MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL POSITION

TO THE SHAREHOLDERS OF ENERFLEX LTD.

The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that accounting records are reliable, and assets are safeguarded.

The Audit Committee is appointed by the Board of Directors. The Audit Committee meets with management, as well as with the external auditors, Ernst & Young LLP, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Ernst & Young LLP on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

[signed] "Marc E. Rossiter"

Marc E. Rossiter
President, Chief Executive Officer, and Director

[signed] "Sanjay Bishnoi"

Sanjay Bishnoi
Senior Vice President, Chief Financial Officer

February 20, 2020

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ENERFLEX LTD.

Opinion

We have audited the consolidated financial statements of Enerflex Ltd. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of earnings, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gord Graham.

Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada
February 20, 2020

CONSOLIDATED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ Canadian thousands)		**December 31, 2019**		December 31, 2018
Assets				
Current assets				
Cash and cash equivalents	**$**	**96,255**	$	326,864
Accounts receivable (Note 7)		**384,021**		469,337
Contract assets (Note 7)		**183,890**		158,027
Inventories (Note 8)		**269,385**		176,206
Income taxes receivable		**6,626**		9,057
Derivative financial instruments (Note 27)		**152**		1,079
Other current assets		**12,223**		12,737
Total current assets		**952,552**		1,153,307
Property, plant and equipment (Note 9)		**108,551**		88,706
Rental equipment (Note 9)		**642,095**		538,489
Lease right-of-use assets (Note 10)		**60,288**		-
Deferred tax assets (Note 19)		**48,624**		53,053
Other assets (Note 11)		**26,410**		21,591
Intangible assets (Note 12)		**22,058**		28,882
Goodwill (Note 13)		**573,928**		598,831
Total assets	**$**	**2,434,506**	$	2,482,859
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 14)	**$**	**333,605**	$	306,859
Provisions (Note 15)		**18,250**		12,890
Income taxes payable		**8,074**		17,057
Deferred revenues (Note 16)		**142,907**		348,804
Current portion of lease liabilities (Note 18)		**14,172**		-
Deferred financing income		**88**		179
Derivative financial instruments (Note 27)		**375**		1,400
Total current liabilities		**517,471**		687,189
Long-term debt (Note 17)		**430,487**		444,712
Lease liabilities (Note 18)		**52,828**		-
Deferred tax liabilities (Note 19)		**76,256**		52,237
Other liabilities		**14,677**		16,202
Total liabilities	**$**	**1,091,719**	$	1,200,340
Shareholders' equity				
Share capital (Note 20)	**$**	**375,524**	$	366,120
Contributed surplus (Note 21)		**655,107**		654,324
Retained earnings		**228,843**		118,134
Accumulated other comprehensive income		**81,779**		142,492
Total shareholders' equity before non-controlling interest		**1,341,253**		1,281,070
Non-controlling interest		**1,534**		1,449
Total shareholders' equity and non-controlling interest		**1,342,787**		1,282,519
Total liabilities and shareholders' equity	**$**	**2,434,506**	$	2,482,859

See accompanying Notes to the consolidated financial statements, including guarantees, commitments, and contingencies (Note 30).

CONSOLIDATED STATEMENTS OF EARNINGS

($ Canadian thousands, except per share amounts)	Years ended December 31, **2019**	2018
Revenue (Note 22)	**$ 2,045,422**	$ 1,703,273
Cost of goods sold	**1,616,337**	1,395,300
Gross margin	**429,085**	307,973
Selling and administrative expenses	**197,177**	163,009
Operating income	**231,908**	144,964
Gain on disposal of property, plant and equipment (Note 9)	**302**	5,882
Equity earnings from associate	**1,692**	833
Earnings before finance costs and income taxes	**233,902**	151,679
Net finance costs (Note 25)	**18,578**	19,145
Earnings before income taxes	**215,324**	132,534
Income taxes (Note 19)	**63,196**	31,118
Net earnings	**$ 152,128**	$ 101,416
Net earnings attributable to:		
Controlling interest	**$ 151,647**	$ 100,999
Non-controlling interest	**481**	417
	$ 152,128	$ 101,416
Earnings per share – basic (Note 26)	**$ 1.70**	$ 1.14
Earnings per share – diluted (Note 26)	**$ 1.70**	$ 1.14
Weighted average number of shares – basic	**89,500,829**	88,709,142
Weighted average number of shares – diluted	**89,709,745**	89,088,628

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ Canadian thousands)	Years ended December 31, **2019**	2018
Net earnings	**$ 152,128**	$ 101,416
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	**(815)**	(318)
Gain on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax expense	**905**	208
Unrealized gain (loss) on translation of foreign denominated debt	**3,845**	(17,781)
Unrealized gain (loss) on translation of financial statements of foreign operations	**(65,044)**	87,726
Other comprehensive income (loss)	**$ (61,109)**	$ 69,835
Total comprehensive income	**$ 91,019**	$ 171,251
Other comprehensive income (loss) attributable to:		
Controlling interest	**$ (60,713)**	$ 70,128
Non-controlling interest	**(396)**	(293)
	$ (61,109)	$ 69,835

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Canadian thousands)		Years ended December 31, **2019**		2018
Operating Activities				
Net earnings	**$**	**152,128**	$	101,416
Items not requiring cash and cash equivalents:				
Depreciation and amortization		**86,559**		89,774
Equity earnings from associate and joint venture		**(1,692)**		(833)
Deferred income taxes (Note 19)		**31,476**		10,247
Share-based compensation expense (Note 23)		**7,749**		9,938
Gain on sale of property, plant and equipment (Note 9)		**(302)**		(5,882)
		275,918		204,660
Net change in non-cash working capital and other (Note 29)		**(221,749)**		38,208
Cash provided by operating activities	**$**	**54,169**	$	242,868
Investing Activities				
Additions to:				
Property, plant and equipment (Note 9)	**$**	**(46,322)**	$	(16,920)
Rental equipment (Note 9)		**(217,068)**		(115,325)
Proceeds on disposal of:				
Property, plant and equipment (Note 9)		**9,205**		22,853
Rental equipment (Note 9)		**4,454**		6,935
Change in other assets		**26,911**		2,047
Cash used in investing activities	**$**	**(222,820)**	$	(100,410)
Financing Activities				
Repayment of long-term debt (Note 29)	**$**	**(15,748)**	$	(17,335)
Lease liability principal repayment (Note 18)		**(12,551)**		-
Lease interest (Note 18)		**(2,586)**		-
Dividends		**(37,548)**		(33,676)
Stock option exercises		**7,453**		6,561
Cash used in financing activities	**$**	**(60,980)**	$	(44,450)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$**	**(978)**	$	1,572
Increase (decrease) in cash and cash equivalents		**(230,609)**		99,580
Cash and cash equivalents, beginning of period		**326,864**		227,284
Cash and cash equivalents, end of period	**$**	**96,255**	$	326,864

See accompanying Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total shareholders' equity before non-controlling interest	Non-controlling interest	Total
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	-	-	2,738	-	-	-	2,738	-	2,738
Net earnings	-	-	100,999	-	-	-	100,999	417	101,416
Other comprehensive income (loss)	-	-	-	70,238	(110)	70,128	70,128	(293)	69,835
Effect of stock option plans	8,424	248	-	-	-	-	8,672	-	8,672
Dividends	-	-	(34,614)	-	-	-	(34,614)	-	(34,614)
At December 31, 2018	$ 366,120	$ 654,324	$ 118,134	$ 143,563	$ (1,071)	$ 142,492	$ 1,281,070	$ 1,449	$ 1,282,519
IFRS 16 opening retained earnings adjustment (Note 34)	-	-	(2,429)	-	-	-	(2,429)	-	(2,429)
Net earnings	-	-	151,647	-	-	-	151,647	481	152,128
Other comprehensive income (loss)	-	-	-	(60,803)	90	(60,713)	(60,713)	(396)	(61,109)
Effect of stock option plans	9,404	783	-	-	-	-	10,187	-	10,187
Dividends	-	-	(38,509)	-	-	-	(38,509)	-	(38,509)
At December 31, 2019	**$ 375,524**	**$ 655,107**	**$ 228,843**	**$ 82,760**	**$ (981)**	**$ 81,779**	**$ 1,341,253**	**$ 1,534**	**$ 1,342,787**

See accompanying Notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Headquartered in Calgary, the registered office is located at 904, 1331 Macleod Trail SE, Calgary, Canada. Enerflex has approximately 2,500 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint operations, operate in Canada, the United States of America, Argentina, Bolivia, Brazil, Colombia, Mexico, Peru, the United Kingdom ("UK"), Bahrain, Kuwait, Oman, the United Arab Emirates ("UAE"), Australia, Indonesia, Malaysia, and Thailand. Enerflex operates three business segments: USA, Rest of World, and Canada.

The following table represents material subsidiaries of the Company:

Name	Jurisdiction of Incorporation	Ownership	Operating Segment
Enerflex Ltd.	Canada	Public Shareholders	Canada
Enerflex Energy Systems Inc.	Delaware, USA	100.0 percent	USA
Enerflex Middle East LLC	Oman	70.0 percent[1]	Rest of World
Enerflex Middle East SPC	Bahrain	100.0 percent	Rest of World

[1] *Enerflex indirectly owns 100.0 percent of Enerflex Middle East LLC.*

NOTE 2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and were approved and authorized for issue by the Board of Directors on February 20, 2020. Certain prior year amounts have been reclassified to conform with the current period's presentation.

(b) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in Note 3. The accounting policies described in Note 3 and Note 4 have been applied consistently to all periods presented in these financial statements. Standards and guidelines issued but not yet effective for the current accounting period are described in Note 6.

(c) Functional Currency and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's individual entities are recorded in their own functional currency based on the primary economic environment in which it operates.

(d) Use of Estimates and Judgment

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the financial statements are described in Note 5.

(e) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, income and expenses, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

The Company holds a 50 percent ownership interest in a joint operation in Brazil. Under IFRS 10 *Consolidated Financial Statements*, the Company has determined that it has control of the arrangement as it controls the operating committee based on voting rights. As a result, the Company fully consolidates the arrangement and has recorded a non-controlling interest in equity and net earnings.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in Associates and Joint Ventures

The Company uses the equity method to account for its 45 percent investment in Roska DBO Inc. ("Roska DBO") and its 65 percent investment in a joint venture in Brazil. Under the equity method, the investment is carried on the consolidated statements of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate or joint venture.

The consolidated statements of earnings reflect the Company's share of the results of operations of associates and joint ventures. Unrealized gains and losses resulting from transactions between the Company and associates are eliminated to the extent of the interest in the associate or joint venture.

The Company's share of profits from associates and joint ventures is shown on the face of the consolidated statements of earnings. This is the profit attributable to equity holders of the associate and joint venture partners and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

(b) Foreign Currency Translation

In the accounts of individual subsidiaries, transactions in currencies other than the Company's functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rates of exchange at the date the fair value was determined.

