ENERFLEX

QUARTERLY REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 9, 2018

The Management's Discussion and Analysis ("MD&A") for Enerflex Ltd. ("Enerflex" or "the Company") should be read in conjunction with the unaudited Interim Condensed Financial Statements for the three and six months ended June 30, 2018, the Company's 2017 Annual Report, the Annual Information Form for the year ended December 31, 2017, and the cautionary statement regarding forward looking information in the "Forward-Looking Statements" section of this report.

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. IFRS has been adopted in Canada as Generally Accepted Accounting Principles ("GAAP") and as a result, GAAP and IFRS are used interchangeably within this MD&A.

The MD&A focuses on information and key statistics from the unaudited Interim Condensed Financial Statements, and considers known risks and uncertainties relating to the oil and gas services sector. This discussion should not be considered all-inclusive, as it excludes possible future changes that may occur in general economic, political, and environmental conditions. Additionally, other 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 Company's Annual Information Form and Management Information Circular, which are available on SEDAR at www.sedar.com.

FINANCIAL OVERVIEW

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
Revenue	**$ 404,848**	$ 433,484	**$ 790,628**	$ 788,271
Gross margin	**72,324**	77,409	**136,826**	150,711
Selling and administrative expenses	**44,031**	44,645	**89,068**	87,606
Operating income	**28,293**	32,764	**47,758**	63,105
Earnings before finance costs and income taxes ("EBIT")	**28,541**	32,679	**47,869**	65,813
Net earnings	**$ 20,367**	$ 21,346	**$ 31,240**	$ 45,863
Key Financial Performance Indicators[1]				
Engineered Systems Bookings	**$ 373,174**	$ 400,154	**$ 674,416**	$ 718,842
Engineered Systems Backlog	**$ 749,251**	$ 773,185	**$ 749,251**	$ 773,185
Recurring revenue as a percentage of revenue[2]	**31.1%**	33.7%	**31.1%**	33.7%
Gross margin as a percentage of revenue	**17.9%**	17.9%	**17.3%**	19.1%
EBIT as a percentage of revenue[2, 3]	**8.2%**	3.8%	**8.2%**	3.8%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")[3]	**$ 49,891**	$ 53,035	**$ 90,196**	$ 105,945
Return on capital employed ("ROCE")[3]	**9.3%**	3.9%	**9.3%**	3.9%

[1] Key financial performance indicators used by Enerflex to measure its performance include revenue and EBIT. Certain of these key performance indicators are non-GAAP measures and certain are additional GAAP measures. Further detail is provided in the *Definitions* and *Non-GAAP Measures* sections.
[2] Determined by taking the trailing 12-month period.
[3] Includes the impact of impairments.

SECOND QUARTER OF 2018 OVERVIEW

For the three months ended June 30, 2018:

- Enerflex generated revenue of $404.8 million, a 6.6 percent decrease compared to $433.5 million in the second quarter of 2017. The quarterly revenue decrease of $28.6 million was driven by the declines in Engineered Systems revenues in Canada and the USA. Canadian revenues declined due to the weak bookings over the last 12 months, while revenues in the USA segment decreased due to the inclusion of some large projects in the prior year quarter.
- Gross margin was $72.3 million in the second quarter of 2018 compared to $77.4 million in the same period of 2017. The decrease in revenues has resulted in lower gross margin while the gross margin percentage is consistent with the same period in the prior year.
- Incurred SG&A costs of $44.0 million in the second quarter of 2018, down from $44.6 million in the same period last year. The decrease in SG&A is driven by lower third-party costs related to the Oman Oil Exploration and Production LLC ("OOCEP") arbitration and lower foreign exchange impacts, partially offset by higher compensation costs. The higher compensation costs are driven by higher headcount in the USA segment and costs related to senior management departures.
- Reported EBIT of $28.5 million during the second quarter of 2018 compared to $32.7 million in the second quarter of 2017.
- Recorded bookings of $373.2 million for three months ended June 30, 2018, a 6.7 percent decrease compared to the $400.2 million recorded during the same period last year. The USA segment continues to provide robust bookings. Canadian segment bookings were reflective of the continued customer restraint in Western Canada and Rest of World ("ROW") segment bookings are reflective of the segment's bookings being larger and less frequent in nature.
- Subsequent to the end of the quarter, the Company received a partial ruling related to the OOCEP arbitration. The tribunal awarded Enerflex an amount of $30.2 million U.S. dollars, which is comprised of the full final milestone payment of $23.3 million U.S. dollars, variation claims in respect of additional costs and delays in construction of $4.0 million U.S. dollars, and interest on the outstanding amounts of $3.0 million U.S. dollars. The tribunal also dismissed the respondent's counterclaim for liquidated damages in its entirety. The earnings impact, net of tax, is $5.9 million U.S. dollars and will be recognized in the third quarter results. The allocation of costs and expenses of the proceedings will be the subject of a separate final award by the tribunal, which is expected at a later date.
- Subsequent to the end of the quarter, the Company recorded bookings of approximately $294 million, a significant portion of which was in the Canada segment.
- Subsequent to June 30, 2018, the Company declared a quarterly dividend of $0.095 per share, payable on October 4, 2018, to shareholders of record on August 23, 2018.

For the six months ended June 30, 2018:

- Enerflex generated revenue of $790.6 million, a 0.3 percent increase compared to $788.3 million in the first six months of 2017. The revenue increase of $2.4 million was driven primarily by the strength in revenues in the ROW segment, which was offset by declines in the Canada and USA segments.
- Gross margin was $136.8 million in the first six months of 2018 compared to $150.7 million in the same period of 2017. Even though revenues have increased, margins on a year-to-date basis were negatively impacted by project margin erosion, particularly in the first quarter of the year. Margins for the prior year also benefited from positive project pick-ups.
- Incurred SG&A costs of $89.1 million in the first six months of 2018, up from $87.6 million in the same period last year. The increase in SG&A is driven by higher compensation costs due to higher

headcount, partially offset by lower share-based compensation costs and third-party costs related to the OOCEP arbitration.

- Reported EBIT of $47.9 million during the first six months of 2018 compared to $65.8 million in the same period of 2017. The 2017 results include a $2.9 million gain on sale of building and property, plant and equipment ("PP&E").
- Recorded bookings of $674.4 million for six months ended June 30, 2018, a 6.2 percent decrease compared to the $718.8 million recorded during the same period last year.
- Engineered Systems backlog at June 30, 2018 was $749.3 million, a 11.7 percent increase compared to the December 31, 2017 backlog of $670.8 million.

Adjusted EBITDA

The Company's results include items that are unique and items that management and users of the financial statements add back 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 been adjusted for presentation purposes relate generally to four categories: 1) impairment or gains on idle facilities; 2) restructuring activities; 3) acquisition costs; and, 4) share-based compensation. Identification of these items allows for an understanding of the underlying operations of the Company based on the current assets and structure. 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 factors that are not specific to the long-term performance of the Company. The disposal of idle facilities is isolated within Adjusted EBITDA as they are not reflective of the ongoing operations of the Company and are idled as a result of restructuring activities.

	Three months ended June 30, 2018			
($ Canadian thousands)	**Total**	**Canada**	**USA**	**ROW**
Reported EBIT	**$ 28,541**	**$ (1,222)**	**$ 18,826**	**$ 10,937**
Restructuring costs in COGS and SG&A	**1,429**	**1,429**	**-**	**-**
(Gain) loss on disposal of idle facilities	**(253)**	**-**	**(253)**	**-**
Acquisition costs	**-**	**-**	**-**	**-**
Share-based compensation	**380**	**(457)**	**400**	**437**
Depreciation and amortization	**21,350**	**1,466**	**6,416**	**13,468**
Adjusted EBITDA	**$ 51,447**	**$ 1,216**	**$ 25,389**	**$ 24,842**

	Three months ended June 30, 2017			
($ Canadian thousands)	Total	Canada	USA	ROW
Reported EBIT	$ 32,679	$ 2,633	$ 24,251	$ 5,795
Restructuring costs in COGS and SG&A	940	452	-	488
(Gain) loss on disposal of idle facilities	5	-	2	3
Acquisition costs	507	-	507	-
Share-based compensation	2,215	668	349	1,198
Depreciation and amortization	20,356	3,414	2,745	14,197
Adjusted EBITDA	$ 56,702	$ 7,167	$ 27,854	$ 21,681

		Six months ended June 30, 2018		
($ Canadian thousands)	**Total**	**Canada**	**USA**	**ROW**
Reported EBIT	**$ 47,869**	**$ 674**	**$ 33,571**	**$ 13,624**
Restructuring costs in COGS and SG&A	**2,367**	**1,429**	**-**	**938**
(Gain) loss on disposal of idle facilities	**(193)**	**101**	**(253)**	**(41)**
Acquisition costs	**-**	**-**	**-**	**-**
Share-based compensation	**2,814**	**169**	**1,609**	**1,036**
Depreciation and amortization	**42,327**	**4,509**	**11,463**	**26,355**
Adjusted EBITDA	**$ 95,184**	**$ 6,882**	**$ 46,390**	**$ 41,912**

		Six months ended June 30, 2017		
($ Canadian thousands)	Total	Canada	USA	ROW
Reported EBIT	$ 65,813	$ 3,883	$ 46,880	$ 15,050
Restructuring costs in COGS and SG&A	940	452	-	488
(Gain) loss on disposal of idle facilities	(2,935)	(2,935)	17	(17)
Acquisition costs	507	-	507	-
Share-based compensation	6,249	1,536	2,545	2,168
Depreciation and amortization	40,132	6,934	5,611	27,587
Adjusted EBITDA	$ 110,706	$ 9,870	$ 55,560	$ 45,276

Adjusted EBITDA for the three months and six ended June 30, 2018 has decreased over the same period from the prior year. Please refer to the section "Segmented Results" for additional information about results by geographic location.

There were no costs related to the ongoing arbitration proceedings with OOCEP during the first half of 2018. The second quarter and six months of 2017 included approximately $2.4 million and $4.3 million, respectively, of arbitration related costs. These amounts are not adjusted for in the calculation of Adjusted EBITDA.

ENGINEERED SYSTEMS BOOKINGS AND BACKLOG

Bookings and backlog are monitored by Enerflex as an indicator of future revenue and business activity levels for the Engineered Systems product line. Bookings are recorded in the period when a firm commitment or order is received from customers. Bookings increase backlog in the period that they are received. Revenue recognized on Engineered Systems products decreases backlog in the period that the revenue is recognized. As a result, backlog is an indication of revenue to be recognized in future periods using percentage-of-completion accounting.

