INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(unaudited)*

($ Canadian thousands)		June 30, 2020		(restated)[1] December 31, 2019
Assets				
Current assets				
Cash and cash equivalents	$	78,570	$	96,255
Accounts receivable (Note 2)		323,379		384,021
Contract assets (Note 2)		71,219		130,392
Inventories (Note 3)		272,106		269,385
Income taxes receivable		9,271		6,626
Derivative financial instruments (Note 15)		919		152
Other current assets		7,005		12,223
Total current assets		762,469		899,054
Property, plant and equipment (Note 4)		113,831		108,551
Rental equipment (Note 4)		730,017		642,095
Lease right-of-use assets (Note 5)		57,899		60,288
Deferred tax assets (Note 11)		50,358		48,624
Other assets		44,064		26,410
Intangible assets		18,988		22,058
Goodwill (Note 6)		595,377		573,928
Total assets	$	2,373,003	$	2,381,008
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	221,434	$	333,605
Provisions (Note 7)		15,362		18,250
Income taxes payable		8,797		8,074
Deferred revenues (Note 8)		84,221		89,409
Current portion of long-term debt (Note 9)		40,000		-
Current portion of lease liabilities (Note 10)		14,562		14,172
Deferred financing income		83		88
Derivative financial instruments (Note 15)		877		375
Total current liabilities		385,336		463,973
Long-term debt (Note 9)		423,158		430,487
Lease liabilities (Note 10)		50,690		52,828
Deferred tax liabilities (Note 11)		79,956		76,256
Other liabilities		7,951		14,677
Total liabilities	$	947,091	$	1,038,221
Shareholders' equity				
Share capital	$	375,524	$	375,524
Contributed surplus		656,047		655,107
Retained earnings		261,419		228,843
Accumulated other comprehensive income		131,695		81,779
Total shareholders' equity before non-controlling interest		1,424,685		1,341,253
Non-controlling interest		1,227		1,534
Total shareholders' equity and non-controlling interest		1,425,912		1,342,787
Total liabilities and shareholders' equity	$	2,373,003	$	2,381,008

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

[1] *Certain December 31, 2019 balances have been reclassified. Refer to Note 1(b) for additional detail.*

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

($ Canadian thousands, except per share amounts)	Three months ended June 30, **2020**	Three months ended June 30, 2019	Six months ended June 30, **2020**	Six months ended June 30, 2019
Revenue (Note 12)	**$ 287,438**	$ 541,874	**$ 653,178**	$ 1,026,776
Cost of goods sold	**221,638**	431,572	**493,646**	827,704
Gross margin	**65,800**	110,302	**159,532**	199,072
Selling and administrative expenses	**51,361**	47,085	**94,873**	102,908
Operating income	**14,439**	63,217	**64,659**	96,164
Gain on disposal of property, plant and equipment (Note 4)	**10**	408	**53**	413
Equity earnings from associate	**979**	376	**728**	770
Earnings before finance costs and income taxes	**15,428**	64,001	**65,440**	97,347
Net finance costs (Note 14)	**6,168**	4,129	**12,137**	8,504
Earnings before income taxes	**9,260**	59,872	**53,303**	88,843
Income taxes (Note 11)	**1,845**	19,223	**8,450**	31,225
Net earnings	**$ 7,415**	$ 40,649	**$ 44,853**	$ 57,618
Net earnings attributable to:				
Controlling interest	**$ 7,414**	$ 40,536	**$ 44,683**	$ 57,365
Non-controlling interest	**1**	113	**170**	253
	$ 7,415	$ 40,649	**$ 44,853**	$ 57,618
Earnings per share – basic	**$ 0.08**	$ 0.45	**$ 0.50**	$ 0.64
Earnings per share – diluted	**$ 0.08**	$ 0.45	**$ 0.50**	$ 0.64
Weighted average number of shares – basic	**89,678,845**	89,497,947	**89,678,845**	89,349,829
Weighted average number of shares – diluted	**89,678,845**	89,877,972	**89,678,845**	89,791,465

