**$ 586,634**	$ 303,302	**$ 298,525**	$ 210,738	**$ 202,800**	$ 124,769	**$ 1,087,959**	$ 638,809
Revenue – Engineered Systems	**332,992**	123,272	**97,099**	14,547	**141,570**	74,045	**571,661**	211,864
Revenue – Service	**151,356**	108,302	**88,489**	81,346	**58,289**	46,874	**298,134**	236,522
Revenue – Energy Infrastructure	**102,286**	71,728	**112,937**	114,845	**2,941**	3,850	**218,164**	190,423
Operating income (loss)[1]	**$ 31,066**	$ 4,601	**$ 26,800**	$ 25,169	**$ (7,216)**	$ 4,597	**$ 50,650**	$ 34,367

[1] *The company did not receive any government grants during the three and nine months ended September 30, 2022 (September 30, 2021 – $3.9 million and $14.4 million). Government grants are recorded in COGS and SG&A within the interim condensed consolidated statements of earnings in accordance with where the associated expenses were recognized.*

	USA Sep. 30, 2022	USA Dec. 31, 2021	ROW Sep. 30, 2022	ROW Dec. 31, 2021	Canada Sep. 30, 2022	Canada Dec. 31, 2021	Total Sep. 30, 2022	Total Dec. 31, 2021
Segment assets	**$ 1,153,783**	$ 1,000,755	**$ 732,239**	$ 654,969	**$ 580,824**	$ 546,250	**$ 2,466,846**	$ 2,201,974
Goodwill	**166,971**	154,437	**335,732**	323,466	**40,367**	88,367	**543,070**	566,270
Corporate	**-**	-	**-**	-	**-**	-	**(558,692)**	(576,802)
Total segment assets	**$ 1,320,754**	$ 1,155,192	**$ 1,067,971**	$ 978,435	**$ 621,191**	$ 634,617	**$ 2,451,224**	$ 2,191,442

NOTE 20. RESTATEMENT OF THE INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The Company determined that during the three and nine months ended September 30, 2021, certain non-cash items were reflected as transfers between Operating, Investing, and Financing cash flows. These non-cash items should not have been reflected as part of the Statements of Cash Flows and related disclosures have been adjusted to remove the non-cash items. The Company has also identified certain cash flow items requiring reclassification between cash flow categories. For the three months ended September 30, 2021, these adjustments resulted in a decrease to Operating and Financing cash flows of $1.3 million and $6.8 million, respectively, and an increase to Investing cash flows of $8.6 million. For the nine months ended September 30, 2021, the adjustments resulted in a decrease to Operating cash flows of $17.8 million, and an increase to Investing and Financing cash flows of $19.0 million and $1.5 million, respectively. The adjustments did not change the Company's overall cash position, nor did it impact the Statement of Financial Position, the Statements of Earnings, or EBITDA calculations.

	Three months ended September 30, 2021		
	As previously reported	Restatement	**As restated**
Operating Activities			
Net earnings	$ 6,958	$ -	**$ 6,958**
Items not requiring cash and cash equivalents:			
Depreciation and amortization	21,993	-	**21,993**
Equity earnings from associates and joint ventures	(363)	-	**(363)**
Deferred income taxes (Note 11)	1,287	-	**1,287**
Share-based compensation expense (Note 13)	4,736	-	**4,736**
Loss on sale of property, plant and equipment (Note 4)	1	-	**1**
Impairment on rental equipment (Note 4)	-	-	**-**
	34,612	-	**34,612**
Net change in working capital and other (Note 16)	(21,840)	(1,295)	**(23,135)**
Cash provided by operating activities	$ 12,772	$ (1,295)	**$ 11,477**
Investing Activities			
Additions to:			
Property, plant and equipment (Note 4)	$ (1,104)	$ -	**$ (1,104)**
Rental equipment (Note 4)	(9,392)	-	**(9,392)**
Proceeds on disposal of:			
Property, plant and equipment (Note 4)	21	-	**21**
Rental equipment (Note 4)	861	(210)	**651**
Change in other assets	21	(21)	**-**
Investment in associates and joint ventures	-	(130)	**(130)**
Net change in accounts payable related to the addition of property, plant and equipment, and rental equipment	-	8,991	**8,991**
Cash used in investing activities	$ (9,593)	$ 8,630	**$ (963)**
Financing Activities			
Repayment of long-term debt (Note 9)	$ 5,611	$ (5,611)	**$ -**
Net proceeds from the Bank Facility (Note 9)	-	1,861	**1,861**
Net repayment on the Asset-Based Facility (Note 9)	-	(2,881)	**(2,881)**
Lease liability principal repayment (Note 10)	(3,404)	-	**(3,404)**
Lease interest (Note 10)	(750)	750	**-**
Dividends paid	(1,794)	-	**(1,794)**
Debt refinancing and transaction costs	-	(926)	**(926)**
Cash used in financing activities	$ (337)	$ (6,807)	**$ (7,144)**
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	$ 459	$ (528)	**$ (69)**
Increase in cash and cash equivalents	3,301	-	**3,301**
Cash and cash equivalents, beginning of period	98,972	-	**98,972**
Cash and cash equivalents, end of period	$ 102,273	$ -	**$ 102,273**