The following table sets forth the bookings and backlog by reporting segment for the following periods:

Bookings	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
Canada	**$ 47,067**	$ 120,710	**$ 63,901**	$ 273,945
USA	**302,156**	154,937	**542,604**	319,426
Rest of World	**23,951**	124,507	**67,911**	125,471
Total bookings	**$ 373,174**	$ 400,154	**$ 674,416**	$ 718,842

Backlog *($ Canadian thousands)*	**June 30, 2018**	December 31, 2017
Canada	**$ 86,163**	$ 172,918
USA	**578,501**	394,861
Rest of World	**84,587**	103,020
Total backlog	**$ 749,251**	$ 670,799

Bookings were lower in the second quarter and first half of 2018 compared to the same period of 2017. The USA segment bookings were quite strong with a number of large project bookings. The Rest of World Segment was also successful in booking a large project in Latin America during the first quarter of 2018. Customers in Canada remain cautious with their capital expenditures, which is negatively impacting bookings for the quarter and the first half of 2018. However, bookings for Canada did improve late in the second quarter with the majority of bookings being recorded in the month of June. Approximately $294 million of bookings were recorded subsequent to quarter-end. Of the subsequent bookings, approximately $160 million pertained to the Canada segment.

The movement in exchange rates resulted in an increase of $12.2 million and $23.9 million on foreign currency denominated bookings during the second quarter and first half of 2018, compared to a decrease of $12.2 million and $15.6 million during the first quarter and six months of 2017 respectively.

SEGMENTED RESULTS

Enerflex has identified three reportable operating segments as outlined below, 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 type of customer for its products and services, and distribution methods used.

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

- Canada generates revenue from manufacturing (primarily compression equipment), service, and rentals;
- USA generates revenue from manufacturing natural gas compression equipment and process equipment in addition to generating revenue from product support services and contract compression rentals; and
- Rest of World generates revenue from manufacturing (focusing on large-scale process equipment), service, and rentals. In addition, the Rest of World segment has been successful in securing build-own-operate-maintain ("BOOM") projects.

USA Segment Results

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Engineered Systems Bookings	**$ 302,156**	$ 154,937	**$ 542,604**	$ 319,426
Engineered Systems Backlog	**578,501**	348,601	**578,501**	348,601
Segment revenue	**$ 221,433**	$ 231,161	**$ 419,389**	$ 434,751
Intersegment revenue	**(2,232)**	(3,363)	**(8,637)**	(13,773)
Revenue	**$ 219,201**	$ 227,798	**$ 410,752**	$ 420,978
Revenue – Engineered Systems	**$ 172,191**	$ 195,684	**$ 323,067**	$ 361,224
Revenue – Service	**$ 34,824**	$ 29,681	**$ 63,903**	$ 54,913
Revenue – Rental	**$ 12,186**	$ 2,433	**$ 23,782**	$ 4,841
Operating income	**$ 18,574**	$ 24,253	**$ 33,319**	$ 46,897
EBIT	**$ 18,826**	$ 24,251	**$ 33,571**	$ 46,880
EBITDA	**$ 25,242**	$ 26,996	**$ 45,034**	$ 52,491
Segment revenue as a % of total revenue	**54.1%**	52.6%	**52.0%**	53.4%
Recurring revenue as a % of segment revenue	**21.4%**	14.1%	**21.3%**	14.2%
Operating income as a % of segment revenue	**8.5%**	10.6%	**8.1%**	11.1%
EBIT as a % of segment revenue	**8.6%**	10.6%	**8.2%**	11.1%
EBITDA as a % of segment revenue	**11.5%**	11.9%	**11.0%**	12.5%

In the second quarter of 2018, bookings increased by $147.2 million or 95.0 percent compared to the same period in the prior year. Backlog in the USA segment is $578.5 million, which represents the highest level of backlog for this segment since the Company re-segmented to create the USA segment in 2014.

Revenue decreased by $8.6 million and $10.2 million in the second quarter and the first half of 2018 compared to the same periods of 2017. Engineered Systems revenue decreased over the prior year due to the prior year's results including the revenue recognition from some large projects, as well as the impact of the weaker U.S. dollar in 2018 versus the comparative period. Service revenues increased over the same period from the prior year due to higher activity. Rental revenues increased as a result of the acquisition of the contract compression business from Mesa Compression, LLC ("Mesa") and the build-out of the contract compression fleet.

Operating income was lower in the second quarter and first half of 2018 compared to the prior year by $5.7 million and $13.6 million respectively, due to lower Engineered Systems revenues, and higher SG&A costs driven by higher compensation and a higher allocation of Corporate costs based on revenues. These declines were partially offset by the increase in the higher margin Service and Rental product lines, as well as warranty provision releases due to improving warranty experience rates.

Rest of World Segment Results

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Engineered Systems Bookings	**$ 23,951**	$ 124,507	**$ 67,911**	$ 125,471
Engineered Systems Backlog	**84,587**	119,662	**84,587**	119,662
Segment revenue	**$ 116,958**	$ 105,623	**$ 213,512**	$ 191,155
Intersegment revenue	**(308)**	(206)	**(1,893)**	(469)
Revenue	**$ 116,650**	$ 105,417	**$ 211,619**	$ 190,686
Revenue – Engineered Systems	**$ 51,609**	$ 42,590	**$ 86,344**	$ 69,547
Revenue – Service	**$ 36,983**	$ 34,118	**$ 70,082**	$ 62,609
Revenue – Rental	**$ 28,058**	$ 28,709	**$ 55,193**	$ 58,530
Operating income	**$ 11,091**	$ 5,798	**$ 13,737**	$ 15,033
EBIT	**$ 10,937**	$ 5,795	**$ 13,624**	$ 15,050
EBITDA	**$ 24,405**	$ 19,992	**$ 39,979**	$ 42,637
Segment revenue as a % of total revenue	**28.8%**	24.3%	**26.8%**	24.2%
Recurring revenue as a % of segment revenue	**55.8%**	59.6%	**59.2%**	63.5%
Operating income as a % of segment revenue	**9.5%**	5.5%	**6.5%**	7.9%
EBIT as a % of segment revenue	**9.4%**	5.5%	**6.4%**	7.9%
EBITDA as a % of segment revenue	**20.9%**	19.0%	**18.9%**	22.4%

Bookings for the current quarter come from various countries, with the largest amount coming from a $17.1 million Australian dollar booking in Australia.

Rest of World revenue increased by $11.2 million and $20.9 million in the second quarter and first half of 2018 compared to the same periods in the prior year, driven by higher Engineered Systems and Service revenues. Engineered Systems revenue in the quarter was higher due to projects related to Colombia and Argentina. Service revenues increased as a result of higher activity levels in Australia.

Operating income increased by $5.3 million in the second quarter and decreased by $1.3 million first half of 2018 compared to the same periods of 2017. The current quarter increase is driven by the increase in revenues for the segment and a reduction in SG&A costs. Year-to-date results includes margin erosion from the first quarter of 2018. Additionally, the comparative period included some high margin Engineered Systems projects which were completed in 2017. SG&A costs have decreased from the prior year as there were no third-party costs incurred related to the OOCEP arbitration, partially offset by some negative foreign exchange impacts and the effects of restructuring activities in Australia recognized in the first quarter of 2018.

Canada Segment Results

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Engineered Systems Bookings	**$ 47,067**	$ 120,710	**$ 63,901**	$ 273,945
Engineered Systems Backlog	**86,163**	304,922	**86,163**	304,922
Segment revenue	**$ 70,083**	$ 100,694	**$ 171,295**	$ 177,725
Intersegment revenue	**(1,086)**	(425)	**(3,038)**	(1,118)
Revenue	**$ 68,997**	$ 100,269	**$ 168,257**	$ 176,607
Revenue – Engineered Systems	**$ 53,749**	$ 80,925	**$ 138,182**	$ 136,283
Revenue – Service	**$ 13,449**	$ 16,972	**$ 25,942**	$ 34,168
Revenue – Rental	**$ 1,799**	$ 2,372	**$ 4,133**	$ 6,156
Operating income (loss)	**$ (1,372)**	$ 2,713	**$ 702**	$ 1,175
EBIT	**$ (1,222)**	$ 2,633	**$ 674**	$ 3,883
EBITDA	**$ 244**	$ 6,047	**$ 5,183**	$ 10,817
Segment revenue as a % of total revenue	**17.1%**	23.1%	**21.2%**	22.4%
Recurring revenue as a % of segment revenue	**22.1%**	19.3%	**17.9%**	22.8%
Operating income (loss) as a % of segment revenue	**(2.0)%**	2.7%	**0.4%**	0.7%
EBIT as a % of segment revenue	**(1.8)%**	2.6%	**0.4%**	2.2%
EBITDA as a % of segment revenue	**0.4%**	6.0%	**3.1%**	6.1%

The customer caution seen over the last 12 months continues in Canada and has translated into another quarter of low bookings. Bookings have decreased to $47.1 million from $120.7 million a year ago. While the second quarter bookings were down compared to the prior year, this quarter's bookings were higher than the $16.8 million of bookings from the first quarter of 2018.

Revenue decreased $31.3 million and $8.4 million for the second quarter and first half of 2018 compared to the same periods of 2017. The decrease in the second quarter was driven by lower Engineered Systems revenue as a result of weaker bookings over the last 12 months. Service and Rental revenues for the quarter are down from the prior year, primarily due to a decrease in parts and equipment sales.

The Canadian segment recorded an operating loss of $1.4 million for the second quarter of 2018 compared to operating income of $2.7 million in 2017. Operating income for the first half of 2018 was $0.7 million compared to $1.2 million over the same period in 2017. The decrease in operating income is due to decreased revenues and lower overhead absorption on lower activity levels. SG&A costs for the quarter also decreased slightly due to a reduction of allocated Corporate costs based on lower revenues, which offset costs related to senior management departures.

The prior year year-to-date EBIT figures also included a gain on sale of PP&E for $2.9 million.

INCOME TAXES

Income tax expense totaled $3.1 million or 13.3 percent and $6.6 million or 17.4 percent of earnings before tax for the three and six months ended June 30, 2018 compared to income tax expense of $8.4 million or 28.2 percent and $14.3 million or 23.7 percent of earnings before tax in the same periods of 2017. Income tax expense was lower primarily due to a decrease in earnings before tax and the impact of earnings taxed in foreign jurisdictions, partially offset by the effect of unrealized exchange rate fluctuations on tax bases in foreign jurisdictions. The change in the effective tax rate is primarily due to the mix of earnings taxed in foreign jurisdictions, as well as the effect of the exchange rate fluctuations on tax bases in foreign jurisdictions.

OUTLOOK

The Company's products and services remain dependent on strength and stability in commodity prices. Stability and improvement in commodity prices are required to allow customers to continue to increase investment, which should translate to further demand for the Company's products and services.

Enerflex's financial performance continues to benefit from strategic decisions to focus on the recurring revenue streams derived from new and existing long-term rental and service contract progress, and to develop a geographically diversified business. However, in Canada and Mexico these product lines will remain under pressure until we see a return to more profitable commodity pricing.