The assets and liabilities on the statements of financial position of foreign subsidiaries are translated into Canadian dollars at the rates of exchange prevailing at the reporting date. The statements of earnings of foreign subsidiaries are translated at average exchange rates for the reporting period. Exchange differences arising on the translation of net assets are taken to accumulated other comprehensive income.

All foreign exchange gains and losses are taken to the consolidated statements of earnings with the exception of exchange differences arising on monetary assets and liabilities that form part of the Company's net investment in subsidiaries. These are taken directly to other comprehensive income until the disposal of the foreign subsidiary at which time the unrealized gain or loss is recognized in the consolidated statements of earnings.

On the disposal of a foreign subsidiary, accumulated exchange differences are recognized in the consolidated statements of earnings as a component of the gain or loss on disposal.

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the date of the acquisition. Acquisition costs incurred are expensed and included in selling and administrative expenses, except for those associated with the issuance of debt, which are included in the initial carrying amount of the liability.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises the purchase price or construction cost and any costs directly attributable to making the asset capable of operating as intended. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets and commences when the assets are ready for intended use.

Asset Class	Estimated Useful Life Range
Buildings	5 to 20 years
Equipment	2 to 20 years

Major renewals and improvements are capitalized when they are expected to provide future economic benefit. When significant components of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. No depreciation is charged on land or assets under construction. Repairs and maintenance costs are charged to operations as incurred.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is included in the consolidated statements of earnings when the item is derecognized.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year end, or when factors and circumstances suggest a different useful life for the asset.

(e) Rental Equipment

Rental equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are generally between 5 and 20 years.

When, under the terms of a rental contract, the Company is responsible for major maintenance and overhauls, the actual overhaul cost is capitalized and depreciated over the estimated useful life of the overhaul, generally between 2 and 5 years. Repairs and maintenance costs are charged to operations as incurred.

Each asset's estimated useful life, residual value, and method of depreciation are reviewed and adjusted, if appropriate, at each year end, or when factors and circumstances suggest a different useful life for the asset.

(f) Goodwill

Goodwill arising on an acquisition of a business is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill allocated to a group of cash generating units ("CGUs") is reviewed for impairment annually, or when there is an indication that a related group of CGUs may be impaired. Impairment is determined by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Where the recoverable amount of the group of CGUs is less than the carrying amount of the CGUs and related goodwill, an impairment loss is recognized in the consolidated statements of earnings. Impairment losses on goodwill are not reversed.

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with a finite life are amortized on a straight-line basis over management's best estimate of their expected useful lives. The amortization charge is included in selling and administrative expenses in the consolidated statements of earnings. The expected useful lives and amortization method are reviewed on an annual basis with any change in the useful life or pattern of consumption adjusted at year end. Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

Acquired identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Customer relationships, software, and other intangible assets have an estimated useful life range of 3 to 8 years.

(h) Impairment of Non-Financial Assets (excluding Goodwill)

At least annually, the Company reviews the carrying amounts of its tangible and intangible assets with finite lives to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. In assessing its value-in-use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. A corresponding impairment loss is recognized in the consolidated statements of earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Any impairment reversal is recognized in the consolidated statements of earnings.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value. Serialized inventory is determined on a first-in first-out basis. Non-serialized inventory is determined based on a weighted average cost.

Cost of equipment, repair and distribution parts, and direct materials includes purchase cost and costs incurred in bringing each product to its present location and condition.

Cost of work-in-process includes cost of direct materials, labour, and an allocation of overheads, based on normal operating capacity.

Cost of inventories includes the transfer from accumulated other comprehensive income of gains and losses on qualifying cash flow hedges in respect of the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

(j) Trade Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any amounts estimated to be uncollectible. The Company calculates an expected credit loss based on historical experience of bad debts and specific provisions created when there is objective evidence that the collection of the full amount of a receivable is no longer probable under the terms of the original invoice. The amount of this allowance represents management's best estimate of expected credit losses. Trade receivables are derecognized when they are assessed as uncollectible.

(k) Cash

Cash includes cash and cash equivalents, which are defined as highly liquid investments with original maturities of three months or less.

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Onerous Contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) Employee Future Benefits

The Company sponsors various defined contribution pension plans, which cover substantially all employees and are funded in accordance with applicable plan and regulatory requirements. Regular contributions are made by the Company to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. The actual cost of providing benefits through defined contribution pension plans is charged to earnings in the period in respect of which contributions become payable.

(o) Share-Based Payments

Equity-Settled Share-Based Payments

The Company offers a Stock Option Plan to key employees, measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

The fair value of equity-settled share-based payments is expensed over a five-year vesting period with a corresponding increase in equity. Stock options have a seven-year expiry and are exercisable at the designated common share price, which is determined by the average of the market price of the Company's shares on the five days preceding the date of the grant. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Cash-Settled Share-Based Payments

The Company offers Deferred Share Unit ("DSU"), Performance Share Unit ("PSU"), Restricted Share Unit ("RSU"), and Cash Performance Target ("CPT") plans to certain employees. The Company also offers the DSU plan to non-employee directors. For each cash-settled share-based payment plan, a liability is recognized at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings.

The Company also offers a Phantom Share Entitlement ("PSE") plan to certain employees of affiliates located in Australia and the UAE. PSEs are measured at the fair value of the equity instrument at the grant date and expensed over a five-year vesting period and expire on the seventh anniversary. The exercise price of each PSE equals the average of the market price of the Company's shares on the five days preceding the date of the grant. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with changes in fair value recognized in the consolidated statements of earnings. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

(p) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, and whether the supplier has a substantive substitution right for the asset;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period; and
- The Company has the right to direct the use of the identified asset.

The Company determines if a contractual arrangement is a lease at the inception of the contract term. The Company has identified leases for the following asset types: land and buildings (including manufacturing facilities, office space, and rental accommodations) and equipment (including vehicles, office equipment, and shop equipment). The Company recognizes a right-of-use asset and a lease liability to reflect the benefit the Company obtains from the underlying asset in the lease and the requirement to pay the amounts included in the lease contract, respectively.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to decommission the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lesser of lease term or the useful life of the underlying asset, where appropriate.

The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee, and amounts owing under purchase or termination options, if the Company is reasonably certain to exercise these options. If the lease contains an extension option that the Company is reasonably certain to exercise, all payments in the renewal period are also included in determining the lease liability.

The lease liability is measured at amortized cost using the effective interest method. The amount of the liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset, or is recorded on the statements of earnings if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments associated with these leases will be recognized as an expense on a straight-line basis over the lease term. Certain leases include both lease and non-lease components, which are generally accounted for separately. For certain equipment leases, the Company applies a portfolio approach to effectively account for the lease right-of-use assets and lease liabilities.

Prior to January 1, 2019, the Company's policy was as follows:

Leases which transfer substantially all of the benefits and risk of ownership of the asset to the lessee are classified as finance leases; all other leases are classified as operating leases.

Company as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company recognizes selling profit or loss in the period for outright sales relating to manufacturer type leases. Amounts due from finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of leases.

Company as a Lessee

The Company does not hold any assets under finance lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(q) Revenue Recognition

Revenue is recognized as the Company satisfies its performance obligations by transferring promised goods or services to customers, regardless of when payment is received. 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 using either the "expected value approach" or the "most likely outcome approach", as determined upon initial recognition of the contract, and are reassessed at each reporting period. The expected value approach measures variable consideration by probability weighting all the potential outcomes. The most likely outcome approach measures variable consideration as management's best estimate of the variable component. 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.

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 generally 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 transfer of control passes with the transfer of legal title of the asset, which is typically at the point of shipping. 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 consolidated 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 years ended December 31, 2019 and 2018 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 consolidated statements of financial position.

(r) Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For the purposes of measuring financial assets after initial recognition, the Company classifies financial assets as either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on the contractual cash flow characteristics and the Company's business model for managing the financial asset. For the purposes of measuring financial liabilities after initial recognition, the Company classifies all financial liabilities as amortized cost, except certain financial liabilities, such as derivatives, which are classified as fair value through profit or loss.

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an on-going basis;
- Level 2: Fair value measurements are those derived from inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs). In these instances, internally developed methodologies are used to determine fair value.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability and may affect placement within.

The Company has made the following classifications:

- Cash and cash equivalents are measured at fair value through profit or loss. Gains and losses resulting from the periodic revaluation are recorded in the consolidated statement of earnings;
- Accounts receivable are recorded at amortized cost using the effective interest rate method; and
- Accounts payable, accrued liabilities, and long-term debt are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial instruments classified or designated as fair value through profit or loss. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into the consolidated statements of earnings using the effective interest rate method.

(s) Derivative Financial Instruments and Hedge Accounting

The Company formally documents its risk management objectives and strategies to manage exposures to fluctuations in foreign currency exchange rates and interest rates. The risk management policy permits the use of certain derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to manage these fluctuations. The Company does not enter into derivative financial agreements for speculative purposes.

Derivative financial instruments are measured at their fair value upon initial recognition and are remeasured to their fair value at the end of each reporting period. The fair value of quoted derivatives is equal to their positive or negative market value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company elected to apply hedge accounting for foreign exchange forward contracts for anticipated transactions. These are designated as cash flow hedges. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income, net of taxes. The ineffective portion of the fair value changes is recognized in the consolidated statements of earnings. Amounts charged to accumulated other comprehensive income are reclassified to the consolidated statements of earnings when the hedged transaction affects the consolidated statements of earnings.

The Company's U.S. dollar denominated long-term debt has been designated as a hedge of net investment in self-sustaining foreign operations. As a result, unrealized foreign exchange gains and losses on the U.S. dollar denominated long-term debt are included in the cumulative translation account in other comprehensive income.

On an ongoing basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

(t) Income Taxes

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable earnings differ from earnings as reported in the consolidated statements of earnings as it excludes temporary and permanent differences. The Company's current tax assets and liabilities are calculated by using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on all temporary differences at the reporting date based on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Deferred income tax assets are recognized only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Current and deferred income taxes are charged or credited directly to equity if it relates to items that are credited or charged to equity in the same period. Otherwise, income tax is recognized in the consolidated statements of earnings.

In accordance with IAS 12, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies create temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in the statements of earnings and the statement of financial position.

(u) Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the Company's equity share-based compensation plan.

(v) Finance Costs and Income

Finance income comprises interest income on funds invested and finance income from leases. Finance income is recognized as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings and interest incurred on lease liabilities.

NOTE 4. CHANGES IN ACCOUNTING POLICIES

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 is effective for annual periods beginning on or after January 1, 2019. Management elected to adopt IFRS 16 using the modified retrospective approach and has included an adjustment to opening balances upon adoption to reflect the Company's financial position at January 1, 2019 had the new standard been applied in prior periods. Adjustments made on transition are detailed in Note 34.