See accompanying Notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended June 30,				Six months ended June 30,			
($ Canadian thousands)		**2020**		2019		**2020**		2019
Net earnings	**$**	**7,415**	$	40,649	**$**	**44,853**	$	57,618
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		**225**		(452)		**157**		(961)
Gain (loss) on derivatives designated as cash flow hedges transferred to net earnings in the current year, net of income tax expense		**(172)**		246		**(112)**		742
Unrealized gain (loss) on translation of foreign denominated debt		**(675)**		1,755		**(9,504)**		2,999
Unrealized gain (loss) on translation of financial statements of foreign operations		**(38,320)**		(28,300)		**58,898**		(53,035)
Other comprehensive income (loss)	**$**	**(38,942)**	$	(26,751)	**$**	**49,439**	$	(50,255)
Total comprehensive income (loss)	**$**	**(31,527)**	$	13,898	**$**	**94,292**	$	7,363
Other comprehensive income (loss) attributable to:								
Controlling interest	**$**	**(38,750)**	$	(26,604)	**$**	**49,916**	$	(49,961)
Non-controlling interest		**(192)**		(147)		**(477)**		(294)
	$	**(38,942)**	$	(26,751)	**$**	**49,439**	$	(50,255)

See accompanying Notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

($ Canadian thousands)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Operating Activities				
Net earnings	**$ 7,415**	$ 40,649	**$ 44,853**	$ 57,618
Items not requiring cash and cash equivalents:				
Depreciation and amortization	**21,786**	21,853	**42,525**	43,784
Equity earnings from associate and joint venture	**(979)**	(376)	**(728)**	(770)
Deferred income taxes (Note 11)	**(694)**	11,941	**(425)**	17,387
Share-based compensation expense (recovery) (Note 13)	**690**	(1,906)	**(4,399)**	7,477
Gain on sale of property, plant and equipment (Note 4)	**(10)**	(408)	**(53)**	(413)
	28,208	71,753	**81,773**	125,083
Net change in non-cash working capital and other (Note 16)	**36,719**	(89,246)	**(7,513)**	(20,242)
Cash provided by (used in) operating activities	**$ 64,927**	$ (17,493)	**$ 74,260**	$ 104,841
Investing Activities				
Additions to:				
Property, plant and equipment (Note 4)	**$ (2,397)**	$ (12,842)	**$ (6,829)**	$ (27,808)
Rental equipment (Note 4)	**(29,946)**	(61,166)	**(92,606)**	(85,238)
Proceeds on disposal of:				
Property, plant and equipment (Note 4)	**10**	60	**96**	84
Rental equipment (Note 4)	**247**	1,472	**2,910**	2,724
Change in other assets	**508**	(48)	**1,116**	4,226
Cash used in investing activities	**$ (31,578)**	$ (72,524)	**$ (95,313)**	$ (106,012)
Financing Activities				
Proceeds from (repayment of) long-term debt (Note 16)	**$ (11,460)**	$ 21,131	**$ 32,212**	$ (80,345)
Lease liability principal repayment (Note 10)	**(3,714)**	(3,523)	**(6,347)**	(6,666)
Lease interest (Note 10)	**(872)**	(549)	**(1,746)**	(1,078)
Dividends	**(10,313)**	(9,389)	**(20,625)**	(18,738)
Stock option exercises	**-**	1,391	**-**	5,756
Cash provided by (used in) financing activities	**$ (26,359)**	$ 9,061	**$ 3,494**	$ (101,071)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**$ (91)**	$ (132)	**$ (126)**	$ (678)
Increase (decrease) in cash and cash equivalents	**6,899**	(81,088)	**(17,685)**	(102,920)
Cash and cash equivalents, beginning of period	**71,671**	305,032	**96,255**	326,864
Cash and cash equivalents, end of period	**$ 78,570**	$ 223,944	**$ 78,570**	$ 223,944

See accompanying Notes to the interim condensed consolidated financial statements.