The Company will continue to aggressively manage SG&A expenses. Steps taken in prior years have allowed a greater focus on key market opportunities and resulted in a lower headcount, which led to ongoing material savings. The Company has begun to increase headcount in response to increased operational levels but remains disciplined in keeping the appropriate levels of staffing.

Outlook by Segment

USA

The recent performance of the USA segment has been largely driven by production from shale oil and gas. The recent increase in commodity prices, along with lower corporate tax rates, has led to increased activity. The Company expects 2018 to be a year of continued steady demand for compression and processing equipment. The contract compression fleet consists of approximately 170,000 horsepower, which provides a valuable recurring revenue source, and the Company will continue to grow and invest in these assets in 2018.

Rest of World

In the Rest of World segment, the Company has seen project successes in both the Middle East/Africa ("MEA") region and in Latin America. MEA continues to provide stable rental earnings with a rental fleet of approximately 105,000 horsepower. The Company continues to explore new markets and opportunities within this region in order to enhance recurring revenues, focusing on BOOM projects. Enerflex remains cautiously optimistic about the outlook in the Latin America region as customers recover from the crash in commodity prices. The Company believes that there are near term prospects within Argentina, Brazil and Colombia and mid- to longer-term prospects in Mexico. The Company completed a project in Argentina's Vaca Muerta shale play during 2017 and further development opportunities exist as producers expand production in this formation. In Colombia, during the first quarter, Enerflex booked an Engineered Systems project and commenced operations on a previously awarded BOOM project. In Mexico, there continues to be limited investment; however, Enerflex booked a rental contract with an independent producer during the first quarter. With the presidential elections completed during the second quarter, there is some uncertainty on the impact to Energy Reform and capital investment, however the new president has expressed his desire to make Pemex productive again, which may be positive for the market since compression service is necessary for the oil and gas sector. Enerflex will continue to aggressively pursue opportunities with either Pemex or independent producers. In Australia, Enerflex is also well positioned to capitalize on the need for increased production due to the supply imbalance driven by higher liquefied natural gas exports and increased domestic natural gas demand. The Company believes that maintenance and service opportunities will increase as producers return to the minimum maintenance requirements for their assets. The Company also restructured the Australian operations in the first quarter in order to enhance profitability in the region.

Canada
The Canadian market remains constrained by negative sentiment and low commodity prices, however bookings increased slightly over the previous two quarters and the Company continues to bid on a number of projects. Recent progress on transportation issues and the improvement of realized prices based on stronger U.S. currency and benchmark pricing has resulted in some improvement in market sentiment, but that has not yet translated into increased customer capital spending. Management still expects activity to be subdued in 2018 compared to 2017.

ENERFLEX STRATEGY

Enerflex's global vision is "Transforming natural gas to meet the world's energy needs". The Company's strategy to support this vision centres on being an operationally focused, diversified, financially strong, dividend-paying company that delivers profitable growth by serving an expanding industry in seven gas producing regions worldwide. Enerflex believes that worldwide diversification and growth enhances shareholder value.

Across the Company, Enerflex looks to leverage its diversified international positioning to provide exposure to projects in growing natural gas markets, to offer integrated solutions spanning all phases of a project's life-cycle from engineering and design through to after-market service, and to leverage the synergies from being active in multiple regions to deploy key expertise worldwide and generate repeat business from globally active customers. Enerflex has developed regional strategies to support its Company-wide goals.

In the USA segment, Enerflex has concentrated its efforts on consolidating its business in certain regions, driven by the U.S.'s increasingly complex natural gas sector. The Company has looked to build on successes for gas processing solutions for liquids-rich plays in the region, and expand the development of LNG infrastructure. In addition, the focus has been on rationalizing the Service business across the region while responding to higher activity levels and maintaining the capability to service customers in all locations. The acquisition of the contract compression business from Mesa allows Enerflex to expand recurring revenues from the Rental product line, as well as providing a platform for future growth in the segment.

Enerflex has focused its efforts in the ROW segment on growing primarily in the MEA and Latin America regions, through the sales, rental, and service of its products. In the MEA region, the target has been on large rental and service opportunities, where customers have also required construction and installation support at site. In Latin America, the Company has focused on integrated turnkey projects and BOOM solutions, with early successes experienced, primarily in Argentina and Colombia, while looking at opportunities throughout the region. In Mexico, the Company holds a large rental fleet which can be deployed as opportunities arise in Mexico or other countries. In Brazil, Enerflex has repositioned itself to capitalize on future opportunities, particularly for natural gas-fueled projects.

Enerflex has aimed its efforts in Canada on leveraging its capabilities and expertise to continue to preserve market share in the traditional natural gas sector, particularly in liquids-rich reservoirs, and to support the development of LNG infrastructure. In addition, the Company has looked to build on its successes in the electric power market given the sustained low natural gas prices and the resulting increase in demand for natural gas-fired power generation. Lastly, there has been a focus on signing long-term service contracts with customers in order to secure recurring revenues.

Enerflex seeks to continue to diversify its revenue streams from multiple markets, to grow its backlog, and to ensure profitable margins globally by aggressively managing costs, with a medium-term goal of achieving a 10 percent EBIT margin. In addition, the Company is focused on expanding the diversification of its product lines, with a goal to achieve 35-40 percent recurring revenue.

NON-GAAP 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 GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. These non-GAAP measures are also used by management in its assessment of relative investments in operations and include bookings and backlog, recurring revenue as a percentage of revenue, EBITDA, net debt to EBITDA ratio, and ROCE. They should not be considered as an alternative to net earnings or any other measure of performance under GAAP. The reconciliation of these non-GAAP measures to the most directly comparable measure calculated in accordance with GAAP is provided below where appropriate. Bookings and backlog do not have a directly comparable GAAP measure.

Recurring revenue is defined as revenue from the Service and Rental product lines. These revenue streams are contracted and extend into the future, rather than being recognized as a single transaction. Service revenues are derived from the ongoing maintenance of equipment that produces gas over the life of a field. Rental revenues relate to gas compression and processing equipment. This classification is to contrast revenue from these product lines with the Company's Engineered Systems revenues, which are for the manufacturing and delivery of equipment and do not have any recurring aspect once the goods are delivered. While the contracts are subject to cancellation or have varying lengths, the Company does not believe that these characteristics preclude them from being considered recurring in nature.

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
EBITDA				
Earnings before finance costs and income taxes	**$ 28,541**	$ 32,679	**$ 47,869**	$ 65,813
Depreciation and amortization	**21,350**	20,356	**42,327**	40,132
EBITDA	**$ 49,891**	$ 53,035	**$ 90,196**	$ 105,945
Recurring Revenue				
Service	**$ 85,256**	$ 80,771	**$ 159,927**	$ 151,690
Rental	**42,043**	33,514	**83,108**	69,527
Total Recurring Revenue	**$ 127,299**	$ 114,285	**$ 243,035**	$ 221,217
ROCE				
Trailing 12-month EBIT[1]	**$ 127,851**	$ 53,605	**$ 127,851**	$ 53,605
Capital Employed - beginning of period				
Net debt	**$ 235,409**	$ 227,650	**$ 232,726**	$ 226,402
Shareholders' equity	**1,166,872**	1,139,668	**1,134,472**	1,117,627
	$ 1,402,281	$ 1,367,318	**$ 1,367,198**	$ 1,344,029
Capital Employed - end of period				
Net debt	**$ 179,219**	$ 170,407	**$ 179,219**	$ 170,407
Shareholders' equity	**1,190,813**	1,128,625	**1,190,813**	1,128,625
	$ 1,370,032	$ 1,299,032	**$ 1,370,032**	$ 1,299,032
Average Capital Employed[2]	**$ 1,368,418**	$ 1,368,258	**$ 1,368,418**	$ 1,368,258
Return on Capital Employed	**9.3%**	3.9%	**9.3%**	3.9%

[1]Includes the impact of impairments.
[2]Based on a trailing four-quarter average.

FREE CASH FLOW

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
Cash provided by operating activities	**$ 78,610**	$ 67,255	**$ 103,705**	$ 68,566
Net change in non-cash working capital and other	**37,838**	27,861	**30,835**	(10,504)
	$ 40,772	$ 39,394	**$ 72,870**	$ 79,070
Add-back:				
Net finance costs	**5,044**	2,930	**10,028**	5,684
Current income tax expense	**4,207**	13,011	**10,001**	24,732
Deduct:				
Net interest paid	**(8,857)**	(3,121)	**(9,286)**	(5,278)
Net cash taxes (paid) received	**7,024**	(19,041)	**6,462**	(23,297)
Dividends paid	**(8,418)**	(7,516)	**(16,829)**	(15,013)
Net capital spending	**(14,263)**	(3,093)	**(34,621)**	459
Free cash flow	**$ 25,509**	$ 22,564	**$ 38,625**	$ 66,357

QUARTERLY SUMMARY

($ Canadian thousands, except per share amounts)	Revenue[1]	Net earnings[1]	Earnings per share – basic[1]	Earnings per share – diluted[1]
June 30, 2018	**$ 404,848**	**$ 20,367**	**$ 0.23**	**$ 0.23**
March 31, 2018	385,780	10,873	0.12	0.12
December 31, 2017	450,065	26,702	0.30	0.30
September 30, 2017	315,019	25,188	0.28	0.28
June 30, 2017	433,484	21,346	0.24	0.23
March 31, 2017	354,787	24,517	0.28	0.28
December 31, 2016	343,385	(45,488)	(0.54)	(0.54)
September 30, 2016	262,449	17,596	0.23	0.23
June 30, 2016	253,068	16,841	0.21	0.21

[1] Amounts presented are from continuing operations.

FINANCIAL POSITION

The following table outlines significant changes in the Statements of Financial Position as at June 30, 2018 compared to December 31, 2017:

($ Canadian millions)	Increase (Decrease)	Explanation
Current assets and liabilities	$76.6	The increase in current assets and liabilities is due to higher cash balances, offset by lower non-cash working capital balances. The accounts receivable, inventory, accounts payable, and deferred revenue balances all decreased.
Rental equipment	$24.4	The increase in rental assets is due to continued investment in the contract compression rental fleet in the USA segment and the strengthening of the U.S. dollar relative to the Canadian dollar, offset by depreciation of rental equipment.
Total assets	$7.4	The increase in total assets is primarily related to the increase in cash and rental equipment and the impact of the strengthening U.S. dollar relative to the Canadian dollar, partially offset by the decrease in accounts receivable and inventory.
Long-term debt	$25.0	The increase in long-term debt is due to draws on the Bank Facility and the strengthening U.S. dollar that impacts the revaluation of U.S. dollar denominated debt.
Shareholders' equity before non-controlling interest	$56.7	Shareholders' equity before non-controlling interest increased due to net earnings of $31.0 million, $1.7 million of stock option impacts, $2.7 million opening retained earnings adjustment on adoption of IFRS 15 and $38.0 million unrealized gain on translation of foreign operations, partially offset by dividends of $16.8 million.