The Company has elected not to recognize lease right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments associated with these leases will be recognized as an expense on a straight-line basis over the lease term. Certain leases include both lease and non-lease components, which are generally accounted for separately. For certain equipment leases, the Company applies a portfolio approach to effectively account for the lease right-of-use assets and lease liabilities.

NOTE 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could however result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue Recognition – Performance Obligation Satisfied Over Time

The Company reflects revenues relating to performance obligations satisfied over time using the percentage-of-completion approach of accounting. The Company uses the input method of percentage-of-completion accounting, whereby actual input costs as a percentage of estimated total costs is used as the basis for determining the extent to which performance obligations are satisfied. The input method of percentage-of-completion accounting provides a faithful depiction of the transfer of control to the customer, as the Company is able to recover costs incurred relating to the satisfaction of the associated performance obligation. This approach to revenue recognition requires management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on cost progression, and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

Revenue Recognition – Performance Obligation Satisfied at a Point in Time

The Company reflects revenues relating to performance obligations satisfied at a point in time when control – indicated by transfer of the legal title, physical possession, significant risks and rewards of ownership, or any combination of these indicators – is transferred to the customer.

Provisions for Warranty

Provisions set aside for warranty exposures either relate to amounts provided systematically based on historical experience under contractual warranty obligations or specific provisions created in respect of individual customer issues undergoing commercial resolution and negotiation. Amounts set aside represent management's best estimate of the likely settlement and the timing of any resolution with the relevant customer.

Business Acquisitions

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Company relies on independent third-party valuators.

The determination of these fair values involves a variety of assumptions, including revenue growth rates, projected cash flows, discount rates, and earnings multiples.

Property, Plant and Equipment and Rental Equipment

Property, plant and equipment and rental equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment and rental equipment is reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment and rental equipment requires judgment and is based on currently available information. Property, plant and equipment and rental equipment is also reviewed for potential impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment and rental equipment constitutes a change in accounting estimate and are applied prospectively.

Right-of-Use Asset and Lease Liability

The Company determines the right-of-use asset and lease liability for each lease upon commencement. In calculating the right-of-use asset and lease liability, the Company is required to determine a suitable discount rate in order to calculate the present value of the contractual payments for the right to use the underlying asset during the lease term. In addition, the Company is required to assess the term of the lease, including if the Company is reasonably certain to exercise options to extend the lease or terminate the lease. Discount rates and lease assumptions are reassessed on a periodic basis.

Allowance for Doubtful Accounts

Amounts included in allowance for doubtful accounts reflect the full lifetime expected credit losses for trade receivables. The Company determines allowances based on management's best estimate of future expected credit losses, considering historical default rates, current economic conditions, and forecasts of future economic conditions. Significant or unanticipated changes in economic conditions could impact the magnitude of future expected credit losses.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes, and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or group of assets exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model, which requires the Company to estimate future cash flows and use judgment to determine a suitable discount rate to calculate the present value of those cash flows.

Impairment of Goodwill

The Company tests goodwill for impairment at least on an annual basis. This requires an estimation of the value-in-use of the groups of CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from each group of CGUs and use judgment to determine a suitable discount rate in order to calculate the present value of those cash flows.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Share-Based Compensation

The Company employs the fair value method of accounting for stock options and phantom share entitlement. The determination of the share-based compensation expense for stock options and phantom share entitlement requires the use of estimates and assumptions based on exercise prices, market conditions, vesting criteria, length of employment, and past experiences of the Company. Changes in these estimates and future events could alter the determination of the provision for such compensation. Details concerning the assumptions used are described in Note 23.

NOTE 6. NEW POLICIES, STANDARDS, INTERPRETATIONS, AND AMENDMENTS

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

IFRS 3 Business Combinations ("IFRS 3")

Effective January 1, 2020, the definition of a business will be amended under IFRS 3. Under the amended definition, to be considered a business an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present.

Under the prior definition, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business "*if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes*". The reference to such integration is now deleted from IFRS 3 in the proposed amendment and the assessment must be based on what has been acquired in its current state and condition.

This amendment will be applied prospectively to future acquisitions. While there are no immediate impacts resulting from this amendment, this change will likely result in more acquisitions being accounted for as asset acquisitions. Application of the change could also affect the accounting for disposal transactions.

The Company applied the amendments beginning January 1, 2020, with no changes to the Company's consolidated financial statements.

NOTE 7. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable consisted of the following:

December 31,		2019		2018
Trade receivables	**$**	**373,480**	$	406,659
Less: allowance for doubtful accounts		**(2,144)**		(992)
Trade receivables, net	**$**	**371,336**	$	405,667
Other receivables[1]		**12,685**		63,670
Total accounts receivable	**$**	**384,021**	$	469,337

[1] Other receivables at December 31, 2018 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 Company 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, as well as variation claims in respect of additional costs and delays in construction and interest on the outstanding amounts, by the arbitration tribunal. In addition, in December 2018, the tribunal awarded Enerflex amounts relating to costs, fees, taxes, and expenses incurred as part of the proceedings. At December 31, 2018, the amount owing for all awards was $54.7 million and interest on the outstanding amounts totaled $4.8 million. Enerflex collected the full amount owing, as per the rulings, in March 2019.

Aging of trade receivables:

December 31,		2019		2018
Current to 90 days	**$**	**321,058**	$	371,324
Over 90 days		**52,422**		35,335
	$	**373,480**	$	406,659

Movement in allowance for doubtful accounts:

December 31,		2019		2018
Balance, January 1	**$**	**992**	$	968
Impairment provision additions on receivables		**2,162**		635
Amounts written off during the year as uncollectible		**(951)**		(652)
Currency translation effects		**(59)**		41
Closing balance	**$**	**2,144**	$	992

Movement in contract assets:

December 31,		2019		2018
Balance, January 1	**$**	**158,027**	$	134,995
IFRS 15 transitional adjustment		**-**		14,657
Unbilled revenue recognized		**698,774**		565,306
Amounts billed		**(666,896)**		(575,694)
Currency translation effects		**(6,015)**		18,763
Closing balance	**$**	**183,890**	$	158,027

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

NOTE 8. INVENTORIES

Inventories consisted of the following:

December 31,		2019		2018
Direct materials	**$**	**182,692**	$	84,021
Work-in-process		**33,403**		40,331
Repair and distribution parts		**42,540**		45,483
Equipment		**10,750**		6,371
Total inventories	**$**	**269,385**	$	176,206

The amount of inventory and overhead costs recognized as an expense and included in cost of goods during 2019 was $1,616.3 million (December 31, 2018 – $1,395.3 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 consolidated statements of earnings and included in cost of goods sold December 31, 2019 was $5.9 million (December 31, 2018 – $4.3 million).

NOTE 9. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

		Land		Building		Equipment		Assets under construction		Total property, plant and equipment		Rental equipment
Cost												
January 1, 2019	$	23,034	$	88,668	$	59,685	$	11,641	$	183,028	$	798,999
Additions		-		1,557		1,283		43,482		46,322		217,068
Reclassification		-		33,403		8,167		(44,338)		(2,768)		-
Disposals		(3,531)		(14,663)		(3,898)		-		(22,092)		(51,811)
Currency translation effects		(747)		(3,835)		(1,851)		(481)		(6,914)		(47,052)
December 31, 2019	**$**	**18,756**	**$**	**105,130**	**$**	**63,386**	**$**	**10,304**	**$**	**197,576**	**$**	**917,204**
Accumulated depreciation												
January 1, 2019	$	-	$	(45,216)	$	(49,106)	$	-	$	(94,322)	$	(260,510)
Depreciation charge		-		(5,039)		(5,740)		-		(10,779)		(52,916)
Impairment		-		-		-		-		-		(26,414)
Disposals		-		9,441		3,748		-		13,189		45,969
Currency translation effects		-		1,552		1,335		-		2,887		18,762
December 31, 2019	**$**	**-**	**$**	**(39,262)**	**$**	**(49,763)**	**$**	**-**	**$**	**(89,025)**	**$**	**(275,109)**
Net book value – December 31, 2019	**$**	**18,756**	**$**	**65,868**	**$**	**13,623**	**$**	**10,304**	**$**	**108,551**	**$**	**642,095**

		Land		Building		Equipment		Assets under construction		Total property, plant and equipment		Rental equipment
Cost												
January 1, 2018	$	24,870	$	108,427	$	61,127	$	2,300	$	196,724	$	646,907
Additions		-		525		2,169		14,226		16,920		115,325
Reclassification		-		380		3,193		(5,291)		(1,718)		(172)
Disposals		(3,143)		(26,157)		(8,792)		-		(38,092)		(12,293)
Currency translation effects		1,307		5,493		1,988		406		9,194		49,232
December 31, 2018	**$**	**23,034**	**$**	**88,668**	**$**	**59,685**	**$**	**11,641**	**$**	**183,028**	**$**	**798,999**
Accumulated depreciation												
January 1, 2018	$	-	$	(50,668)	$	(48,824)	$	-	$	(99,492)	$	(187,054)
Depreciation charge		-		(5,043)		(7,034)		-		(12,077)		(66,572)
Disposals		-		12,905		8,216		-		21,121		5,358
Currency translation effects		-		(2,410)		(1,464)		-		(3,874)		(12,242)
December 31, 2018	**$**	**-**	**$**	**(45,216)**	**$**	**(49,106)**	**$**	**-**	**$**	**(94,322)**	**$**	**(260,510)**
Net book value – December 31, 2018	**$**	**23,034**	**$**	**43,452**	**$**	**10,579**	**$**	**11,641**	**$**	**88,706**	**$**	**538,489**

Depreciation of property, plant and equipment and rental equipment included in earnings for the year ended December 31, 2019 was $63.7 million (December 31, 2018 – $78.6 million), of which $60.1 million was included in cost of goods sold (December 31, 2018 – $74.7 million) and $3.6 million was included in selling and administrative expenses (December 31, 2018 – $3.9 million).

Impairment of rental equipment included in earnings for the year ended December 31, 2019 was $26.4 million (December 31, 2018 – nil). The majority of this amount relates to the write-off of specialized assets acquired as part of a business combination in 2014 that we have now determined cannot be redeployed and have never been utilized or generated revenue for Enerflex.

Effective January 1, 2019, the estimated useful life for certain rental assets was adjusted from 15 years to 20 years to better align with the historical lifecycle of these assets. As a result, depreciation expense for the year ended December 31, 2019 decreased by approximately $13.0 million.