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

($ Canadian thousands)	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Hedging reserve	Accumulated other comprehensive income	Total shareholders' equity before non-controlling interest	Non-controlling interest	Total
At January 1, 2019	$ 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	-	-	(2,429)	-	-	-	(2,429)	-	(2,429)
Net earnings	-	-	57,365	-	-	-	57,365	253	57,618
Other comprehensive income (loss)	-	-	-	(49,742)	(219)	(49,961)	(49,961)	(294)	(50,255)
Effect of stock option plans	7,268	412	-	-	-	-	7,680	-	7,680
Dividends	-	-	(18,783)	-	-	-	(18,783)	-	(18,783)
At June 30, 2019	$ 373,388	$ 654,736	$ 154,287	$ 93,821	$ (1,290)	$ 92,531	$ 1,274,942	$ 1,408	$ 1,276,350
At January 1, 2020	$ 375,524	$ 655,107	$ 228,843	$ 82,760	$ (981)	$ 81,779	$ 1,341,253	$ 1,534	$ 1,342,787
Net earnings	-	-	44,683	-	-	-	44,683	170	44,853
Other comprehensive income (loss)	-	-	-	49,871	45	49,916	49,916	(477)	49,439
Effect of stock option plans	-	940	-	-	-	-	940	-	940
Dividends	-	-	(12,107)	-	-	-	(12,107)	-	(12,107)
At June 30, 2020	**$ 375,524**	**$ 656,047**	**$ 261,419**	**$ 132,631**	**$ (936)**	**$ 131,695**	**$ 1,424,685**	**$ 1,227**	**$ 1,425,912**

See accompanying Notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited interim condensed consolidated financial statements 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 August 6, 2020.

(b) Basis of Presentation and Measurement

These unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019 were prepared in accordance with IAS 34 and do not include all the disclosures included in the annual consolidated financial statements for the year ended December 31, 2019. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements. Certain prior period amounts have been reclassified between contract assets and deferred revenues to better align with contractual terms for these projects. Contract assets and deferred revenues as at December 31, 2019 have been reduced by $53,498 from balances disclosed in the annual consolidated financial statements.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars rounded to the nearest thousands, except per share amounts or as otherwise noted, and are prepared on a going concern basis under the historical cost convention with certain financial assets and financial liabilities recorded at fair value. There have been no significant changes in accounting policies compared to those described in annual consolidated financial statements for the year ended December 31, 2019.

(c) Supplemental Accounting Estimates and Judgement

The timely preparation of financial statements requires that management make estimates and assumptions and use judgement. Estimates and judgements 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. Changes in the economic environment have required the Company to reassess some estimates and judgement or have caused new and/or significant impacts on previous estimates and judgement. Enerflex previously disclosed significant accounting estimates and areas of judgements at December 31, 2019 as part of the Company's 2019 Annual Report. As additional estimates or areas of judgements are identified, or changes are made to the Company's assessment of previously disclosed estimates or areas of judgements, Enerflex will disclose the nature and potential impact of these new or revised judgements, estimates and assumptions.

Revenue Recognition – Performance Obligation Satisfied Over Time

The Company reflects revenues relating to performance obligations satisfied over time using percentage-of-completion accounting, using the input method, whereby actual input costs as a percentage of estimated total costs is used to determine the extent to which performance obligations are satisfied. Certain contracts also include aspects of variable consideration, such as liquidated damages on project delays. For these contracts, management must make estimations as to the likelihood of the variable consideration being recognized or constrained, based on the status of each project, the potential value of variable consideration, communication received from the customer, and other factors. Enerflex continues to monitor these factors, with minimal impacts to date. Changes in estimated cost or revenue associated with a project, including variable consideration, could result in material changes to revenue and gross margin recognized on certain projects.

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. The impact of COVID-19 and negative economic factors surrounding the oil and gas industry on expected credit losses requires significant judgement, as it is not directly comparable with any recent similar events. Future economic conditions, especially around the oil and gas industry, may have a significant impact on the collectability of trade receivables from customers and the corresponding expected credit losses. During the second quarter of 2020, management identified certain receivable balances in the USA segment that may be at higher risk of credit loss as a result of recent events, leading to an increase in the allowance for doubtful accounts provision at June 30, 2020. Management has implemented additional monitoring processes in assessing the credit worthiness of customers and believes the current provision appropriately reflects the best estimate of its future expected credit losses.