Subsequent to the end of the quarter, the Company received a partial ruling related to the OOCEP arbitration. The tribunal awarded Enerflex an amount of $30.2 million U.S. dollars, which is comprised of the full final milestone payment of $23.3 million U.S. dollars, variation claims in respect of additional costs and delays in construction of $4.0 million U.S. dollars, and interest on the outstanding amounts of $3.0 million U.S. dollars. The tribunal also dismissed the respondent's counterclaim for liquidated damages in its entirety. The earnings impact, net of tax, is $5.9 million U.S. dollars and will be recognized in the third quarter results. The allocation of costs and expenses of the proceedings will be the subject of a separate final award by the tribunal, which is expected at a later date.

LIQUIDITY

The Company expects that continued cash flows from operations in 2018, 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 June 30, 2018, the Company held cash and cash equivalents of $305.8 million and had cash drawings of $174.5 million against the amended and restated syndicated revolving credit facility (the "Bank Facility"), leaving it with access to $538.0 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank Facility and the Company's unsecured notes (the "Notes"), with a bank-adjusted net debt to EBITDA ratio of less than 1:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of greater than 11:1 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.

Summarized Statements of Cash Flow

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
Cash, beginning of period	**$ 209,434**	$ 157,155	**$ 227,284**	$ 167,561
Cash provided by (used in):				
Operating activities	**78,610**	67,255	**103,705**	68,566
Investing activities	**(13,584)**	(2,135)	**(34,174)**	849
Financing activities	**31,282**	(40,082)	**8,116**	(54,806)
Exchange rate changes on foreign currency cash	**96**	(746)	**907**	(723)
Cash, end of period	**$ 305,838**	$ 181,447	**$ 305,838**	$ 181,447

Operating Activities

For the three and six months ended June 30, 2018, as compared with the same period in 2017, cash provided by operating activities increased primarily due to changes in non-cash working capital, partially offset by lower earnings.

Investing Activities

For the three months and six ended June 30, 2018 cash used in investing activities increased due to continued investment in rental equipment.

Financing Activities

For the three and six months ended June 30, 2018, cash provided by financing activities increased primarily due to draws on the credit facility.

CAPITAL RESOURCES

On July 31, 2018, Enerflex had 88,638,932 shares outstanding. Enerflex has not established a formal dividend policy and the Board of Directors anticipates setting the quarterly dividends based on the availability of cash flow and anticipated market conditions, taking into consideration business opportunities and the need for growth capital. In the second quarter of 2018, the Company declared a quarterly dividend of $0.095 per share.

At June 30, 2018, the Company had drawn $174.5 million against the Bank Facility (December 31, 2017 - $160.6 million). The weighted average interest rate on the Bank Facility at June 30, 2018 was 3.4 percent (December 31, 2017 – 2.6 percent).

The composition of the borrowings on the Bank Facility and the Notes was as follows:

($ Canadian thousands)		**June 30, 2018**		**December 31, 2017**
Drawings on Bank Facility	**$**	**174,520**	$	160,576
Notes due June 22, 2021		**40,000**		40,000
Notes due December 15, 2024		**153,264**		146,723
Notes due December 15, 2027		**122,176**		117,815
Deferred transaction costs		**(4,903)**		(5,104)
	$	**485,057**	$	460,010

At June 30, 2018, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $214.5 million, and $275.4 million thereafter.

FUTURE ACCOUNTING PRONOUNCEMENTS

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

i. **IFRS 16 *Leases* ("IFRS 16")**
IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. The standard supersedes IAS 17 *Leases* and lease-related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Application of the standard is mandatory. A lessee can apply the standard using either a full retrospective or a modified retrospective approach, the latter of which may include an adjustment to be made to opening balances to reflect the Company's financial position at that date had the new standard been applied in prior periods. The Company is currently completing an assessment detailing the potential impacts of IFRS 16 on its consolidated financial statements. The Company has also started performing a detailed contract review for existing contracts and considering disclosure and IT requirements under the new standard.

ii. **IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28")**
IAS 28 sets out the principles for accounting for investments in associates and the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Narrow scope amendments made to IAS 28 provide clarification on applying IFRS 9 impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The Company expects to apply the amendments beginning January 1, 2019, and does not anticipate significant changes to the Company's Consolidated Financial Statements.

The initial views presented on the future accounting changes are based on work completed to date and may be subject to change as the assessments continue.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying Interim Condensed 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 of Directors, 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 Interim Condensed 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

There have been no significant changes in the design of the Company's ICFR during the six months ended June 30, 2018 that would materially affect, or is reasonably likely to materially affect, the Company's ICFR.

Management has limited the scope of the design of DC&P and ICFR to exclude the controls, policies, and procedures of Enerflex Contract Compression, which is predominantly made up of the assets acquired from Mesa, as well as rental units entered into service subsequent to the acquisition, the income statement and balance sheet of which is included in the June 30, 2018 Interim Condensed Financial Statements of Enerflex. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109. Enerflex intends to complete the design of DC&P and ICFR of the operations of Enerflex Contract Compression by July 31, 2018.

($ Canadian millions)	Three months ended June 30,	Six months ended June 30, 2018
Revenue	$ 11.5	$ 22.5
EBIT	1.6	3.6

($ Canadian millions)	As at June 30, 2018
Current assets	$ 24.3
Non-current assets	196.7
Current liabilities	9.8
Non-current liabilities	-

SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Company announced a quarterly dividend of $0.095 per share, payable on October 4, 2018, to shareholders of record on August 23, 2018.

Subsequent to the end of the quarter, the Company received a partial ruling related to the OOCEP arbitration. The tribunal awarded Enerflex an amount of $30.2 million U.S. dollars, which is comprised of the full final milestone payment of $23.3 million U.S. dollars, variation claims in respect of additional costs and delays in construction of $4.0 million U.S. dollars, and interest on the outstanding amounts of $3.0

million U.S. dollars. The tribunal also dismissed the respondent's counterclaim for liquidated damages in its entirety. The earnings impact, net of tax, is $5.9 million U.S. dollars and will be recognized in the third quarter results. The allocation of costs and expenses of the proceedings will be the subject of a separate final award by the tribunal, which is expected at a later date.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. These statements relate to management's expectations about future events, results of operations and the Company's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "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: anticipated financial performance; future capital expenditures, including the amount and nature thereof; bookings and backlog; oil and gas prices and the impact of such prices on demand for Enerflex products and services; development trends in the oil and gas industry; seasonal variations in the activity levels of certain oil and gas markets; business prospects and strategy; expansion and growth of the business and operations, including market share and position in the energy service markets; the ability to raise capital; the ability of existing and expected cash flows and other cash resources to fund investments in working capital and capital assets; the impact of economic conditions on accounts receivable; expectations regarding future dividends; expectations and implications of changes in government regulation, laws and income taxes; and other such matters.

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 the Company's operations, including, without limitation: the impact of economic conditions including volatility in the price of oil, gas, and gas liquids, 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; 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 Company's control. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While the Company 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 materially from those expressed in, or implied by, these statements. The forward-looking information included in this MD&A should not be unduly relied upon.

The forward-looking information 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 STATEMENTS OF FINANCIAL POSITION *(unaudited)*

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**305,838**	$	227,284
Accounts receivable (Note 3)		**410,841**		445,714
Inventories (Note 4)		**140,140**		171,455
Income taxes receivable		**5,613**		14,621
Derivative financial instruments (Note 12)		**407**		470
Other current assets		**6,739**		9,937
Total current assets		**869,578**		869,481
Property, plant and equipment (Note 5)		**92,423**		97,232
Rental equipment (Note 5)		**486,569**		462,164
Deferred tax assets (Note 10)		**52,143**		47,862
Other assets		**21,142**		50,423
Intangible assets		**31,620**		35,452
Goodwill (Note 6)		**584,554**		567,988
Total assets	**$**	**2,138,029**	$	2,130,602
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**244,833**	$	322,951
Provisions (Note 7)		**13,640**		15,653
Income taxes payable		**10,210**		5,585
Deferred revenues (Note 8)		**142,270**		143,177
Deferred financing income		**235**		298
Derivative financial instruments (Note 12)		**740**		813
Total current liabilities		**411,928**		488,477
Long-term debt (Note 9)		**485,057**		460,010
Deferred tax liabilities (Note 10)		**35,951**		32,957
Other liabilities		**14,280**		14,686
Total liabilities	**$**	**947,216**	$	996,130
Shareholders' equity				
Share capital	**$**	**358,767**	$	357,696
Contributed surplus		**654,730**		654,076
Retained earnings		**65,959**		49,011
Accumulated other comprehensive income		**110,366**		72,364
Total shareholders' equity before non-controlling interest		**1,189,822**		1,133,147
Non-controlling interest		**991**		1,325
Total shareholders' equity and non-controlling interest		**1,190,813**		1,134,472
Total liabilities and shareholders' equity	**$**	**2,138,029**	$	2,130,602

See accompanying Notes to the Interim Condensed Financial Statements, including guarantees, commitments, and contingencies (Note 15).

INTERIM CONDENSED STATEMENTS OF EARNINGS *(unaudited)*

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands, except per share amounts)	**2018**	2017	**2018**	2017
Revenue (Note 14)	**$ 404,848**	$ 433,484	**$ 790,628**	$ 788,271
Cost of goods sold	**332,524**	356,075	**653,802**	637,560
Gross margin	**72,324**	77,409	**136,826**	150,711
Selling and administrative expenses	**44,031**	44,645	**89,068**	87,606
Operating income	**28,293**	32,764	**47,758**	63,105
Gain (loss) on disposal of property, plant and equipment	**138**	(5)	**78**	2,935
Equity earnings (loss) from associate and joint venture	**110**	(80)	**33**	(227)
Earnings before finance costs and income taxes	**28,541**	32,679	**47,869**	65,813
Net finance costs	**5,044**	2,930	**10,028**	5,684
Earnings before income taxes	**23,497**	29,749	**37,841**	60,129
Income taxes (Note 10)	**3,130**	8,403	**6,601**	14,266
Net earnings	**$ 20,367**	$ 21,346	**$ 31,240**	$ 45,863
Net earnings attributable to:				
Controlling interest	**$ 20,308**	$ 21,192	**$ 31,040**	$ 45,599
Non-controlling interest	**59**	154	**200**	264
	$ 20,367	$ 21,346	**$ 31,240**	$ 45,863
Earnings per share – basic	**$ 0.23**	$ 0.24	**$ 0.35**	$ 0.52
Earnings per share – diluted	**$ 0.23**	$ 0.23	**$ 0.35**	$ 0.51
Weighted average number of shares – basic	**88,606,207**	88,528,906	**88,577,944**	88,442,224
Weighted average number of shares – diluted	**88,941,136**	89,230,004	**88,948,815**	89,137,728

See accompanying Notes to the Interim Condensed Financial Statements.