NOTE 10. LEASE RIGHT-OF-USE ASSETS

	Land and buildings	Equipment	Total lease right-of-use assets
Cost			
January 1, 2019	$ 23,017	$ 8,968	$ 31,985
Additions	32,896	8,579	41,475
Disposal – end of lease term	(74)	(152)	(226)
Currency translation effects	(376)	(291)	(667)
December 31, 2019	**$ 55,463**	**$ 17,104**	**$ 72,567**
Accumulated depreciation			
January 1, 2019	$ -	$ -	$ -
Depreciation charge	(8,198)	(4,457)	(12,655)
Disposal – end of lease term	74	152	226
Currency translation effects	96	54	150
December 31, 2019	**$ (8,028)**	**$ (4,251)**	**$ (12,279)**
Net book value – December 31, 2019	**$ 47,435**	**$ 12,853**	**$ 60,288**

NOTE 11. OTHER ASSETS

December 31,	**2019**	2018
Investment in associates and joint ventures	**$ 25,670**	$ 20,284
Prepaid deposits	**198**	320
Net investment in finance leases	**542**	987
	$ 26,410	$ 21,591

Net Investment in Finance Leases

The Company entered into finance lease arrangements for certain of its rental assets. Leases are denominated in Canadian dollars. The terms of the leases entered into range from 3 to 7 years.

The value of the net investment is comprised of the following:

	Minimum lease payments		Present value of minimum lease payments	
December 31,	**2019**	2018	**2019**	2018
Less than one year	**$ 446**	$ 444	**$ 427**	$ 425
Between one and five years	**542**	987	**473**	827
	$ 988	$ 1,431	**$ 900**	$ 1,252
Less: unearned finance income	**(88)**	(179)	**-**	-
	$ 900	$ 1,252	**$ 900**	$ 1,252

The average interest rates inherent in the leases are fixed at the contract date for the entire lease term and are approximately 8.3 percent per annum (December 31, 2018 – 8.3 percent). The finance lease receivables at the end of reporting period are neither past due nor impaired.

NOTE 12. INTANGIBLE ASSETS

		Customer relationships and other		Software		Total intangible assets
Acquired value						
January 1, 2019	$	72,899	$	49,564	$	122,463
Additions		-		13		13
Reclassification		-		2,768		2,768
Disposal		-		(431)		(431)
Currency translation effects		(2,004)		(631)		(2,635)
December 31, 2019	**$**	**70,895**	**$**	**51,283**	**$**	**122,178**
Accumulated amortization						
January 1, 2019	$	(51,326)	$	(42,255)	$	(93,581)
Amortization charge		(4,966)		(3,694)		(8,660)
Disposal		-		431		431
Currency translation effects		1,060		630		1,690
December 31, 2019	**$**	**(55,232)**	**$**	**(44,888)**	**$**	**(100,120)**
Net book value – December 31, 2019	**$**	**15,663**	**$**	**6,395**	**$**	**22,058**

		Customer relationships and other		Software		Total intangible assets
Acquired value						
January 1, 2018	$	72,196	$	47,645	$	119,841
Reclassification		-		1,890		1,890
Disposal		(2,469)		(559)		(3,028)
Currency translation effects		3,172		588		3,760
December 31, 2018	$	72,899	$	49,564	$	122,463
Accumulated amortization						
January 1, 2018	$	(46,193)	$	(38,196)	$	(84,389)
Amortization charge		(5,057)		(4,031)		(9,088)
Disposal		1,268		559		1,827
Currency translation effects		(1,344)		(587)		(1,931)
December 31, 2018	$	(51,326)	$	(42,255)	$	(93,581)
Net book value – December 31, 2018	$	21,573	$	7,309	$	28,882

NOTE 13. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

December 31,		2019		2018
Balance, January 1	$	598,831	$	570,299
Currency translation effects		(24,903)		28,532
	$	573,928	$	598,831

Goodwill acquired through business combinations was allocated to the USA, Rest of World, and Canada business segments, and represents the lowest level at which goodwill is monitored for internal management purposes. For the year ended December 31, 2019, the Company did not identify any indicators of impairment.

In assessing whether goodwill has been impaired, the carrying amount of the segment (including goodwill) is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use.

The recoverable amounts for the segments have been determined based on value-in-use calculations, using discounted cash flow projections as at December 31, 2019. Management has adopted a five-year projection period to assess each segment's value-in-use. The cash flow projections are based on financial budgets approved by the Board of Directors, including an inflation factor of 2.0 percent for years beyond the budget period, consistent with the approach taken by management in the prior year.

Key Assumptions Used in Value-In-Use Calculations:

The calculation of value-in-use for the Company's segments is most sensitive to the following assumptions:

- Earnings Before Finance Costs and Taxes: Management has made estimates relating to the amount and timing of revenue recognition for projects included in backlog, and the assessment of the likelihood of maintaining and growing market share. For each one percent change in earnings before finance costs and taxes, the average impact on the value-in-use of the Company's three segments would be $7.1 million; and
- Discount Rate: Management has used an average post-tax discount rate of 12.0 percent per annum which is derived from the estimated weighted average cost of capital of the Company, using the five-year average of the Company's debt to total enterprise value. This discount rate has been calculated using an estimated risk-free rate of return adjusted for the Company's estimated equity market risk premium, the Company's cost of debt, and the tax rate in the local jurisdiction. For each one percent change in the discount rate, the average impact on the value-in-use of the Company's three segments would be $105.5 million.

The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for the USA, Rest of World, and Canada segments exceeded the carrying amount using a 10.1 percent (December 31, 2018 – 9.1 percent), 14.2 percent (December 31, 2018 – 12.8 percent), and 11.8 percent (December 31, 2018 – 10.6 percent) post-tax discount rate, respectively.

A reasonable change in assumptions for the USA, Rest of World, and Canada segments would not trigger an impairment.

NOTE 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31,		2019		2018
Accounts payable and accrued liabilities	$	320,932	$	293,652
Accrued dividend payable		10,312		9,349
Cash-settled share-based payments		2,361		3,858
	$	333,605	$	306,859

NOTE 15. PROVISIONS

December 31,	2019	2018
Warranty provision	$ 15,563	$ 9,720
Legal provision	1,818	1,121
Restructuring provision	869	-
Onerous lease provision	-	2,049
	$ 18,250	$ 12,890

2019	Warranty provision	Legal provision	Restructuring provision	Onerous lease provision	Total
Balance, January 1	$ 9,720	$ 1,121	$ -	$ 2,049	$ 12,890
IFRS 16 opening adjustment	-	-	-	(2,049)	(2,049)
Additions during the year	21,960	697	869	-	23,526
Amounts settled and released in the year	(15,777)	-	-	-	(15,777)
Currency translation effects	(340)	-	-	-	(340)
Balance, December 31	**$ 15,563**	**$ 1,818**	**$ 869**	**$ -**	**$ 18,250**

2018	Warranty provision	Legal provision	Restructuring provision	Onerous lease provision	Total
Balance, January 1	$ 10,927	$ 94	$ 285	$ 4,347	$ 15,653
Additions during the year	9,674	1,160	150	-	10,984
Amounts settled and released in the year	(11,348)	(138)	(429)	(2,245)	(14,160)
Currency translation effects	467	5	(6)	(53)	413
Balance, December 31	$ 9,720	$ 1,121	$ -	$ 2,049	$ 12,890

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. Upon adoption of IFRS 16 on January 1, 2019, the Company elected to use the practical expedient in IFRS 16.C10(b), which allows a lessee to rely on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review at the date of initial application of the new standard. The value of lease right-of-use assets at the date of initial application was then adjusted by the amount of these provisions for onerous leases. The balance of the provision as of December 31, 2018, subsequently recognized against lease right-of-use assets, was $0.2 million for Canada and $1.8 million for Australia.

NOTE 16. DEFERRED REVENUES

December 31,		2019		2018
Balance, January 1	$	**348,804**	$	143,177
IFRS 15 transitional adjustment		**-**		(33,954)
Cash received in advance of revenue recognition		**478,235**		705,468
Revenue subsequently recognized		**(673,473)**		(479,934)
Currency translation effects		**(10,659)**		14,047
Closing balance	$	**142,907**	$	348,804

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

NOTE 17. LONG-TERM DEBT

Through private placement, the Company has $312.3 million of unsecured notes ("Notes") issued and outstanding. These Notes consist of $105.0 million U.S. dollar and $15.0 million Canadian dollar maturing December 15, 2024 bearing an interest rate of 4.67 percent and 4.50 percent respectively, and $70.0 million U.S. dollar and $30.0 million Canadian dollar maturing December 15, 2027 bearing an interest rate of 4.87 percent and 4.79 percent respectively, issued December 15, 2017. In addition, the Company has $40.0 million Canadian dollars of unsecured notes with an interest rate of 6.01 percent maturing on June 22, 2021.

The Company has an amended and restated syndicated revolving credit facility ("Bank Facility") with an amount available of $725.0 million. The Bank Facility has a maturity date of June 30, 2023 ("Maturity Date") but 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 $150.0 million at the request of the Company, subject to the lenders' consent. There are no required or scheduled repayment of principal until the maturity date of the Bank Facility. Drawings on the Bank Facility are available by way of Prime Rate loans, U.S. Base Rate loans, London Interbank Offered Rate ("LIBOR") loans, and Bankers' Acceptance notes. The Company may also draw on the Bank Facility through bank overdrafts in either Canadian or U.S. dollars and issue letters of credit under the Bank Facility.

Pursuant to the terms and conditions of the Bank Facility, a margin is applied to drawings on the Bank Facility in addition to the quoted interest rate. The margin is established in basis points and is based on a consolidated net debt to earnings before finance costs, income taxes, depreciation and amortization ("EBITDA") ratio. The margin is adjusted effective the first day of the third month following the end of each fiscal quarter based on the above ratio.

The Bank Facility is unsecured and ranks pari passu with the Notes. The Company is required to maintain certain covenants on the Bank Facility and the Notes. As at December 31, 2019, the Company was in compliance with these covenants.

The weighted average interest rate on the Bank Facility for the year ended December 31, 2019 was 3.5 percent (December 31, 2018 – 3.5 percent).

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

December 31,		2019		2018
Drawings on Bank Facility	$	**121,328**	$	124,852
Notes due June 22, 2021		**40,000**		40,000
Notes due December 15, 2024		**151,374**		158,241
Notes due December 15, 2027		**120,916**		125,494
Deferred transaction costs		**(3,131)**		(3,875)
	$	**430,487**	$	444,712

At December 31, 2019, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $312.7 million, and $120.9 million thereafter.

NOTE 18. LEASE LIABILITIES

	December 31, 2019
Balance, January 1	$ 39,438
Additions	41,973
Lease interest	2,586
Payments made against lease liabilities	(15,137)
Currency translation effects and other	(1,860)
Closing balance	$ 67,000
Current portion of lease liabilities	$ 14,172
Non-current portion of lease liabilities	52,828
	$ 67,000

In addition to the lease payments made above, during the year ended December 31, 2019 the Company paid $1.7 million relating to short-term and low-value leases which were expensed as incurred. During the year ended December 31, 2019 the Company also paid $1.7 million in variable lease payments not included in the measurement of lease liabilities, of which $0.4 million was included in cost of goods sold and $1.3 million was included in selling and administrative expenses. Interest expense on lease liabilities was $2.6 million for the year ended December 31, 2019. Total cash outflow for leases for the year ended December 31, 2019 was $19.1 million.