	Nine months ended September 30, 2021		
	As previously reported	Restatement	**As restated**
Operating Activities			
Net earnings	$ 14,252	$ -	**$ 14,252**
Items not requiring cash and cash equivalents:			
Depreciation and amortization	64,454	-	**64,454**
Equity earnings from associates and joint ventures	(138)	-	**(138)**
Deferred income taxes (Note 11)	(1,872)	-	**(1,872)**
Share-based compensation expense (Note 13)	13,161	-	**13,161**
Gain on sale of property, plant and equipment (Note 4)	(37)	-	**(37)**
Impairment on rental equipment (Note 4)	-	485	**485**
	89,820	485	**90,305**
Net change in working capital and other (Note 16)	12,449	(18,310)	**(5,861)**
Cash provided by operating activities	$ 102,269	$ (17,825)	**$ 84,444**
Investing Activities			
Additions to:			
Property, plant and equipment (Note 4)	$ (3,849)	$ -	**$ (3,849)**
Rental equipment (Note 4)	(35,362)	-	**(35,362)**
Proceeds on disposal of:			
Property, plant and equipment (Note 4)	98	-	**98**
Rental equipment (Note 4)	1,448	221	**1,669**
Change in other assets	5,357	(5,357)	**-**
Investment in associates and joint ventures	-	(130)	**(130)**
Net change in accounts payable related to the addition of property, plant and equipment, and rental equipment	-	24,232	**24,232**
Cash used in investing activities	$ (32,308)	$ 18,966	**$ (13,342)**
Financing Activities			
Repayment of long-term debt (Note 9)	$ (45,305)	$ 45,305	**$ -**
Net repayment of the Bank Facility (Note 9)	-	(45,004)	**(45,004)**
Net proceeds from the Asset-Based Facility (Note 9)	-	40,833	**40,833**
Repayment of the Notes (Note 9)	-	(40,000)	**(40,000)**
Lease liability principal repayment (Note 10)	(9,891)	-	**(9,891)**
Lease interest (Note 10)	(2,300)	2,300	**-**
Dividends paid	(5,381)	-	**(5,381)**
Debt refinancing and transaction costs	-	(1,973)	**(1,973)**
Cash used in financing activities	$ (62,877)	$ 1,461	**$ (61,416)**
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	$ (487)	$ (2,602)	**$ (3,089)**
Increase in cash and cash equivalents	6,597	-	**6,597**
Cash and cash equivalents, beginning of period	95,676	-	**95,676**
Cash and cash equivalents, end of period	$ 102,273	$ -	**$ 102,273**

NOTE 21. SUBSEQUENT EVENTS

Exterran Acquisition

On January 24, 2022, the Company announced the proposed acquisition (the "Transaction") of Exterran Corporation ("Exterran") in which Enerflex would acquire Exterran by issuing 1.021 common shares of Enerflex for each share of Exterran common stock held. The Transaction was completed on October 13, 2022. Enerflex's common shares continue to trade on the Toronto Stock Exchange ("TSX") under the symbol "EFX", and the Company has commenced trading on the New York Stock Exchange ("NYSE") under the symbol "EFXT". To complete the Transaction, the Company issued 34,013,055 Enerflex common shares with a fair value of $213.9 million, based on the October 12, 2022, closing share price of $6.29, as reported on the TSX.