Impairment of Non-Financial Assets and Goodwill

The Company is required to assess at the end of each reporting period whether there are any indicators that an asset may be impaired. Management determined that there were indicators of impairment of the Company's tangible assets at June 30, 2020, as a result of the negative economic factors surrounding the oil and gas industry and the impact of the recent COVID-19 pandemic. Despite these indicators, management believes the long-term value of these tangible assets remains appropriate, and has not recorded an impairment beyond any amounts required by the Company's policies.

Enerflex tests goodwill for impairment at least on an annual basis, or when there is any indication that goodwill may be impaired. This requires an estimation of the value-in-use of the groups of cash generating units ("CGUs") to which the goodwill is allocated. Estimating the value-in-use requires an estimate of the expected future cash flows from each group of CGUs and use judgement to determine a suitable discount rate in order to calculate the present value of those cash flows. The methodology and assumptions used, as well as the results of the assessment performed are detailed in Note 6.

Income Taxes

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 judgement 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. The basis for this estimate is management's recently updated five-year cash flow projections. The Company determined that previous assessments around the recoverability of deferred tax assets have not changed as a result of recent events, however management will continue to assess in response to changing economic conditions.

Government Grants

In response to the COVID-19 pandemic and associated restrictions, including mandated quarantines, business closures, and travel restrictions, governments in certain jurisdictions in which the Company does business have established programs to assist companies and individuals through the period for which these restrictions are in place. During the second quarter of 2020, the Company qualified for government grants in a number of jurisdictions, most notably the Canada Emergency Wage Subsidy. The subsidies received have been recorded as a reduction in cost of goods sold and selling and administrative expense within the interim condensed consolidated statement of earnings in accordance with where the associated expense was recognized.

NOTE 2. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable consisted of the following:

		June 30, 2020		December 31, 2019
Trade receivables	**$**	**318,179**	$	373,480
Less: allowance for doubtful accounts[1]		**(15,009)**		(2,144)
Trade receivables, net	**$**	**303,170**	$	371,336
Other receivables		**20,209**		12,685
Total accounts receivable	**$**	**323,379**	$	384,021

[1] *During the second quarter of 2020, management identified certain receivable balances in the USA segment that may be at higher risk of credit loss as a result of recent events, leading to an increase in the allowance for doubtful accounts provision at June 30, 2020.*

Aging of trade receivables:

		June 30, 2020		December 31, 2019
Current to 90 days	$	**241,154**	$	321,058
Over 90 days		**77,025**		52,422
	$	**318,179**	$	373,480

Subsequent to the end of the quarter, the Company collected $12.1 million of trade receivables that were included in over 90 days at June 30, 2020.

Movement in allowance for doubtful accounts:

		June 30, 2020		December 31, 2019
Balance, January 1	$	**2,144**	$	992
Impairment provision additions on receivables		**13,274**		2,162
Amounts written off during the year as uncollectible		**(574)**		(951)
Currency translation effects		**165**		(59)
Closing balance	$	**15,009**	$	2,144

Movement in contract assets:

		June 30, 2020		December 31, 2019
Balance, January 1	$	**130,392**	$	158,027
Unbilled revenue recognized		**91,516**		645,276
Amounts billed		**(133,984)**		(666,896)
Amounts transferred to other assets		**(26,625)**		-
Currency translation effects		**9,920**		(6,015)
Closing balance	$	**71,219**	$	130,392

Amounts recognized as contract assets are typically billed to customers within three months. Amounts reclassified to other assets relate to a balance previously included in contract assets at December 31, 2019 that was revised to a long-term receivable during the first quarter of 2020.

NOTE 3. INVENTORIES

Inventories consisted of the following:

		June 30, 2020		December 31, 2019
Direct materials	$	**172,855**	$	182,692
Work-in-process		**38,374**		33,403
Repair and distribution parts		**43,134**		42,540
Equipment		**17,743**		10,750
Total inventories	$	**272,106**	$	269,385

The amount of inventory and overhead costs recognized as an expense and included in cost of goods for the three and six months ended June 30, 2020 was $221.6 million and $493.6 million (June 30, 2019 – $431.6 million and $827.7 million). Cost of goods sold is made up of direct materials, direct labour, depreciation on manufacturing assets, post-manufacturing expenses, and overhead. Cost of goods sold also includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. The net amount of inventory write-downs charged to the interim condensed consolidated statement of earnings and included in cost of goods sold for the three and six months ended June 30, 2020 was $0.7 million and $2.1 million (June 30, 2019 – $1.7 million and $2.2 million).