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

	December 31, 2019
2020	$ 15,313
2021	12,915
2022	10,598
2023	7,570
2024	5,667
Thereafter	31,440
	$ 83,503
Less:	
Imputed interest	16,058
Short-term leases	400
Low-value leases	45
	$ 67,000

The Company previously disclosed future required lease payments at December 31, 2018 which were used to determine the balance of lease liabilities at January 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application was 5.1 percent. The difference between future required lease payments at December 31, 2018, discounted using this incremental borrowing rate, and lease liabilities recognized in the statement of financial position at January 1, 2019 was primarily due to short-term and low-value leases that were not included in the balance of lease liabilities.

NOTE 19. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

Years ended December 31,		2019		2018
Current income taxes	$	**31,720**	$	20,871
Deferred income taxes		**31,476**		10,247
	$	**63,196**	$	31,118

(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:

Years ended December 31,		2019		2018
Earnings before income taxes	$	**215,324**	$	132,534
Canadian statutory rate		**26.5%**		27.0%
Expected income tax provision	$	**57,061**	$	35,784
Add (deduct):				
Exchange rate effects on tax basis		**2,125**		(2,319)
Earnings taxed in foreign jurisdictions		**(1,129)**		(5,903)
Revaluation of Canadian deferred tax assets due to change in statutory rate		**5,040**		-
Withholding tax on dividends received from foreign subsidiaries		**-**		3,188
Amounts not deductible (taxable) for tax purposes		**723**		700
Impact of accounting for associates and joint ventures		**(575)**		(338)
Other		**(49)**		6
Income tax expense from continuing operations	$	**63,196**	$	31,118

The applicable tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (December 31, 2018 – 15.0 percent) and the provincial income tax rate of 11.5 percent (December 31, 2018 – 12.0 percent). During the second quarter of 2019, lower Alberta corporate income tax rates became substantially enacted. The Alberta corporate income tax rates are 11.5 percent for 2019, 10.0 percent for 2020, 9.0 percent for 2021, and 8.0 percent for 2022 and thereafter.

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.

(c) Income Tax Recognized in Other Comprehensive Income

Years ended December 31,		2019		2018
Deferred Tax				
Arising on income and expenses recognized in other comprehensive income:				
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**$**	**(286)**	$	(130)
Arising on income and expenses reclassified from other comprehensive income to net earnings:				
Relating to cash flow hedges		**276**		67
Total income tax recognized in other comprehensive income	**$**	**(10)**	$	(63)

(d) Net Deferred Tax Assets (Liabilities)

Deferred tax assets and liabilities arise from the following:

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total[1]
January 1, 2019	$ 19,056	$ 32,596	$ (36,986)	$ 1,537	$ (15,776)	$ 389	$ 816
Charged to net earnings	1,276	(6,868)	(23,554)	(205)	(2,125)	-	(31,476)
Charged to OCI	-	-	-	-	-	10	10
Charged to retained earnings	96	-	576	-	-	-	672
Exchange differences	(979)	354	2,280	(2)	757	(64)	2,346
December 31, 2019	**$ 19,449**	**$ 26,082**	**$ (57,684)**	**$ 1,330**	**$ (17,144)**	**$ 335**	**$ (27,632)**

[1]Net deferred tax liabilities at December 31, 2019 of $27.6 million consist of liabilities of $76.2 million net of assets of $48.6 million.

	Accounting provisions and accruals	Tax losses	Long-term assets	Other	Exchange rate effects on tax bases	Cash flow hedges	Total
January 1, 2018	$ 21,884	$ 23,185	$ (15,577)	$ 1,732	$ (16,640)	$ 321	$ 14,905
Charged to net earnings	(2,437)	9,475	(19,410)	(194)	2,319	-	(10,247)
Charged to OCI	-	-	-	-	-	63	63
Charged to retained earnings	(892)	-	-	-	-	-	(892)
Exchange differences	501	(64)	(1,999)	(1)	(1,455)	5	(3,013)
December 31, 2018	$ 19,056	$ 32,596	$ (36,986)	$ 1,537	$ (15,776)	$ 389	$ 816

Management has determined that it is appropriate to continue to recognize the full amount of the deferred tax asset, which largely consists of accounting provision and tax losses, as all the deductible temporary difference at December 31, 2019 are expected to be utilized against future taxable profit. The recoverable amount for the deferred tax asset has been determined based on value-in-use calculations, as at December 31, 2019, and financial budgets approved by the Board of Directors, consistent with the approach taken by management in determining the recoverable amount as part of the annual assessment for goodwill impairment in Note 13. Certain of the tax losses recognized are subject to expiration in the years 2026 through 2039.

(e) Unrecognized Deferred Tax Assets

The Company has unused tax losses of $42.5 million for the year ended December 31, 2019 (December 31, 2018 – $57.4 million). Certain of these unrecognized tax losses are subject to expiration in the years 2020 through 2029. Deferred tax assets totaling $9.0 million on these tax losses have not been recognized in the consolidated statements of financial position at December 31, 2019 (December 31, 2018 – $14.2 million).

NOTE 20. SHARE CAPITAL AUTHORIZED

The Company is authorized to issue an unlimited number of common shares. Share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and a right to a dividend.

Issued and Outstanding

	2019			2018		
Years ended December 31,	**Number of common shares**		**Common share capital**	Number of common shares		Common share capital
Balance, January 1	**89,083,621**	**$**	**366,120**	88,540,398	$	357,696
Exercise of stock options	**595,224**		**9,404**	543,223		8,424
Balance, December 31	**89,678,845**	**$**	**375,524**	89,083,621	$	366,120

Total dividends declared in the year were $38.5 million, or $0.105 per share during the first three quarters and $0.115 per share during the last quarter of 2019 (December 31, 2018 – $34.6 million, or $0.095 during the first three quarters and $0.105 per share during the last quarter of 2018).

NOTE 21. CONTRIBUTED SURPLUS

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

Years ended December 31,		**2019**		2018
Balance, January 1	**$**	**654,324**	$	654,076
Share-based compensation		**2,735**		2,112
Exercise of stock options		**(1,952)**		(1,864)
Balance, December 31	**$**	**655,107**	$	654,324

NOTE 22. REVENUE

Years ended December 31,		**2019**		2018
Engineered Systems	**$**	**1,448,503**	$	1,182,170
Service		**394,586**		345,098
Rentals		**202,333**		176,005
Total revenue	**$**	**2,045,422**	$	1,703,273

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

Years ended December 31,		2019		2018
United States	$	954,350	$	970,691
Canada		484,251		277,061
Nigeria		256,177		11,460
Oman		105,721		93,462
Australia		71,592		62,783
Mexico		46,300		47,032
Bahrain		42,864		43,587
Argentina		24,522		37,476
Colombia		17,375		35,675
Brazil		10,953		11,590
Indonesia		10,484		13,131
Other		20,833		99,325
Total revenue	$	2,045,422	$	1,703,273

The following table outlines the Company's unsatisfied performance obligations, by product line, as at December 31, 2019:

		Less than one year		One to two years		Greater than two years		Total
Engineered Systems	$	467,757	$	-	$	-	$	467,757
Service		79,327		45,846		134,272		259,445
Rentals		148,403		73,651		237,433		459,487
	$	695,487	$	119,497	$	371,705	$	1,186,689

NOTE 23. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

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

Years ended December 31,		2019		2018
Equity settled share-based payments	$	2,735	$	2,112
Deferred share units		(720)		2,294
Phantom share entitlement plan		(449)		226
Performance share units		2,754		1,778
Restricted share units		2,199		2,366
Cash performance target		1,230		1,162
Share-based compensation expense	$	7,749	$	9,938

(b) Equity-Settled Share-Based Payments

Years ended December 31,	2019 Number of options		2019 Weighted average exercise price	2018 Number of options		2018 Weighted average exercise price
Options outstanding, beginning of period	**3,662,698**	**$**	**14.74**	3,556,575	$	14.03
Granted	**890,836**		**13.38**	885,404		16.20
Exercised[1]	**(595,224)**		**12.52**	(543,223)		12.08
Forfeited	**(371,422)**		**15.67**	(228,058)		15.83
Expired	**(21,367)**		**14.91**	(8,000)		11.66
Options outstanding, end of period	**3,565,521**	**$**	**$14.67**	3,662,698	$	14.74
Options exercisable, end of period	**1,427,608**	**$**	**$14.93**	1,555,909	$	14.13

[1]The weighted average share price of Options at the date of exercise for the year ended December 31, 2019 was $18.32 (December 31, 2018 - $16.50).

The company granted 890,836 stocks options during 2019 (2018 – 885,404). Using the Black-Scholes option pricing model, the weighted average fair value of stock options granted for the period ended December 31, 2019 was $2.87 per options (December 31, 2018 - $3.99).

The weighted average assumptions used in determinations of fair values are noted below:

Years ended December 31,	2019	2018
Expected life (years)	**5.28**	5.32
Expected volatility[2]	**33.9%**	32.8%
Dividend yield	**3.2%**	2.4%
Risk-free rate	**1.2%**	2.2%
Estimated forfeiture rate	**4.1%**	2.4%

[2] Expected volatility is based on the historical volatility of Enerflex over a five-year period, consistent with the expected life of the option.

The following table summarizes options outstanding and exercisable at December 31, 2019:

	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
$11.69 – $13.51	1,106,811	3.82	$	12.39	594,929	2.97	$	12.27
$13.52 – $15.94	1,469,275	4.89		14.64	449,776	2.60		15.04
$15.95 – $20.75	989,435	4.67		17.28	382,903	3.19		18.86
Total	**3,565,521**	**4.50**	**$**	**14.67**	**1,427,608**	**2.91**	**$**	**14.93**

(c) Deferred Share Units

The Company offers a DSU plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their annual bonus, or retainer and fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. A specified component of non-employee directors' compensation must be received in DSUs. A DSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the implied market value calculated as the number of DSUs multiplied by the weighted average price per share on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the grant.

Additional Enerflex DSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

DSUs may be granted to eligible participants on an annual basis and will vest upon being credited to the executive or non-employee director's account. Participants are not able to cash in their DSUs until they are no longer employed by or cease to be directors of Enerflex. The Company satisfies its payment obligation through cash payments to the participant.