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

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net earnings	**$ 20,367**	$ 21,346	**$ 31,240**	$ 45,863
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	**(372)**	(198)	**23**	(201)
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax expense	**20**	(64)	**53**	196
Unrealized gain (loss) on translation of foreign denominated debt	**(3,231)**	9,550	**(14,873)**	11,971
Unrealized gain (loss) on translation of financial statements of foreign operations	**15,353**	(35,369)	**52,265**	(35,733)
Other comprehensive income (loss)	**$ 11,770**	$ (26,081)	**$ 37,468**	$ (23,767)
Total comprehensive income (loss)	**$ 32,137**	$ (4,735)	**$ 68,708**	$ 22,096
Other comprehensive income (loss) attributable to:				
Controlling interest	**$ 11,869**	$ (25,931)	**$ 38,002**	$ (22,917)
Non-controlling interest	**(99)**	(150)	**(534)**	(850)
	$ 11,770	$ (26,081)	**$ 37,468**	$ (23,767)

See accompanying Notes to the Interim Condensed Financial Statements.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS *(unaudited)*

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating Activities				
Net earnings	**$ 20,367**	$ 21,346	**$ 31,240**	$ 45,863
Items not requiring cash and cash equivalents:				
Depreciation and amortization	**21,350**	20,356	**42,327**	40,132
Equity (earnings) loss from associate and joint venture	**(110)**	80	**(33)**	227
Deferred income taxes (Note 10)	**(1,077)**	(4,608)	**(3,400)**	(10,466)
Share-based compensation expense (Note 11)	**380**	2,215	**2,814**	6,249
(Gain) loss on sale of property, plant and equipment (Note 5)	**(138)**	5	**(78)**	(2,935)
	40,772	39,394	**72,870**	79,070
Net change in non-cash working capital and other (Note 13)	**37,838**	27,861	**30,835**	(10,504)
Cash provided by operating activities	**$ 78,610**	$ 67,255	**$ 103,705**	$ 68,566
Investing Activities				
Additions to:				
Property, plant and equipment (Note 5)	**$ (1,493)**	$ (1,289)	**$ (3,400)**	$ (2,394)
Rental equipment (Note 5)	**(17,345)**	(1,993)	**(36,210)**	(2,972)
Proceeds on disposal of:				
Property, plant and equipment (Note 5)	**4,522**	15	**4,631**	3,710
Rental equipment (Note 5)	**53**	174	**358**	2,115
Change in other assets	**679**	958	**447**	390
Cash provided by (used in) investing activities	**$ (13,584)**	$ (2,135)	**$ (34,174)**	$ 849
Financing Activities				
Proceeds from (repayment of) long-term debt (Note 13)	**$ 39,700**	$ (33,357)	**$ 24,046**	$ (42,884)
Dividends	**(8,418)**	(7,516)	**(16,829)**	(15,013)
Stock option exercises	**-**	791	**899**	3,091
Cash provided by (used in) financing activities	**$ 31,282**	$ (40,082)	**$ 8,116**	$ (54,806)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$ 96**	$ (746)	**$ 907**	$ (723)
Increase in cash and cash equivalents	**96,404**	24,292	**78,554**	13,886
Cash and cash equivalents, beginning of period	**209,434**	157,155	**227,284**	167,561
Cash and cash equivalents, end of period	**$ 305,838**	$ 181,447	**$ 305,838**	$ 181,447

See accompanying Notes to the Interim Condensed Financial Statements.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

($ Canadian thousands)	Share capital	Contributed surplus	Retained Earnings (deficit)	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total shareholders' equity before non-controlling interest	Non-controlling interest	Total
At January 1, 2017	$ 353,263	$ 653,503	$ (17,000)	$ 126,258	$ (1,034)	$ 125,224	$ 1,114,990	$ 2,637	$ 1,117,627
Net earnings	-	-	45,599	-	-	-	45,599	264	45,863
Other comprehensive income (loss)	-	-	-	(22,912)	(5)	(22,917)	(22,917)	(850)	(23,767)
Effect of stock option plans	4,433	(488)	-	-	-	-	3,945	-	3,945
Dividends	-	-	(15,043)	-	-	-	(15,043)	-	(15,043)
At June 30, 2017	$ 357,696	$ 653,015	$ 13,556	$ 103,346	$ (1,039)	$ 102,307	$ 1,126,574	$ 2,051	$ 1,128,625
At January 1, 2018	$ 357,696	$ 654,076	$ 49,011	$ 73,325	$ (961)	$ 72,364	$ 1,133,147	$ 1,325	$ 1,134,472
IFRS 15 opening retained earnings adjustment (Note 18)	-	-	2,738	-	-	-	2,738	-	2,738
Net earnings	-	-	31,040	-	-	-	31,040	200	31,240
Other comprehensive income (loss)	-	-	-	37,926	76	38,002	38,002	(534)	37,468
Effect of stock option plans	1,071	654	-	-	-	-	1,725	-	1,725
Dividends	-	-	(16,830)	-	-	-	(16,830)	-	(16,830)
At June 30, 2018	**$ 358,767**	**$ 654,730**	**$ 65,959**	**$ 111,251**	**$ (885)**	**$ 110,366**	**$ 1,189,822**	**$ 991**	**$ 1,190,813**

See accompanying Notes to the Interim Condensed Financial Statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Interim Condensed Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Interim Condensed Financial Statements were approved and authorized for issue by the Board of Directors on August 9, 2018.

(b) Basis of Presentation and Measurement

These Interim Condensed Financial Statements for the three and six months ended June 30, 2018 and 2017 were prepared in accordance with IAS 34 and do not include all the disclosures included in the Annual Consolidated Financial Statements for the year ended December 31, 2017. Accordingly, these Interim Condensed Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements. Certain prior year amounts have been reclassified to conform with the current period's presentation.

The Interim Condensed Financial Statements are presented in Canadian dollars rounded to the nearest thousands, except per share amounts or as otherwise noted, and are prepared on a going concern basis under the historical cost convention with certain financial assets and financial liabilities recorded at fair value. Effective January 1, 2018, the Company applied the following IFRS standards for the first time: IFRS 15 *Revenue from Contracts with Customers* – which replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on revenue recognition – and IFRS 9 *Financial Instruments* – which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. There have been no other significant changes in accounting policies compared to those described in the Annual Consolidated Financial Statements for the year ended December 31, 2017. Adjustments made on transition to the new standards are detailed in Note 18.

Under IFRS 15, revenue is recognized as the Company satisfies its performance obligations by transferring promised goods or services to customers, regardless of when the payment is being made. Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, and may include fixed amounts, variable amounts, or both. Variable amounts are recorded at the most likely amount, as determined upon initial recognition of the contract, and are reassessed at each reporting period. In estimating variable consideration, the Company reviews any potential for returns, refunds, and other similar obligations. For contracts containing multiple performance obligations, the amount of consideration to which the Company expects to be entitled is allocated to individual performance obligations proportionately based on the stand-alone selling price. The following describes the specific revenue recognition policies for each major category of revenue:

Engineered Systems

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

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

Service

Service revenues include the sales of parts and equipment, as well as the servicing and maintenance of equipment. For the sale of parts and equipment, revenue is recognized when the part is shipped to the customer. For servicing and maintenance of equipment, revenue is recognized on a straight-line basis based on performance of the contracted-upon service.

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

Rentals

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

The Company has elected to use the practical expedients in IFRS 15 paragraphs 63 and 94 with regards to the existence of a significant financing component in the contract and incremental costs of obtaining a contract, respectively. For the three and six months ended June 30, 2018 and 2017 the Company had no contracts with a significant financing component. Incremental costs of obtaining a contract predominantly relate to commission costs on Engineered Systems projects, which are typically completed within one year. Accordingly, the Company did not recognize commission costs incurred as an asset in the Interim Condensed Statements of Financial Position.

(c) New Policies, Standards, Interpretations and Amendments

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

i. IFRS 16 *Leases* ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. The standard supersedes IAS 17 *Leases* and lease-related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Application of the standard is mandatory. A lessee can apply the standard using either a full retrospective or a modified retrospective approach. Management has elected to adopt IFRS 16 using the modified retrospective approach and will include an adjustment to opening balances upon adoption to reflect the Company's financial position at that date had the new standard been applied in prior periods. The Company is currently completing an assessment detailing the potential impacts of IFRS 16 on its Consolidated Financial Statements. The Company has also started performing a detailed contract review for existing contracts and considering disclosure and IT requirements under the new standard.

ii. IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28")

IAS 28 sets out the principles for accounting for investments in associates and the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Narrow scope amendments made to IAS 28 provide clarification on applying IFRS 9 impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The Company expects to apply the amendments beginning January 1, 2019, and does not anticipate significant changes to the Company's Consolidated Financial Statements.

NOTE 2. ACQUISITION

On July 31, 2017, Enerflex completed the acquisition of the U.S. based contract compression business of Mesa Compression, LLC ("Mesa") for $115.5 million U.S. dollars, including closing purchase price adjustments. Mesa was a supplier of contract compression services with operations in Oklahoma, Texas, and New Mexico.

The fair value of the identifiable assets acquired and liabilities assumed as at July 31, 2017 were determined provisionally and management continues to monitor these provisional amounts. A retrospective adjustment will be recognized for any new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of amounts recognized. There has been no adjustment to the fair value of assets acquired or liabilities assumed subsequent to the acquisition date. Refer to Note 7 of the Annual Consolidated Financial Statements for fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Trade receivables	**$**	**262,302**	$	297,636
Less: allowance for doubtful accounts		**(1,262)**		(968)
Trade receivables, net		**261,040**		296,668
Unbilled receivables		**104,342**		134,995
Other receivables[1]		**45,459**		14,051
Total accounts receivable	**$**	**410,841**	$	445,714

[1] Other receivables include amounts that were reclassified from long-term to current during the second quarter of 2018. These assets represent milestone payments with respect to a gas processing plant constructed and delivered to Oman Oil Exploration and Production LLC ("OOCEP") during 2015, which were included in arbitration proceedings initiated in the second quarter of 2015. In July 2018, Enerflex was awarded the full amount relating to these milestone payments by the arbitration tribunal. The amounts remain unpaid, however Enerflex expects to collect the full amount of these receivables as per the ruling.