Inventory levels increased during 2020 due to purchases of major equipment with long lead times which were ordered in the prior year and delivered in the current year, as well as the impacts of foreign exchange movements on inventory denominated in a foreign currency. The Company expects to continue to realize this major equipment inventory into Engineered Systems projects and new contract compression units, however the timing and extent to which inventory can be utilized is dependent on demand.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

During the three and six months ended June 30, 2020, the Company added $2.4 million and $6.8 million in property, plant and equipment (June 30, 2019 – $12.8 million and $27.8 million) and $29.9 million and $92.6 million in rental equipment (June 30, 2019 – $61.2 million and $85.2 million). The impact of foreign exchange movements on assets denominated in a foreign currency during the six months ended June 30, 2020 was an increase of $4.7 million on property, plant and equipment and $23.6 million on rental equipment (June 30, 2019 – decrease of $3.2 million and $22.1 million).

Depreciation of property, plant and equipment and rental equipment included in earnings for the three months ended June 30, 2020 was $16.1 million (June 30, 2019 – $16.0 million), of which $15.1 million was included in cost of goods sold (June 30, 2019 – $15.1 million) and $1.0 million was included in selling and administrative expenses (June 30, 2019 – $0.9 million).

Depreciation of property, plant and equipment and rental equipment included in earnings for the six months ended June 30, 2020 was $31.2 million (June 30, 2019 – $32.3 million), of which $29.4 million was included in cost of goods sold (June 30, 2019 – $30.5 million) and $1.8 million was included in selling and administrative expenses (June 30, 2019 – $1.8 million).

NOTE 5. LEASE RIGHT-OF-USE ASSETS

During the three and six months ended June 30, 2020, the Company added $2.1 million and $4.0 million in lease right-of-use assets (June 30, 2019 – $4.0 million and $7.2 million).

Depreciation of lease right-of-use assets included in earnings for the three months ended June 30, 2020 was $3.5 million (June 30, 2019 – $3.2 million), of which $1.8 million was included in cost of goods sold (June 30, 2019 – $1.5 million) and $1.7 million was included in selling and administrative expenses (June 30, 2019 – $1.7 million).

Depreciation of lease right-of-use assets included in earnings for the six months ended June 30, 2020 was $6.9 million (June 30, 2019 – $6.1 million), of which $3.6 million was included in cost of goods sold (June 30, 2019 – $2.9 million) and $3.3 million was included in selling and administrative expenses (June 30, 2019 – $3.2 million).

NOTE 6. GOODWILL AND IMPAIRMENT REVIEW OF GOODWILL

		June 30, 2020		December 31, 2019
Balance, January 1	**$**	**573,928**	$	598,831
Currency translation effects		**21,449**		(24,903)
	$	**595,377**	$	573,928

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 six months ended June 30, 2020, the Company determined that there were indicators of impairment resulting from the negative economic factors surrounding the oil and gas industry, and the impact of the recent COVID-19 pandemic.

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 June 30, 2020. Management reviewed and updated its five-year cash flow projections during the second quarter of 2020, taking into consideration the recent economic events and their impact on previously approved long-term budgets.

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 ten 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 $67.6 million; and
- Discount Rate: Management has used an average post-tax discount rate of 10.0 percent per annum. The rate represents the Company's weighted average cost of capital, using the five-year average of the Company's peer group debt to total enterprise value, adjusted for a number of risk factors specific to each segment. 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 $132.5 million.