Concurrent with the closing of the acquisition, Enerflex successfully closed its previously announced private offering (the "Offering") of $625 million USD aggregate principal amount of 9.00 percent senior secured notes due 2027 (the "Notes"). Enerflex has used the net proceeds of approximately $578 million USD of the Offering, together with its $150 million USD three-year secured term loan facility, an initial draw under its $700 million USD three-year secured revolving credit facility (the "Revolving Credit Facility"), and cash on hand, to fully repay the existing Enerflex and Exterran Notes, Bank Facility and Asset-Based Facility, and put in place a new debt capital structure. The balance of the Revolving Credit Facility will be used for committed capital expenditures and other general corporate purposes and will provide significant liquidity for Enerflex. The Company is subject to covenants under its new structure, all calculated on a rolling four-quarter basis:

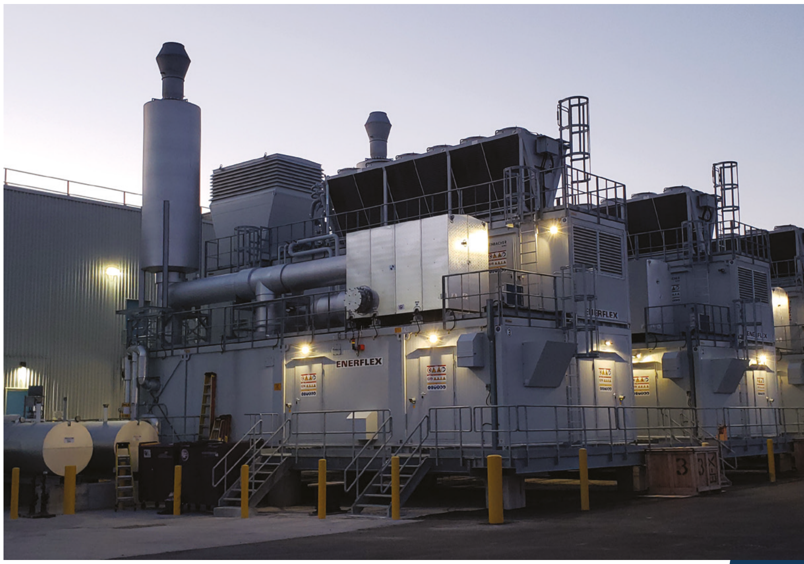
- Senior secured net funded debt to EBITDA ratio not to exceed 2.5:1 for each quarter end;
- Net funded debt to EBITDA ratio not to exceed 4.5:1 at each quarter end up to September 30, 2023 where the ratio will be adjusted to a maximum of 4.0:1 for each quarter after September 30, 2023; and
- Interest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

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

The Company will begin consolidating the operating results, cash flows and net assets of Exterran from October 13, 2022 onwards. The purchase price allocation associated with the Transaction is based on Management's best estimate of fair value. At this time, the purchase price allocation has not been finalized as the Company is still assessing the fair values of identifiable assets and assumed liabilities. The preliminary purchase price allocation will be determined and disclosed during the fourth quarter of 2022.

Dividends

Subsequent to September 30, 2022, Enerflex declared a quarterly dividend of $0.025 per share, payable on January 12, 2023, to shareholders of record on November 24, 2022. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow, anticipated market conditions, and the general needs of the business.



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2. Member of the Nominating and Corporate Governance Committee
3. Chair of the Human Resources and Compensation Committee
4. Member of the Human Resources and Compensation Committee
5. Chair of the Audit Committee
6. Member of the Audit Committee
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President, Water Solutions
Atlanta, GA

SHAREHOLDERS' **INFORMATION**

COMMON SHARES

The common shares of Enerflex are listed and traded on the Toronto Stock Exchange under the symbol "EFX" and on the New York Stock Exchange under the symbol "EFXT".

TRANSFER AGENT, REGISTRAR, AND DIVIDEND DISBURSING AGENT

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All questions about accounts, share certificates, or dividend cheques should be directed to the Transfer Agent, Registrar, and Dividend Disbursing Agent.

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