DSUs represent an indexed liability of the Company relative to the Company's share price. For the year ended December 31, 2019, the value of directors' compensation and executive bonuses elected to be received in DSUs totalled $1.8 million (December 31, 2018 – $1.9 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2019	645,713	$	14.01
Granted	118,708		14.84
In lieu of dividends	17,605		15.56
Vested	(60,206)		16.84
DSUs outstanding, December 31, 2019	**721,820**	**$**	**13.95**

The carrying amount of the liability relating to DSUs as at December 31, 2019 included in current liabilities was $0.1 million (December 31, 2018 – nil) and in other long-term liabilities was $8.7 million (December 31, 2018 – $10.3 million).

(d) Phantom Share Entitlement Plan

The Company utilizes a PSE plan for key employees of affiliates located in Australia and the UAE, for whom the Company's Stock Option Plan would have negative personal taxation consequences.

The exercise price of each PSE equals the average of the market price of the Company's shares on the TSX for the five days preceding the date of the grant. The PSEs vest at a rate of one-fifth on each of the first five anniversaries of the date of the grant and expire on the seventh anniversary. The award entitlements for increases in the share trading value of the Company are to be paid to the recipient in cash upon exercise.

In 2019, the Board of Directors granted 50,968 PSEs (December 31, 2018 – 85,013). The intrinsic value of the vested awards at December 31, 2019 was $0.4 million (December 31, 2018 – $0.3 million).

	Number of PSEs		Weighted average grant date fair value per unit
PSEs outstanding, January 1, 2019	295,732	$	15.05
Granted	50,968		13.74
Forfeited	(183,348)		15.43
PSEs outstanding, December 31, 2019	**163,352**	**$**	**14.22**

The carrying amount of the liability relating to the PSEs as at December 31, 2019 included in current liabilities was $0.1 million (December 31, 2018 – $0.3 million) and in other long-term liabilities was less than $0.1 million (December 31, 2018 – $0.3 million).

(e) Performance Share Units

The Company offers a PSU plan for executive officers of the Company. The PSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested PSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the grant. Vesting is based on the achievement of performance measures and objectives specified by the Board of Directors. The Board of Directors assesses performance of the officer to determine the vesting percentage, which can range from zero percent to 200 percent. On the 14th day after the determination of the vesting percentage, the holder will be paid for the vested PSUs either in cash or in shares of the Company acquired on the open market on behalf of the holder, at the discretion of the Company.

Additional Enerflex PSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

The Company paid $4.1 million for the period ended December 31, 2019 representing units vested in the year (December 31, 2018 – $2.0 million).

	Number of PSUs		Weighted average grant date fair value per unit
PSUs outstanding, January 1, 2019	506,778	$	15.28
Granted	315,038		13.41
In lieu of dividends	13,228		15.66
Vested	(250,681)		16.55
Forfeited	(79,742)		15.19
PSUs outstanding, December 31, 2019	**504,621**	**$**	**13.50**

The carrying amount of the liability relating to PSUs as at December 31, 2019 included in current liabilities was $0.7 million (December 31, 2018 – $1.5 million) and in other long-term liabilities was $1.2 million (December 31, 2018 – $1.9 million).

(f) Restricted Share Units

The Company offers an RSU plan to officers and other key employees of the Company or its related entities. RSUs may be granted at the discretion of the Board of Directors. An RSU is a notional unit that entitles the holder to receive payment, as described below, from the Company equal to the number of vested RSUs multiplied by the weighted average price per share on the TSX during the last five trading days immediately preceding the vesting date. Unless otherwise determined by the Board, RSUs vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested RSUs either in cash or in shares of the Company acquired by the Company on the open market on behalf of the holder, at the discretion of the Company.

Additional Enerflex RSUs will be credited on the regular dividend payment dates as all dividends are assumed to be reinvested.

During 2019, the Board of Directors granted 159,740 RSUs to officers or key employees of the Company (2018 – 245,156). The Company paid $2.8 million for the period ended December 31, 2019 representing units vested in the year (December 31, 2018 – $1.8 million).

	Number of RSUs		Weighted average grant date fair value per unit
RSUs outstanding, January 1, 2019	352,962	$	13.51
Granted	159,740		13.74
In lieu of dividends	8,778		15.64
Vested	(169,066)		16.29
Forfeited	(59,843)		15.02
RSUs outstanding, December 31, 2019	**292,571**	**$**	**11.79**

The carrying amount of the liability included in current liabilities relating to RSUs at December 31, 2019 was $0.9 million (December 31, 2018 – $1.4 million).

(g) Cash Performance Target Plan

The Company offers a CPT plan to certain non-executive, U.S.-based employees of the Company or its related entities. The plan is denominated in U.S. dollars and may be granted at the discretion of the Board of Directors. Although the liability associated with the CPT plan follows Enerflex's share performance, no actual shares or securities are issued under the plan. The cash payment fluctuates based on the percentage of appreciation or depreciation in the share price over the life of the award, which is calculated using the last five days immediately preceding the vesting date. The cash grants are held for three years, and vest at a rate of one-third on the first, second, and third anniversaries of the award date. Within 30 days of the vesting date, the holder will be paid for the vested cash grants, at the discretion of the Company.

During 2019, the Board of Directors distributed $1.9 million of CPT cash grants (2018 – $1.8 million). The Company paid $1.3 million for the period ended December 31, 2019 representing units vested in the year (December 31, 2018 – $1.1 million). The weighted average grant fair value per unit was $13.74 (December 31, 2018 – $16.12), using the average share price over the five days preceding the grant date.

The carrying amount of the liability included in current liabilities relating to CPT plan at December 31, 2019 was $0.5 million (December 31, 2018 – $0.6 million).

(h) Employee Share Purchase Plan

The Company offers an employee share purchase plan whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to $1,000 per employee per annum based on contributions by the Company of $1 for every $3 contributed by the employee. Company contributions vest to the employee immediately. Company contributions are charged to selling and administrative expense when paid. This plan is administered by a third party.

NOTE 24. RETIREMENT BENEFITS PLAN

The Company sponsors arrangements for substantially all of its employees through defined contribution plans in Canada, UK, Asia, and Australia, and a 401(k) matched savings plan in the United States. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Both in the case of the defined contribution plans and the 401(k) matched savings plan, the pension expenses recorded in earnings are the amounts of actual contributions the Company is required to make in accordance with the terms of the plans.

Years ended December 31,		**2019**		2018
Defined contribution plans	**$**	**5,485**	$	4,996
401(k) matched savings plan		**4,556**		3,488
Net pension expense	**$**	**10,041**	$	8,484

NOTE 25. FINANCE COSTS AND INCOME

Years ended December 31,		**2019**		2018
Finance Costs				
Short and long-term borrowings	**$**	**19,679**	$	22,598
Interest on lease liability		**2,586**		-
Total finance costs	**$**	**22,265**	$	22,598
Finance Income				
Bank interest income	**$**	**3,596**	$	3,334
Income from finance leases		**91**		119
Total finance income	**$**	**3,687**	$	3,453
Net finance costs	**$**	**18,578**	$	19,145

NOTE 26. RECONCILIATION OF EARNINGS PER SHARE CALCULATIONS

Year ended December 31, 2019		Net earnings	Weighted average shares outstanding		Per share
Basic	**$**	**152,128**	**89,500,829**	**$**	**1.70**
Dilutive effect of stock option conversion		**-**	**208,916**		**-**
Diluted	**$**	**152,128**	**89,709,745**	**$**	**1.70**

Year ended December 31, 2018		Net earnings	Weighted average shares outstanding		Per share
Basic	$	101,416	88,709,142	$	1.14
Dilutive effect of stock option conversion		-	379,486		-
Diluted	$	101,416	89,088,628	$	1.14

NOTE 27. FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

December 31, 2019		Carrying value		Estimated fair value
Financial Assets				
Cash and cash equivalents	**$**	**96,255**	**$**	**96,255**
Derivative instruments in designated hedge accounting relationships		**152**		**152**
Loans and receivables:				
Accounts receivable		**384,021**		**384,021**
Contract assets		**183,890**		**183,890**
Financial Liabilities				
Derivative instruments in designated hedge accounting relationships		**375**		**375**
Other financial liabilities:				
Accounts payable and accrued liabilities		**333,605**		**333,605**
Long-term debt – bank facility		**121,328**		**121,328**
Long-term debt – notes		**312,290**		**328,037**
Other long-term liabilities		**14,677**		**14,677**

December 31, 2018		**Carrying value**		**Estimated fair value**
Financial Assets				
Cash and cash equivalents	$	326,864	$	326,864
Derivative instruments in designated hedge accounting relationships		1,079		1,079
Loans and receivables:				
Accounts receivable		469,337		469,337
Contract assets		158,027		158,027
Financial Liabilities				
Derivative instruments in designated hedge accounting relationships		1,400		1,400
Other financial liabilities:				
Accounts payable and accrued liabilities		306,859		306,859
Long-term debt – bank facility		124,852		124,852
Long-term debt – notes		323,735		317,987
Other long-term liabilities		16,202		16,202

Fair Values of Financial Assets and Liabilities

The following table presents information about the Company's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2019 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. During the year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Fair values are determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Fair values determined using inputs including forward market rates and credit spreads that are readily observable and reliable, or for which unobservable inputs are determined not to be significant to the fair value, are categorized as Level 2. If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data where possible, including recent arm's-length market transactions, and comparisons to the current fair value of similar instruments. Where this is not feasible, inputs such as liquidity risk, credit risk, and volatility are used.

		Carrying value	Fair Value					
				Level 1		Level 2		Level 3
Financial Assets								
Derivative financial instruments	$	152	$	-	$	152	$	-
Financial Liabilities								
Derivative financial instruments	$	375	$	-	$	375	$	-
Long-term debt – notes	$	312,290	$	-	$	328,037	$	-

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other long-liabilities are reported at amounts approximating their fair values on the statement of financial position. The fair values approximate the carrying values for these instruments due to their short-term nature.

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on prevailing exchange rates. The financial institution's credit risk is also taken into consideration in determining fair value.

Long-term debt associated with the Company's Notes is recorded at amortized cost using the effective interest rate method. The amortized cost of the Notes is equal to the face value as there were no premiums or discounts on the issuance of the debt. Transaction costs associated with the debt were deducted from the debt and are being recognized using the effective interest rate method over the life of the related debt. The fair value of these Notes was determined on a discounted cash flow basis, using a weighted average discount rate of 3.8 percent, was $328.0 million at December 31, 2019.

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 December 31, 2019:

		Notional amount	Maturity
Canadian Dollar Denominated Contracts			
Purchase contracts	USD	**16,715**	January 2020 – June 2020
Sales contracts	USD	**(10,760)**	January 2020 – May 2020
Purchase contracts	EUR	**136**	January 2020

Management estimates that a loss of $0.2 million would be realized if the contracts were terminated on December 31, 2019. Certain of these forward contracts are designated as cash flow hedges and accordingly, a loss of $0.8 million has been included in other comprehensive income for the 2019 year (December 31, 2018 – $0.3 million). These gains or losses are not expected to affect net earnings as the gains will be reclassified to net earnings and will offset losses recorded on the underlying hedged items, namely foreign currency denominated accounts payable and accounts receivable. The amount removed from other comprehensive income during the year and included in the carrying amount of the hedged items for the 2019 year was a gain of $0.9 million (December 31, 2018 – $0.2 million gain).