Aging of trade receivables:

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Current to 90 days	**$**	**222,578**	$	262,523
Over 90 days		**39,724**		35,113
	$	**262,302**	$	297,636

Movement in unbilled receivables:

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Balance, January 1	**$**	**134,995**	$	100,742
IFRS 15 transitional adjustment		**14,657**		-
Unbilled revenue recognized		**248,348**		266,876
Amounts billed		**(301,886)**		(232,135)
Currency translation effects		**8,228**		(488)
Closing balance	**$**	**104,342**	$	134,995

NOTE 4. INVENTORIES

Inventories consisted of the following:

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Equipment	**$**	**6,499**	$	9,510
Repair and distribution parts		**42,260**		43,745
Direct materials		**57,215**		50,193
Work-in-process		**34,166**		68,007
Total inventories	**$**	**140,140**	$	171,455

The amount of inventory and overhead costs recognized as an expense and included in cost of goods sold for the three and six months ended June 30, 2018 was $332.5 million and $653.8 million (June 30, 2017 – $356.1 million and $637.6 million). Cost of goods sold is made up of direct materials, direct labour, depreciation on manufacturing assets, post-manufacturing expenses, and overhead. Cost of goods sold also includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. The net amount of inventory write-downs charged to the Interim

Condensed Statements of Earnings and included in cost of goods sold for the three and six months ended June 30, 2018 was $1.5 million and $2.0 million (June 30, 2017 – $1.5 million and $2.5 million).

Work-in-process inventory decreased, largely due to the adoption of IFRS 15. Refer to Note 18 for a reconciliation of transitional adjustments relating to the adoption of the new standard.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

During the three and six months ended June 30, 2018, the Company acquired $1.5 million and $3.4 million in property, plant and equipment (June 30, 2017 – $1.3 million and $2.4 million) and $17.3 million and $36.2 million in rental equipment (June 30, 2017 – $2.0 million and $3.0 million).

Depreciation of property, plant and equipment and rental equipment included in earnings for the three months ended June 30, 2018 was $18.4 million (June 30, 2017 – $17.5 million), of which $17.3 million was included in cost of goods sold (June 30, 2017 – $16.3 million) and $1.1 million was included in selling and administrative expenses (June 30, 2017 – $1.2 million).

Depreciation of property, plant and equipment and rental equipment included in earnings for the six months ended June 30, 2018 was $36.5 million (June 30, 2017 – $34.4 million), of which $34.3 million was included in cost of goods sold (June 30, 2017 – $31.9 million) and $2.2 million was included in selling and administrative expenses (June 30, 2017 – $2.5 million).

NOTE 6. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

($ Canadian thousands)	**June 30, 2018**	December 31, 2017
Balance, January 1	**$ 567,988**	$ 571,826
Acquisition	**-**	18,267
Currency translation effects	**16,566**	(22,105)
Closing balance	**$ 584,554**	$ 567,988

Goodwill acquired through business combinations was allocated to the Canada, USA, and Rest of World business segments, and represents the lowest level at which goodwill is monitored for internal management purposes. During the first six months of 2018, the Company did not identify any indicators of impairment.

NOTE 7. PROVISIONS

($ Canadian thousands)	**June 30, 2018**	December 31, 2017
Warranty provision	**$ 10,167**	$ 10,927
Restructuring provision	**203**	285
Legal provision	**99**	94
Onerous lease provision	**3,171**	4,347
	$ 13,640	$ 15,653

The Company's warranty provision pertains to the Engineered Systems product line and parts sales within the Service product line. The Company's warranty accrual is calculated using a historical average of actual warranty expenditures over a representative timeframe. Special consideration is taken for warranties that can vary by product type or nature. Amounts set aside represent management's best estimate of the likely settlement and the timing of any resolution.

The Company previously entered into non-cancellable leases for several office spaces and facilities in Canada and Australia. Due to previous business restructuring, the Company ceased using these premises. Onerous lease provisions were recognized in prior years, representing future payments, net of anticipated sub-lease recoveries. The balance of the provision as of June 30, 2018 is $0.5 million for Canada and $2.7 million for Australia (December 31, 2017 - $0.5 million and $3.9 million).

NOTE 8. DEFERRED REVENUES

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Balance, January 1	**$**	**143,177**	$	81,930
IFRS 15 transitional adjustment		**(33,954)**		-
Cash received in advance of revenue recognition		**249,978**		570,475
Revenue subsequently recognized		**(222,144)**		(500,482)
Currency translation effects		**5,213**		(8,746)
Closing balance	**$**	**142,270**	$	143,177

Deferred revenues decreased upon adoption of IFRS 15. Refer to Note 18 for a reconciliation of transitional adjustments relating to the adoption of the new standard.

NOTE 9. LONG-TERM DEBT

The amended and restated syndicated revolving credit facility ("Bank Facility") has a maturity date of June 30, 2022 (the "Maturity Date"). The Maturity Date of the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facility may be increased by $100.0 million at the request of the Company, subject to the lenders' consent. There are no required or scheduled principal repayments until the Maturity Date of the Bank Facility.

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

($ Canadian thousands)		**June 30, 2018**		December 31, 2017
Drawings on Bank Facility	**$**	**174,520**	$	160,576
Notes due June 22, 2021		**40,000**		40,000
Notes due December 15, 2024		**153,264**		146,723
Notes due December 15, 2027		**122,176**		117,815
Deferred transaction costs		**(4,903)**		(5,104)
	$	**485,057**	$	460,010

The weighted average interest rate on the Bank Facility for the six months ended June 30, 2018 was 3.4 percent (December 31, 2017 – 2.6 percent). At June 30, 2018, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $214.5 million, and $275.4 million thereafter.

NOTE 10. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

($ Canadian thousands)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	2017
Current income taxes	**$ 4,207**	$ 13,011	**$ 10,001**	$ 24,732
Deferred income taxes	**(1,077)**	(4,608)	**(3,400)**	(10,466)
	$ 3,130	$ 8,403	**$ 6,601**	$ 14,266

(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:

($ Canadian thousands)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	2017
Earnings before income taxes	**$ 23,497**	$ 29,749	**$ 37,841**	$ 60,129
Canadian statutory rate	**27.0%**	27.0%	**27.0%**	27.0%
Expected income tax provision	**$ 6,344**	$ 8,032	**$ 10,217**	$ 16,235
Add (deduct):				
Exchange rate effects on tax basis	**1,032**	(1,539)	**(3,375)**	(4,429)
Earnings taxed in foreign jurisdictions	**(4,256)**	1,781	**(627)**	2,377
Amounts not (taxable) deductible for tax purposes	**54**	132	**446**	(34)
Impact of accounting for associates and joint ventures	**(46)**	(20)	**(63)**	(10)
Other	**2**	17	**3**	127
Income tax expense from continuing operations	**$ 3,130**	$ 8,403	**$ 6,601**	$ 14,266

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, however, 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 these currencies. 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.

The applicable tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2017 – 15.0 percent) and the provincial income tax rate of 12.0 percent (2017 – 12.0 percent).

NOTE 11. SHARE-BASED COMPENSATION

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

	Three months ended June 30,		Six months ended June 30,	
($ Canadian thousands)	**2018**	2017	**2018**	2017
Equity settled share-based payments	**$ 266**	$ 430	**$ 871**	$ 853
Cash settled share-based payments	**114**	1,785	**1,943**	5,396
Share-based compensation expense	**$ 380**	$ 2,215	**$ 2,814**	$ 6,249

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

During the first six months of 2018, the Board of Directors granted RSUs to officers. The RSU, PSU, and DSU holders had dividends credited to their account during the period. The carrying amount of the liability relating to cash settled share-based payments at June 30, 2018 included in current liabilities was $5.4 million (December 31, 2017 – $4.2 million) and in other long-term liabilities was $10.9 million (December 31, 2017 – $10.8 million).

(a) Equity-Settled Share-Based Payments

	June 30, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**3,556,575**	**$ 14.03**	2,999,757	$ 13.47
Granted	**-**	**-**	800,498	15.75
Exercised [1]	**(65,809)**	**12.98**	(243,580)	12.70
Forfeited	**(175,578)**	**14.53**	-	-
Expired	**(22,718)**	**20.75**	(100)	12.96
Options outstanding, end of period	**3,292,470**	**$ 13.98**	3,556,575	$ 14.03
Options exercisable, end of period	**1,570,292**	**$ 13.43**	1,604,238	$ 13.47

[1]The weighted average share price of options at the date of exercise for the six months ended June 30, 2018 was $16.14 (June 30, 2017 - $18.30).

The following table summarizes options outstanding and exercisable at June 30, 2018:

	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
$11.04 – 11.76	1,064,394	2.90	$ 11.67	660,517	2.16	$ 11.66
$11.77 – 15.04	1,184,030	3.21	13.19	708,643	2.19	13.04
$15.05 – 20.75	1,044,046	5.22	17.23	201,132	3.20	20.60
Total	**3,292,470**	**3.75**	**$ 13.98**	**1,570,292**	**2.31**	**$ 13.43**

b) Cash-Settled Share-Based Payments

During the three and six months ended June 30, 2018, directors' fees and executive bonuses elected to be received in DSUs totalled $0.4 million and $1.1 million (June 30, 2017 – $0.2 million and 0.8 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2018	593,771	$	13.93
Granted	70,910		15.24
In lieu of dividends	7,320		15.48
Vested	(44,276)		14.98
DSUs outstanding, June 30, 2018	**627,725**	**$**	**14.02**

NOTE 12. FINANCIAL INSTRUMENTS

Designation and Valuation of Financial Instruments

Financial instruments at June 30, 2018 were designated in the same manner as they were at December 31, 2017. Accordingly, with the exception of the long-term debt Notes, the estimated fair values of financial instruments approximated their carrying values. The carrying value and estimated fair value of the Notes as at June 30, 2018 was $315.4 million and $313.2 million (December 31, 2017 – $304.5 million and $310.9 million). The fair value of these Notes at June 30, 2018 was determined on a discounted cash flow basis with a weighted average discount rate of 5.16 percent (December 31, 2017 – 4.63 percent).

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts are transacted with financial institutions to hedge foreign currency denominated obligations and cash receipts related to purchases of inventory and sales of products. The following table summarizes the Company's commitments to buy and sell foreign currencies as at June 30, 2018:

		Notional amount	**Maturity**
Canadian dollar denominated contracts			
Purchase contracts	USD	**10,818**	July 2018 – July 2019
Sales contracts	USD	**(16,314)**	July 2018 – March 2019

At June 30, 2018, the fair value of derivative financial instruments classified as financial assets was $0.4 million, and as financial liabilities was $0.7 million (December 31, 2017 – $0.5 million and $0.8 million).