The Company completed its 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 8.5 percent (December 31, 2019 – 10.1 percent), 11.8 percent (December 31, 2019 – 14.2 percent), and 9.8 percent (December 31, 2019 – 11.8 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 7. PROVISIONS

	June 30, 2020	December 31, 2019
Warranty provision	**$ 13,773**	$ 15,563
Legal provision	**1,589**	1,818
Restructuring provision	**-**	869
	$ 15,362	$ 18,250

NOTE 8. DEFERRED REVENUES

	June 30, 2020	December 31, 2019
Balance, January 1	**$ 89,409**	$ 348,804
Cash received in advance of revenue recognition	**125,271**	424,737
Revenue subsequently recognized	**(138,111)**	(673,473)
Currency translation effects	**7,652**	(10,659)
Closing balance	**$ 84,221**	$ 89,409

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

NOTE 9. LONG-TERM DEBT

The amended and restated syndicated revolving credit facility ("Bank Facility") has a maturity date of June 30, 2023 (the "Maturity Date"). The Maturity Date of the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facility may be increased by $150.0 million at the request of the Company, subject to the lenders' consent. There are no required or scheduled principal repayments until the Maturity Date of the Bank Facility.

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

		June 30, 2020		December 31, 2019
Drawings on Bank Facility	**$**	**142,423**	$	121,328
Notes due June 22, 2021		**40,000**		40,000
Notes due December 15, 2024		**158,094**		151,374
Notes due December 15, 2027		**125,396**		120,916
Deferred transaction costs		**(2,755)**		(3,131)
	$	**463,158**	$	430,487
Current portion of long-term debt	**$**	**40,000**	$	-
Non-current portion of long-term debt		**423,158**		430,487
	$	**463,158**	$	430,487

For the six months ended June 30, 2020, movement in U.S. dollar foreign exchange rates resulted in an increase of $16.4 million on U.S. dollar denominated long-term debt (December 31, 2019 – decrease of $14.2 million).

The weighted average interest rate on the Bank Facility for the six months ended June 30, 2020 was 2.6 percent (December 31, 2019 – 3.5 percent). At June 30, 2020, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $340.5 million, and $125.4 million thereafter.

NOTE 10. LEASE LIABILITIES

		June 30, 2020		December 31, 2019
Balance, January 1	**$**	**67,000**	$	39,438
Additions		**3,689**		41,973
Lease interest		**1,746**		2,586
Payments made against lease liabilities		**(8,093)**		(15,137)
Currency translation effects and other		**910**		(1,860)
Closing balance	**$**	**65,252**	$	67,000
Current portion of lease liabilities	**$**	**14,562**	$	14,172
Non-current portion of lease liabilities		**50,690**		52,828
	$	**65,252**	$	67,000

In addition to the lease payments made above, during the three and six months ended June 30, 2020, the Company paid $0.3 million and $0.6 million (June 30, 2019 – $0.9 million and $1.2 million) relating to short-term and low-value leases which were expensed as incurred. During the three and six months ended June 30, 2020, the Company also paid $0.3 million and $0.7 million (June 30, 2019 – $0.8 million and $1.1 million) in variable lease payments not included in the measurement of lease liabilities, of which $0.1 million and $0.3 million (June 30, 2019 – $0.1 million and $0.2 million) was included in cost of goods sold and $0.2 million and $0.4 million (June 30, 2019 – $0.7

million and $0.9 million) was included in selling and administrative expenses. Interest expense on lease liabilities was $0.9 million and $1.7 million for the three and six months ended June 30, 2020 (June 30, 2019 – $0.5 million and $1.1 million). Total cash outflow for leases for the three and six months ended June 30, 2020 was $5.2 million and $9.4 million (June 30, 2019 – $6.3 million and $10.5 million).

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

		June 30, 2020
2020	**$**	**8,251**
2021		**14,193**
2022		**11,800**
2023		**8,350**
2024		**5,878**
Thereafter		**31,849**
	$	**80,321**
Less:		
Imputed interest		**14,916**
Short-term leases		**135**
Low-value leases		**18**
	$	**65,252**

NOTE 11. INCOME TAXES

(a) Income Tax Recognized in Net Earnings

The components of income tax expense were as follows:

	Three months ended June 30,				Six months ended June 30,			
		2020		2019		**2020**		2019
Current income taxes	**$**	**2,539**	$	7,282	**$**	**8,875**	$	13,838
Deferred income taxes		**(694)**		11,941		**(425)**		17,387
	$	**1,845**	$	19,223	**$**	**8,450**	$	31,225