All hedging relationships are formally documented, including the risk management objective and strategy. On an on-going basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

Risks Arising from Financial Instruments and Risk Management

In the normal course of business, the Company is exposed to financial risks that may potentially impact its operating results in any or all of its business segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Foreign Currency Translation Exposure

In the normal course of operations, the Company is exposed to movements in the U.S. dollar, the Australian dollar, and the Brazilian real. In addition, Enerflex has significant international exposure through export from its Canadian operations, as well as a number of foreign subsidiaries, the most significant of which are located in the United States, Argentina, Brazil, Colombia, Mexico, Bahrain, Oman, the UAE, and Australia.

The types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction Exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the U.S. dollar. Most of Enerflex's international orders are manufactured in the United States if the contract is denominated in U.S. dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company identifies and hedges all significant transactional currency risks. The Company has implemented a hedging policy, applicable primarily to the Canadian domiciled business units, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract.

Translation Exposure

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

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rates in effect at the reporting dates. Non-monetary assets and liabilities measured at historical cost are translated using the rates of exchange at the date of the transaction. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. The following table shows the effect on net earnings before tax for the 2019 year of a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real, everything else being equal. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis is provided as an indicative range in a volatile currency environment.

Canadian dollar weakens by 5 percent		**USD**		**AUD**		**BRL**
Earnings before income taxes	**$**	**8,752**	**$**	**93**	**$**	**106**

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and other comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable, and derivative financial instruments. The following table shows the Company's sensitivity to a five percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real. A five percent strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis relates to the position as at December 31, 2019 and for the year then ended.

Canadian dollar weakens by 5 percent		**USD**		**AUD**		**BRL**
Financial instruments held in foreign operations						
Other comprehensive income	**$**	**18,551**	**$**	**741**	**$**	**255**
Financial instruments held in Canadian operations						
Earnings before income taxes	**$**	**(9,930)**	**$**	**-**	**$**	**-**

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

Interest Rate Risk

The Company's liabilities include long-term debt that is subject to fluctuations in interest rates. The Company's Notes outstanding at December 31, 2019 include interest rates that are fixed and therefore the related interest expense will not be impacted by fluctuations in interest rates. The Company's Bank Facility however, is subject to changes in market interest rates.

For each one percent change in the rate of interest on the Bank Facility, the change in interest expense for the year ended December 31, 2019 would be $1.2 million. All interest charges are recorded on the annual consolidated statements of earnings as finance costs.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents, accounts receivable, net investment in finance lease, and derivative financial instruments.

The Company has accounts receivable from clients engaged in various industries. These specific industries may be affected by economic factors that may impact accounts receivable. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Credit is extended based on an evaluation of the customer's financial condition and, generally, advance payment is not required. Outstanding customer receivables are regularly monitored and an allowance for doubtful accounts is established based expected credit losses.

The Company evaluates the concentration of risk at December 31, 2019 with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. At December 31, 2019, the Company had one customer in the USA and Canada segments with balances in accounts receivable and contract assets totaling $68.0 million, representing 12.0 percent of the total balance of accounts receivable and contract assets . The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Company does not hold collateral as security.

The credit risk associated with the net investment in finance leases arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into finance lease transactions only in select circumstances. Close contact is maintained with the customer over the duration of the lease to ensure visibility to issues as and if they arise.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. In managing liquidity risk, the Company has access to a significant portion of its Bank Facility for future drawings to meet the Company's future growth targets. As at December 31, 2019, the Company held cash and cash equivalents of $96.3 million and had drawn $121.3 million against the Bank Facility, leaving it with access to $557.3 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 1:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of greater than 18:1 compared to a minimum ratio of 3:1. The interest coverage ratio is calculated by dividing the trailing 12-month bank-adjusted EBITDA, as defined by the Company's lenders, by interest expense over the same time frame.

A liquidity analysis of the Company's financial instruments has been completed on a maturity basis. The following table outlines the cash flows, including interest associated with the maturity of the Company's financial liabilities, as at December 31, 2019:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 319	$ 56	$ -	$ 375
Accounts payable and accrued liabilities	333,605	-	-	333,605
Long-term debt - Bank Facility	-	-	121,328	121,328
Long-term debt - Notes	-	-	312,290	312,290
Other long-term liabilities	-	-	14,677	14,677

The Company expects that cash flows from operations in 2020, together with cash and cash equivalents on hand and credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

NOTE 28. CAPITAL DISCLOSURES

The capital structure of the Company consists of shareholders' equity plus net debt. The Company manages its capital to ensure that entities in the Company will be able to continue to grow while maximizing the return to shareholders through the optimization of the debt and equity balances. The Company makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new Company shares, or access debt markets.

The Company formally reviews the capital structure on an annual basis and monitors it on an on-going basis. As part of this review, the cost of capital and the risks associated with each class of capital are considered. In order to position itself to execute its long-term plan to maintain its status as a leading supplier of products and services to the global energy sector, the Company is maintaining a conservative statement of financial position. The Company uses the following measure to monitor its capital structure:

Net Debt to EBITDA Ratio

Net debt to EBITDA is defined as short and long-term debt less cash and cash equivalents at the end of the period, divided by annualized EBITDA. At December 31, 2019, the net debt to EBITDA ratio was:

Years ended December 31,		2019		2018
Long-term debt	$	430,487	$	444,712
Cash and cash equivalents		(96,255)		(326,864)
Net debt	$	334,232	$	117,848
Earnings before finance costs and income taxes	$	233,902	$	151,679
Depreciation and amortization		86,559		89,774
EBITDA	$	320,461	$	241,453
Net debt to EBITDA ratio		1.04:1		0.49:1

The net debt to EBITDA ratio, as defined above is not equivalent to the net debt to EBITDA as defined by the Company's lenders. As at December 31, 2019, the Company is in compliance with its covenants. The net debt to EBITDA using adjusted EBITDA (as defined in the "Adjusted EBITDA" section of the annual Management Discussion and Analysis) is 0.97 at December 31, 2019 (December 31, 2018 – 0.52).

NOTE 29. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,		2019		2018
Net change in non-cash working capital and other				
Accounts receivable	$	85,316	$	(158,618)
Contract assets		(25,863)		(23,032)
Inventories		(93,179)		(4,751)
Deferred revenue		(205,897)		205,627
Accounts payable and accrued liabilities, provisions, and income taxes payable		23,123		(7,383)
Foreign currency and other		(5,249)		26,365
	$	(221,749)	$	38,208

Cash interest and taxes paid and received during the period:

Years ended December 31,		2019		2018
Interest paid – short- and long-term borrowings	$	19,330	$	21,749
Interest paid – lease liabilities		2,586		-
Total interest paid	$	21,916	$	21,749
Interest received		3,518		3,376
Taxes paid		29,855		13,609
Taxes received		421		11,336

Changes in liabilities arising from financing activities during the period:

Years ended December 31,		2019		2018
Long-term debt, opening balance	$	444,712	$	460,010
Changes from financing cash flows		(812)		(45,610)
The effect of changes in foreign exchange rates		(14,156)		29,083
Amortization of deferred transaction costs		1,523		2,037
Other changes		(780)		(808)
Long-term debt, closing balance	$	430,487	$	444,712

NOTE 30. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At December 31, 2019, the Company had outstanding letters of credit of $46.3 million (December 31, 2018 - $78.2 million).

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

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

2020	$	129,721
2021		1,795
2022		973

NOTE 31. RELATED PARTIES

Enerflex transacts with certain related parties as a normal course of business. Related parties include Roska DBO, the Company's 45 percent equity investment, the Company's 50 percent controlling interest in Geogas consortium, and the Company's 65 percent interest in a joint venture in Brazil.

All transactions occurring with related parties were in the normal course of business operations under the same terms and conditions as transactions with unrelated companies. The Company did not have any transactions with the joint venture in Brazil during the year ended December 31, 2019. A summary of the financial statement impacts of all transactions with all related parties is as follows:

Years ended December 31,		2019		2018
Associate – Roska DBO				
Revenue	$	509	$	186
Purchases		-		2
Accounts receivable		4		-
Joint Operation – Geogas				
Revenue	$	62	$	90
Purchases		74		75
Accounts receivable		19		236

All related party transactions are settled in cash.

The remuneration of directors and other key management personnel was as follows:

Years ended December 31,		2019		2018
Short-term compensation	$	**4,747**	$	5,496
Post-employment compensation		**413**		541
Share-based payments		**7,857**		9,808

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

NOTE 32. 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 have been stable throughout the year. Rentals 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 33. 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. For the year ended December 31, 2019, the Company recognized $262.5 million of revenue from one customer in the USA and Canada segments, which represented 12.8 percent of total consolidated revenue for the period. At December 31, 2019, amounts owing from the customer included in accounts receivable and contract assets was $68.0 million, which represented 12.0 percent of the total balance of accounts receivable and contract assets. For the year ended December 31, 2018, the Company had no individual customer which accounted for more than 10.0 percent of total revenue.