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 Brazilian real. Enerflex uses foreign currency borrowings to hedge against the exposure that arises from foreign subsidiaries that are translated to the Canadian dollar through a net investment hedge. As a result, exchange gains and losses on the translation of $109.0 million U.S. dollars in designated foreign currency borrowings are included in accumulated other comprehensive income for June 30, 2018. The following table shows the sensitivity to a 5 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 (loss) before income taxes	$ 1,714	$ 21	$ 66
Financial instruments held in foreign operations			
Other comprehensive income	$ 24,292	$ 673	$ 155
Financial instruments held in Canadian operations			
Earnings (loss) before income taxes	$ (11,195)	$ -	$ -

Interest Rate Risk

The Company's liabilities include long-term debt subject to fluctuations in interest rates. Notes outstanding at June 30, 2018 were at fixed interest rates and therefore the related interest expense would not be impacted by fluctuations in interest rates. The Bank Facility, however, is subject to changes in market interest rates.

For each 1 percent change in the rate of interest on the Bank Facilities, the change in interest expense would be $1.7 million (December 31, 2017 – $1.6 million). All interest charges are recorded on the Interim Condensed Statements of Earnings as net finance costs.

Liquidity Risk

Liquidity risk is the risk that Enerflex 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 Facility for future drawings to meet future growth targets. As at June 30, 2018, the Company held cash and cash equivalents of $305.8 million and had drawn $174.5 million against the Bank Facility, leaving it with access to $538.0 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank Facility and Notes, with a bank-adjusted net debt to EBITDA ratio of less than 1:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of greater than 11:1 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 financial instruments has been completed on a maturity basis. The following table outlines the cash flows associated with the maturity of financial liabilities as at June 30, 2018:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 569	$ 171	$ -	$ 740
Accounts payable and accrued liabilities	244,833	-	-	244,833
Long-term debt - bank facility	-	-	174,520	174,520
Long-term debt - notes	-	-	315,440	315,440
Other long-term liabilities	-	-	14,280	14,280

The Company expects that continued cash flows from operations in 2018, together with cash and cash equivalents on hand and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

NOTE 13. SUPPLEMENTAL CASH FLOW INFORMATION

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net change in non-cash working capital and other				
Accounts receivable	**$ 19,144**	$ 2,977	**$ 34,873**	$ (136,238)
Inventories	**(12,156)**	15,719	**31,315**	9,540
Deferred revenue	**28,492**	31,157	**(907)**	69,085
Accounts payable and accrued liabilities, provisions, and income taxes payable	**(33,742)**	(22,919)	**(75,506)**	44,449
Foreign currency and other	**36,100**	927	**41,060**	2,660
	$ 37,838	$ 27,861	**$ 30,835**	$ (10,504)

Cash paid and received during the period:

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest paid	**$ 9,586**	$ 3,320	**$ 10,427**	$ 5,692
Interest received	**(729)**	(199)	**(1,141)**	(414)
Taxes paid	**3,893**	19,041	**4,455**	23,297
Taxes Received	**(10,917)**	-	**(10,917)**	-

Changes in liabilities arising from financing activities during the period:

($ Canadian thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Long-term debt, opening balance	**$ 444,843**	$ 384,805	**$ 460,010**	$ 393,963
Changes from financing cash flows	**32,450**	(25,077)	**6,831**	(30,834)
The effect of changes in foreign exchange rates	**7,736**	(8,230)	**18,015**	(11,133)
Amortization of deferred transaction costs	**515**	406	**1,001**	775
Other changes	**(487)**	(51)	**(800)**	(918)
Long-term debt, closing balance	**$ 485,057**	$ 351,853	**$ 485,057**	$ 351,853

NOTE 14. REVENUE

($ Canadian thousands)	Three months ended June 30, **2018**	Three months ended June 30, 2017	Six months ended June 30, **2018**	Six months ended June 30, 2017
Engineered Systems	**$ 277,549**	$ 319,199	**$ 547,593**	$ 567,054
Service	**85,256**	80,771	**159,927**	151,690
Rentals	**42,043**	33,514	**83,108**	69,527
Total revenue	**$ 404,848**	$ 433,484	**$ 790,628**	$ 788,271

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

($ Canadian thousands)	Three months ended June 30, **2018**	Three months ended June 30, 2017	Six months ended June 30, **2018**	Six months ended June 30, 2017
United States	**$ 213,542**	$ 214,624	**$ 401,560**	$ 384,808
Canada	**62,150**	100,025	**159,890**	174,193
Oman	**30,733**	12,949	**46,807**	26,651
Kuwait	**14,444**	43,013	**36,307**	77,471
Australia	**18,276**	10,990	**31,398**	20,232
Argentina	**14,205**	12,906	**28,099**	27,052
Bahrain	**11,430**	12,078	**22,493**	23,243
Mexico	**11,922**	13,921	**22,374**	27,476
Colombia	**8,451**	31	**9,930**	119
Nigeria	**3,877**	589	**6,220**	1,104
Other	**15,818**	12,358	**25,550**	25,922
Total revenue	**$ 404,848**	$ 433,484	**$ 790,628**	$ 788,271

The following table outlines the Company's unsatisfied performance obligations, by product line, as at June 30, 2018:

($ Canadian thousands)	Less than one year	One to two years	Greater than two years	Total
Engineered Systems	$ 749,201	$ 50	$ -	$ 749,251
Service	91,238	45,166	56,824	193,228
Rental	93,705	81,996	141,788	317,489
	$ 934,144	**$ 127,212**	**$ 198,612**	**$ 1,259,968**

NOTE 15. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

Operating leases relate to leases of equipment, vehicles, and premises with lease terms between one and twelve years. The material lease arrangements generally include renewal and escalation clauses.

The aggregate minimum future required lease payments over the next five years and thereafter is as follows:

2018	$	8,073
2019		13,005
2020		9,298
2021		7,734
2022		4,122
Thereafter		3,680
Total	**$**	**45,912**

In addition, the Company has purchase obligations over the next three years as follows:

2018	$	411,228
2019		45,095
2020		3,523

NOTE 16. 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 Rentals product line revenues are stable throughout the year. Rental revenues are also impacted by both the Company's and its customers' capital investment decisions. The USA and Rest of World segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating.

NOTE 17. SEGMENTED INFORMATION

Enerflex has identified three reportable operating segments as outlined below, 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 type of customer 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.

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

- Canada generates revenue from manufacturing (primarily compression equipment), service, and rentals;
- USA generates revenue from manufacturing natural gas compression equipment and process equipment in addition to generating revenue from product support services and contract compression rentals; and
- Rest of World generates revenue from manufacturing (focusing on large-scale process equipment), service, and rentals. In addition, the Rest of World segment has been successful in securing build-own-operate-maintain projects.

For the six months ended June 30, 2018, the Company recognized $89.9 million of revenue from one customer in the USA segment, which represents 11.4 percent of total revenue for the period. At June 30, 2018, the accounts receivable balance for the customer was $35.9 million, which represents 8.8 percent of total accounts receivable.

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

Three months ended June 30,	Canada 2018	Canada 2017	USA 2018	USA 2017	Rest of World 2018	Rest of World 2017	Total 2018	Total 2017
Segment revenue	**$ 70,083**	$ 100,694	**$ 221,433**	$ 231,161	**$ 116,958**	$ 105,623	**$ 408,474**	$ 437,478
Intersegment revenue	**(1,086)**	(425)	**(2,232)**	(3,363)	**(308)**	(206)	**(3,626)**	(3,994)
Revenue	**$ 68,997**	$ 100,269	**$ 219,201**	$ 227,798	**$ 116,650**	$ 105,417	**$ 404,848**	$ 433,484
Revenue – Engineered Systems	**53,749**	80,925	**172,191**	195,684	**51,609**	42,590	**277,549**	319,199
Revenue – Service	**13,449**	16,972	**34,824**	29,681	**36,983**	34,118	**85,256**	80,771
Revenue – Rental	**1,799**	2,372	**12,186**	2,433	**28,058**	28,709	**42,043**	33,514
Operating income (loss)	**$ (1,372)**	$ 2,713	**$ 18,574**	$ 24,253	**$ 11,091**	$ 5,798	**$ 28,293**	$ 32,764

Six months ended June 30,	Canada 2018	Canada 2017	USA 2018	USA 2017	Rest of World 2018	Rest of World 2017	Total 2018	Total 2017
Segment revenue	**$ 171,295**	$ 177,725	**$ 419,389**	$ 434,751	**$ 213,512**	$ 191,155	**$ 804,196**	$ 803,631
Intersegment revenue	**(3,038)**	(1,118)	**(8,637)**	(13,773)	**(1,893)**	(469)	**(13,568)**	(15,360)
Revenue	**$ 168,257**	$ 176,607	**$ 410,752**	$ 420,978	**$ 211,619**	$ 190,686	**$ 790,628**	$ 788,271
Revenue – Engineered Systems	**138,182**	136,283	**323,067**	361,224	**86,344**	69,547	**547,593**	567,054
Revenue – Service	**25,942**	34,168	**63,903**	54,913	**70,082**	62,609	**159,927**	151,690
Revenue – Rental	**4,133**	6,156	**23,782**	4,841	**55,193**	58,530	**83,108**	69,527
Operating income (loss)	**$ 702**	$ 1,175	**$ 33,319**	$ 46,897	**$ 13,737**	$ 15,033	**$ 47,758**	$ 63,105

As at	Canada Jun. 30, 2018	Canada Dec. 31, 2017	USA Jun. 30, 2018	USA Dec. 31, 2017	Rest of World Jun. 30, 2018	Rest of World Dec. 31, 2017	Total Jun. 30, 2018	Total Dec. 31, 2017
Segment assets	**$ 432,670**	$ 485,232	**$ 771,939**	$ 698,581	**$ 617,156**	$ 648,648	**$ 1,821,765**	$ 1,832,461
Goodwill	**88,367**	88,367	**157,968**	150,495	**338,219**	329,126	**584,554**	567,988
Corporate	**-**	-	**-**	-	**-**	-	**(268,290)**	(269,847)
Total segment assets	**$ 521,037**	$ 573,599	**$ 929,907**	$ 849,076	**$ 955,375**	$ 977,774	**$ 2,138,029**	$ 2,130,602

NOTE 18. RECONCILIATION OF TRANSITIONAL ADJUSTMENTS

In preparing its Interim Condensed Financial Statements as at and for the three and six months ended June 30, 2018, the Company has adjusted the opening retained earnings balance reported previously in the financial statements as at and for the year ended December 31, 2017 for the adoption of IFRS 15. In addition, results reported under IFRS 15 and IFRS 9 differ from results that would have been reported under the previous standards. A reconciliation of the Company's consolidated statements of financial position, earnings, and comprehensive income under both the new and previous standards is set out in the following tables and accompanying notes.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

($ Canadian thousands)	Notes	June 30, 2018 Per IAS 11, 18, and 39	Effect of Transition	June 30, 2018 Per IFRS 15 and 9
Assets				
Current assets				
Cash and cash equivalents		$ 305,838	-	$ 305,838
Accounts receivable	i, ii	395,411	15,430	410,841
Inventories	ii	167,419	(27,279)	140,140
Income taxes receivable		5,613	-	5,613
Derivative financial instruments		407	-	407
Other current assets		6,739	-	6,739
Total current assets		881,427	(11,849)	869,578
Property, plant and equipment		92,423	-	92,423
Rental equipment		486,569	-	486,569
Deferred tax assets	i, ii	52,447	(304)	52,143
Other assets		21,142	-	21,142
Intangible assets		31,620	-	31,620
Goodwill		584,554	-	584,554
Total assets		$ 2,150,182	$ (12,153)	$ 2,138,029
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		$ 244,833	-	$ 244,833
Provisions		13,640	-	13,640
Income taxes payable		10,325	(115)	10,210
Deferred revenues	ii	159,433	(17,163)	142,270
Deferred finance income		235	-	235
Derivative financial instruments		740	-	740
Total current liabilities		429,206	(17,278)	411,928
Long-term debt		485,057	-	485,057
Deferred tax liabilities	i, ii	34,846	1,105	35,951
Other liabilities		14,280	-	14,280
Total liabilities		$ 963,389	$ (16,173)	$ 947,216
Shareholders' equity				
Share capital		$ 358,767	-	$ 358,767
Contributed surplus		654,730	-	654,730
Retained earnings	ii	61,939	4,020	65,959
Accumulated other comprehensive income		110,366	-	110,366
Total shareholders' equity before non-controlling interest		1,185,802	4,020	1,189,822
Non-controlling interest		991	-	991
Total shareholders' equity and non-controlling interest		1,186,793	4,020	1,190,813
Total liabilities and shareholders' equity		$ 2,150,182	$ (12,153)	$ 2,138,029

INTERIM CONDENSED STATEMENTS OF EARNINGS

($ Canadian thousands)	Notes	Three months ended June 30, 2018 Per IAS 11, 18, and 39	Effect of Transition	June 30, 2018 Per IFRS 15 and 9
Revenue	ii	$ 383,035	$ 21,813	$ 404,848
Cost of goods sold	ii	312,359	20,165	332,524
Gross margin	ii	70,676	1,648	72,324
Selling and administrative expenses	i	44,031	-	44,031
Operating income		26,645	1,648	28,293
Gain on disposal of property, plant and equipment		138	-	138
Equity earnings from associate and joint venture		110	-	110
Earnings before finance costs and income taxes		26,893	1,648	28,541
Net finance costs		5,044	-	5,044
Earnings before income taxes		21,849	1,648	23,497
Income taxes	i, ii	2,730	400	3,130
Net earnings		$ 19,119	$ 1,248	$ 20,367
Net earnings attributable to:				
Controlling interest		$ 18,978		$ 20,308
Non-controlling interest		141		59
		$ 19,119		$ 20,367
Earnings per share – basic		$ 0.22		$ 0.23
Earnings per share – diluted		$ 0.21		$ 0.23
Weighted average number of shares – basic		88,606,207		88,606,207
Weighted average number of shares – diluted		88,941,136		88,941,136

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

($ Canadian thousands)	Notes	Three months ended June 30, 2018 Per IAS 11, 18, and 39	Effect of Transition	June 30, 2018 Per IFRS 15 and 9
Net earnings		$ 19,119	$ 1,248	$ 20,367
Other comprehensive income 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		(372)	-	(372)
Gain on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax		20	-	20
Unrealized gain (loss) on translation of foreign denominated debt		(3,231)	-	(3,231)
Unrealized (loss) gain on translation of financial statements of foreign operations		15,353	-	15,353
Other comprehensive income		$ 11,770	-	$ 11,770
Total comprehensive income		$ 30,889	$ 1,248	$ 32,137
Other comprehensive income attributable to:				
Controlling interest		$ 11,869		$ 11,869
Non-controlling interest		(99)		(99)
		$ 11,770		$ 11,770

INTERIM CONDENSED STATEMENTS OF EARNINGS

($ Canadian thousands)	Notes	Six months ended June 30, 2018 Per IAS 11, 18, and 39	Effect of Transition	June 30, 2018 Per IFRS 15 and 9
Revenue	ii	$ 757,641	$ 32,987	$ 790,628
Cost of goods sold	ii	626,523	27,279	653,802
Gross margin	ii	131,118	5,708	136,826
Selling and administrative expenses	i	88,641	427	89,068
Operating income		42,477	5,281	47,758
Gain on disposal of property, plant and equipment		78	-	78
Equity earnings from associate and joint venture		33	-	33
Earnings before finance costs and income taxes		42,588	5,281	47,869
Net finance costs		10,028	-	10,028
Earnings before income taxes		32,560	5,281	37,841
Income taxes	i, ii	5,340	1,261	6,601
Net earnings		$ 27,220	$ 4,020	$ 31,240
Net earnings attributable to:				
Controlling interest		$ 27,079		$ 31,040
Non-controlling interest		141		200
		$ 27,220		$ 31,240
Earnings per share – basic		$ 0.31		$ 0.35
Earnings per share – diluted		$ 0.31		$ 0.35
Weighted average number of shares – basic		88,577,944		88,577,944
Weighted average number of shares – diluted		88,948,815		88,948,815

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

($ Canadian thousands)	Notes	Six months ended June 30, 2018 Per IAS 11, 18, and 39	Effect of Transition	June 30, 2018 Per IFRS 15 and 9
Net earnings		$ 27,220	$ 4,020	$ 31,240
Other comprehensive income 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		23	-	23
Gain on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax		53	-	53
Unrealized gain (loss) on translation of foreign denominated debt		(14,873)	-	(14,873)
Unrealized (loss) gain on translation of financial statements of foreign operations		52,265	-	52,265
Other comprehensive income		$ 37,468	-	$ 37,468
Total comprehensive income		$ 64,688	$ 4,020	$ 68,708
Other comprehensive income attributable to:				
Controlling interest		$ 38,002		$ 38,002
Non-controlling interest		(534)		(534)
		$ 37,468		$ 37,468

NOTES TO THE RECONCILIATIONS

i. Financial Instruments – Expected Credit Losses

Under IAS 39, an allowance for doubtful accounts was recorded when there was objective evidence that it was no longer probable that the Company would collect the full amount of a receivable balance. Under IFRS 9, allowance for doubtful accounts is determined using an expected credit losses model, under which the lifetime expected credit losses are measured on initial recognition of the receivable. As a result, the allowance for doubtful accounts balance increased by $0.4 million on adoption of IFRS 9, with a corresponding increase in bad debt expense included in selling and administrative expenses. The Company has determined that the change in allowance for doubtful accounts will also have a current tax impact of $0.1 million.

ii. Revenue Recognition

Under previous revenue guidance in IAS 11, IAS 18, and related interpretations on revenue recognition, the Company did not recognize revenue on percentage-of-completion projects until the outcome of the project could be estimated reliably. Under IFRS 15, revenue is required to be recognized at least to the extent that costs are incurred in the construction of the project until the Company can reasonably measure the outcome. The effect of this change is to increase revenue for the three and six months ended June 30, 2018 by $21.8 million and $33.0 million, as percentage-of-completion revenue is recognized from inception of a given project. Cost of goods sold for the three and six months ended June 30, 2018 increased by $20.2 million and $27.3 million, with a corresponding decrease in work-in-process inventory, as project costs are recognized as incurred. The net impact of the changes in revenue and cost of goods sold for the three and six months ended June 30, 2018 was an increase in gross margin of $1.6 million and $5.7 million.

Contract assets, defined as the amount to which contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, increased by $15.7 million as percentage-of-completion projects are recognized into revenue earlier in the project lifecycle. Contract liabilities, when progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, decreased by $17.2 million, also due to earlier revenue recognition.

The Company elected to apply IFRS 15 using the modified retrospective approach, and recognized the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings. This adjustment resulted in an increase of $2.7 million in retained earnings as the revenue that was not yet recognized under the previous standard, net of cost of goods sold and taxes, was included in opening retained earnings.

NOTE 19. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, Enerflex declared a quarterly dividend of $0.095 per share, payable on October 4, 2018, to shareholders of record on August 23, 2018.

Subsequent to the end of the quarter, the Company received a partial ruling related to the Oman Oil Exploration and Production LLC (“OOCEP”) arbitration. The tribunal awarded Enerflex an amount of $30.2 million U.S. dollars, which is comprised of the full final milestone payment of $23.3 million U.S. dollars, variation claims in respect of additional costs and delays in construction of $4.0 million U.S. dollars, and interest on the outstanding amounts of $3.0 million U.S. dollars. The tribunal also dismissed the respondent’s counterclaim for liquidated damages in its entirety. The earnings impact, net of tax, is $5.9

million U.S. dollars and will be recognized in the third quarter results. The allocation of costs and expenses of the proceedings will be the subject of a separate final award by the tribunal, which is expected at a later date.

DIRECTORS AND EXECUTIVES

BOARD OF DIRECTORS

ROBERT S. BOSWELL [1,4]
Director
Denver, CO

MAUREEN CORMIER JACKSON [6]
Director
Calgary, AB

W. BYRON DUNN [2,4]
Director
Dallas, TX

J. BLAIR GOERTZEN
Director
President and
Chief Executive Officer
Calgary, AB

H. STANLEY MARSHALL [2,3]
Director
Paradise, NL

KEVIN REINHART [5]
Director
Calgary, AB

STEPHEN J. SAVIDANT [7]
Chairman
Calgary, AB

MICHAEL A. WEILL [6]
Director
Houston, TX

HELEN J. WESLEY [2,6]
Director
Calgary, AB

EXECUTIVES

D. JAMES HARBILAS
Executive Vice President and
Chief Financial Officer
Calgary, AB

MARC ROSSITER
Executive Vice President
and Chief Operating Officer
Houston, TX

GREG STEWART
President, United States of America
Houston, TX

PATRICIA MARTINEZ
President, Latin America
Houston, TX

PHIL PYLE
President, International
Abu Dhabi, UAE

1 Chair of the Nominating and Corporate Governance Committee
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
7 Chairman of the Board

SHAREHOLDERS' INFORMATION

COMMON SHARES

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

TRANSFER AGENT, REGISTRAR, AND DIVIDEND DISBURSING AGENT

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Calgary, AB, Canada and Toronto, ON, Canada

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Email: inquiries@astfinancial.com | **Web:** astfinancial.com/ca-en

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

AUDITORS

Ernst & Young | Calgary, AB, Canada

BANKERS

The Toronto Dominion Bank | Calgary, AB, Canada
The Bank of Nova Scotia | Toronto, ON, Canada

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Requests for Enerflex's Annual Report, Quarterly Reports, and other corporate communications should be directed to ir@enerflex.com.

ENERFLEX

2018 QUARTERLY REPORT

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