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

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

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

Years ended December 31,	USA 2019	USA 2018	Rest of World 2019	Rest of World 2018	Canada 2019	Canada 2018	Total 2019	Total 2018
Segment revenue	**$ 1,243,760**	$ 1,004,676	**$ 354,680**	$ 425,435	**$ 518,042**	$ 319,223	**$ 2,116,482**	$ 1,749,334
Intersegment revenue	**(48,091)**	(24,137)	**(7,846)**	(2,603)	**(15,123)**	(19,321)	**(71,060)**	(46,061)
Revenue	**$ 1,195,669**	$ 980,539	**$ 346,834**	$ 422,832	**$ 502,919**	$ 299,902	**$ 2,045,422**	$ 1,703,273
Revenue – Engineered Systems	**947,451**	783,114	**76,813**	169,410	**424,239**	229,646	**1,448,503**	1,182,170
Revenue – Service	**172,130**	145,358	**154,951**	139,015	**67,505**	60,725	**394,586**	345,098
Revenue – Rentals	**76,088**	52,067	**115,070**	114,407	**11,175**	9,531	**202,333**	176,005
Operating income	**$ 194,010**	$ 85,224	**$ 511**	$ 50,005	**$ 37,387**	$ 9,735	**$ 231,908**	$ 144,964

As at	USA Dec. 31, 2019	USA Dec. 31, 2018	Rest of World Dec. 31, 2019	Rest of World Dec. 31, 2018	Canada Dec. 31, 2019	Canada Dec. 31, 2018	Total Dec. 31, 2019	Total Dec. 31, 2018
Segment assets	**$ 1,001,935**	$ 990,819	**$ 601,512**	$ 676,676	**$ 552,457**	$ 490,135	**$ 2,155,904**	$ 2,157,630
Goodwill	**158,214**	166,179	**327,347**	344,285	**88,367**	88,367	**573,928**	598,831
Corporate	**-**	-	**-**	-	**-**	-	**(295,326)**	(273,602)
Total segment assets	**$ 1,160,149**	$ 1,156,998	**$ 928,859**	$ 1,020,961	**$ 640,824**	$ 578,502	**$ 2,434,506**	$ 2,482,859

NOTE 34. RECONCILIATION OF TRANSITIONAL ADJUSTMENTS

In preparing its consolidated financial statements as at and for the year ended December 31, 2019, the Company has adjusted the opening retained earnings balance reported previously in the financial statements as at and for the year ended December 31, 2018 for the adoption of IFRS 16. In addition, results reported under IFRS 16 differ from results that would have been reported under the previous standard. A reconciliation of the Company's consolidated statements of financial position, earnings, comprehensive income, and cash flows under both the new and previous standards is set out in the following tables and accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31, 2019		
($ Canadian thousands)	Notes	Per IAS 17	Effect of Transition	Per IFRS 16
Assets				
Current assets				
Cash and cash equivalents		$ 96,255	$ -	$ 96,255
Accounts receivable		384,021	-	384,021
Contract assets		183,890	-	183,890
Inventories		269,385	-	269,385
Income taxes receivable		6,626	-	6,626
Derivative financial instruments		152	-	152
Other current assets		12,223	-	12,223
Total current assets		952,552	-	952,552
Property, plant and equipment		108,551	-	108,551
Rental equipment		642,095	-	642,095
Lease right-of-use assets	i	-	60,288	60,288
Deferred tax assets	i	47,869	755	48,624
Other assets		26,410	-	26,410
Intangible assets		22,058	-	22,058
Goodwill		573,928	-	573,928
Total assets		$ 2,373,463	$ 61,043	$ 2,434,506
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		$ 333,605	$ -	$ 333,605
Provisions		18,250	-	18,250
Income taxes payable	i	8,073	1	8,074
Deferred revenues		142,907	-	142,907
Current portion of lease liabilities	i	-	14,172	14,172
Deferred finance income		88	-	88
Derivative financial instruments		375	-	375
Total current liabilities		503,298	14,173	517,471
Long-term debt		430,487	-	430,487
Lease liabilities	i	-	52,828	52,828
Deferred tax liabilities		76,256	-	76,256
Other liabilities	i	18,011	(3,334)	14,677
Total liabilities		$ 1,028,052	$ 63,667	$ 1,091,719
Shareholders' equity				
Share capital		$ 375,524	$ -	$ 375,524
Contributed surplus		655,107	-	655,107
Retained earnings	i	231,467	(2,624)	228,843
Accumulated other comprehensive income		81,779	-	81,779
Total shareholders' equity before non-controlling interest		1,343,877	(2,624)	1,341,253
Non-controlling interest		1,534	-	1,534
Total shareholders' equity and non-controlling interest		1,345,411	(2,624)	1,342,787
Total liabilities and shareholders' equity		$ 2,373,463	$ 61,043	$ 2,434,506

CONSOLIDATED STATEMENTS OF EARNINGS

($ Canadian thousands, except per share amounts)	Notes	Year ended December 31, 2019 Per IAS 17	Effect of Transition	Per IFRS 16
Revenue		$ 2,045,422	$ -	$ 2,045,422
Cost of goods sold	i	1,617,410	(1,073)	1,616,337
Gross margin		428,012	1,073	429,085
Selling and administrative expenses	i	198,582	(1,405)	197,177
Operating income		229,430	2,478	231,908
Gain on disposal of property, plant and equipment		302	-	302
Equity earnings from associate and joint venture		1,692	-	1,692
Earnings before finance costs and income taxes		231,424	2,478	233,902
Net finance costs	i	15,992	2,586	18,578
Earnings before income taxes		215,432	(108)	215,324
Income taxes	i	63,084	112	63,196
Net earnings		$ 152,348	$ (220)	$ 152,128
Net earnings attributable to:				
Controlling interest		$ 151,867	(220)	$ 151,647
Non-controlling interest		481	-	481
		$ 152,348	(220)	$ 152,128
Earnings per share – basic		$ 1.70		$ 1.70
Earnings per share – diluted		$ 1.70		$ 1.70
Weighted average number of shares – basic		89,500,829		89,500,829
Weighted average number of shares – diluted		89,709,745		89,709,745

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ Canadian thousands)	Notes	Year ended December 31, 2019 Per IAS 17	Effect of Transition	Per IFRS 16
Net earnings		$ 152,348	$ (220)	$ 152,128
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		(815)	-	(815)
Gain on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax		905	-	905
Unrealized gain (loss) on translation of foreign denominated debt		3,845	-	3,845
Unrealized (loss) gain on translation of financial statements of foreign operations		(65,044)	-	(65,044)
Other comprehensive income (loss)		$ (61,109)	$ -	$ (61,109)
Total comprehensive income		$ 91,239	$ (220)	$ 91,019
Other comprehensive income (loss) attributable to:				
Controlling interest		$ (60,713)	-	$ (60,713)
Non-controlling interest		(396)	-	(396)
		$ (61,109)	-	$ (61,109)

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Canadian thousands)	Notes		Year ended December 31, 2019 Per IAS 17		Effect of Transition		Per IFRS 16
Operating Activities							
Net earnings		$	152,348	$	(220)	$	152,128
Items not requiring cash and cash equivalents:							
Depreciation and amortization	i		73,904		12,655		86,559
Equity earnings loss from associate and joint venture			(1,692)		-		(1,692)
Deferred income taxes			31,476		-		31,476
Share-based compensation expense (recovery)			7,749		-		7,749
Gain on sale of property, plant and equipment			(302)		-		(302)
			263,483		12,435		275,918
Net change in non-cash working capital and other	i		(224,451)		2,702		(221,749)
Cash provided by operating activities		$	39,032	$	15,137	$	54,169
Investing Activities							
Additions to:							
Property, plant and equipment		$	(46,322)	$	-	$	(46,322)
Rental equipment			(217,068)		-		(217,068)
Proceeds on disposal of:							
Property, plant and equipment			9,205		-		9,205
Rental equipment			4,454		-		4,454
Change in other assets			26,911		-		26,911
Cash used in investing activities		$	(222,820)	$	-	$	(222,820)
Financing Activities							
Repayment of long-term debt		$	(15,748)	$	-	$	(15,748)
Lease liability principal repayment	i		-		(12,551)		(12,551)
Lease interest incurred	i		-		(2,586)		(2,586)
Dividends			(37,548)		-		(37,548)
Stock option exercises			7,453		-		7,453
Cash used in financing activities		$	(45,843)	$	(15,137)	$	(60,980)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		$	(978)	$	-	$	(978)
Increase (decrease) in cash and cash equivalents			(230,609)		-		(230,609)
Cash and cash equivalents, beginning of period			326,864		-		326,864
Cash and cash equivalents, end of period		$	96,255	$	-	$	96,255

NOTES TO THE RECONCILIATIONS

i. Leases

Under IFRS 16, contractual obligations under lease contracts are required to be recorded as lease liabilities, with a corresponding asset representing the value provided to the Company for the right to use the assets included in the contract for the duration of the lease term. Lease right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date of the lease. In addition to the lease right-of-use assets and lease liabilities recorded at January 1, 2019, the Company has recorded an adjustment to opening retained earnings resulting from the asymmetry between depreciation of the lease right-of-use assets and the repayment of the lease liabilities.

Adoption of IFRS 16 has resulted in changes to timing and classification of expenses arising from lease contracts. Under IAS 17, lease expenses were recorded on a straight-line basis of the life of the lease. Under IFRS 16, the expense recorded relating to a lease includes the depreciation of the lease right-of-use asset associated with the lease and an interest component for the implied cost of borrowing the underlying asset, as well as variable lease payments made and any short-term and low-value leases which were expensed as incurred. The depreciation of the lease right-of-use asset is recorded on a straight-line basis over the term of the lease, however the amount of the interest component of the lease recorded in net finance costs is determined based on the remaining lease liability and will therefore decrease over the term of the lease as the lease liability is paid.

Adoption of IFRS 16 has also resulted in changes to classification of cash flows, namely increased depreciation and amortization as a result of the depreciation of the lease right-of-use asset and the financing cash flow resulting from repayment of lease liabilities.

The Company elected to apply IFRS 16 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. The resulting impact of adoption of the new standard recorded as an adjustment to opening retained earnings on January 1, 2019 was:

Lease right-of-use assets	$	**31,985**
Deferred tax assets		**672**
Lease liabilities		**(39,438)**
Other liabilities		**4,352**
Retained earnings adjustment	**$**	**2,429**

The retained earnings adjustment is the result of asymmetry between depreciation of the lease right-of-use assets and the repayment of the lease liabilities. The Company adopted IFRS 16 using the modified retrospective approach, and generally elected to depreciate lease right-of-use assets from the commencement of the lease. The retained earnings adjustment reflects the impact on the Company's financial position at January 1, 2019 had the new standard been applied in prior periods.

NOTE 35. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, Enerflex declared a quarterly dividend of $0.115 per share, payable on April 2, 2020, to shareholders of record on March 12, 2020.

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

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

KEVIN J. REINHART [5]
Director
Calgary, AB

MARC E. ROSSITER
Director
President and
Chief Executive Officer
Calgary, AB

STEPHEN J. SAVIDANT [7]
Chairman
Calgary, AB

JUAN CARLOS VILLEGAS [4]
Director
Vitacura, Chile

MICHAEL A. WEILL [6]
Director
Houston, TX

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

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*

EXECUTIVES

SANJAY BISHNOI
Senior Vice President,
Chief Financial Officer
Calgary, AB

ANDREW JACK
President, Canada
Calgary, AB

PATRICIA MARTINEZ
President, Latin America
Houston, TX

PHIL PYLE
President, International
Abu Dhabi, UAE

GREG STEWART
President, United States of America
Houston, TX

DAVID IZETT
Senior Vice President,
General Counsel
Calgary, AB

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

AST Trust Company (Canada)
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

INVESTOR RELATIONS

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

ANNUAL GENERAL MEETING INFORMATION

Shareholders of Enerflex are invited to attend the Annual General and Special Meeting which will be held on May 8, 2020, at 10:30 a.m. MDT. The meeting will be held at the Sheraton Suites Eau Claire, 225 Barclay Parade SW. Those unable to attend are encouraged to sign and return the proxy form mailed to them.

ENERFLEX

2019 **QUARTERLY REPORT**

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