(b) Reconciliation of Tax Expense

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Earnings before income taxes	**$ 9,260**	$ 59,872	**$ 53,303**	$ **88,843**
Canadian statutory rate	**25.3%**	26.5%	**25.3%**	**26.5%**
Expected income tax provision	**$ 2,343**	$ 15,866	**$ 13,486**	$ **23,543**
Add (deduct):				
Exchange rate effects on tax basis	**(569)**	(1,312)	**(4,565)**	**1,921**
Earnings taxed in foreign jurisdictions	**(457)**	(204)	**(1,495)**	**444**
Revaluation of Canadian deferred tax assets due to change in statutory rate	**-**	5,040	**-**	5,040
Amounts not deductible (taxable) for tax purposes	**603**	118	**1,100**	558
Impact of accounting for associates and joint ventures	**(248)**	(127)	**(227)**	(271)
Other	**173**	(158)	**151**	(10)
Income tax expense from continuing operations	**$ 1,845**	$ 19,223	**$ 8,450**	$ 31,225

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2019 – 15.0 percent) and provincial income tax rates of 10.3 percent (2019 – 11.5 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.

NOTE 12. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Engineered Systems	**$ 149,197**	$ 384,953	**$ 374,590**	$ 730,415
Service[1]	**77,034**	92,452	**152,010**	173,312
Rentals[1]	**61,207**	64,469	**126,578**	123,049
Total revenue	**$ 287,438**	$ 541,874	**$ 653,178**	$ 1,026,776

[1] During the second quarter of 2020, revenues from the operation and maintenance of BOOM contracts have been reclassified from the Service to Rentals product line, including $11,717 previously disclosed during the first quarter of 2020. For the three and six months ended June 30, 2019, $10,744 and $21,400 of revenues have been reclassified from Service to Rentals. This new classification creates better alignment with management's internal metrics, as the operations and maintenance of these facilities are considered costs and revenue associated with the rental of the facilities.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
United States	**$ 150,571**	277,149	**$ 326,062**	$ 560,306
Canada	**37,971**	118,512	**104,217**	210,301
Nigeria	**28,863**	54,812	**80,776**	69,451
Australia	**18,137**	16,849	**35,644**	38,907
Oman	**9,879**	30,686	**25,959**	56,579
Bahrain	**11,210**	10,743	**22,599**	21,760
Mexico	**6,784**	11,300	**16,680**	22,300
Argentina	**4,529**	6,133	**11,063**	10,470
United Arab Emirates	**7,945**	(80)	**8,270**	633
Colombia	**3,191**	6,000	**5,570**	12,826
Brazil	**2,375**	2,611	**4,680**	5,282
Other	**5,983**	7,159	**11,658**	17,961
Total revenue	**$ 287,438**	$ 541,874	**$ 653,178**	$ 1,026,776

The following table outlines the Company's unsatisfied performance obligations, by product line, as at June 30, 2020:

	Less than one year	One to two years	Greater than two years	Total
Engineered Systems	$ 290,811	$ 251	$ -	$ 291,062
Service[2]	70,923	46,664	113,677	231,264
Rentals[2]	151,566	75,582	241,673	468,821
	$ 513,300	**$ 122,497**	**$ 355,350**	**$ 991,147**

[2] Unsatisfied performance obligations relating to the operation and maintenance of BOOM contracts have been reclassified from Service to Rentals. Please refer to footnote 1 for further details.

NOTE 13. SHARE-BASED COMPENSATION

(a) Share-Based Compensation Expense

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Equity settled share-based payments	**$ 473**	$ (173)	**$ 940**	$ 1,925
Cash settled share-based payments	**217**	(1,733)	**(5,339)**	5,552
Share-based compensation expense (recovery)	**$ 690**	$ (1,906)	**$ (4,399)**	$ 7,477

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

The Company did not grant any CPTs, PSEs, PSUs, RSUs, or options to officers and key employees during the first six months of 2020. The DSU, PSU, and RSU holders had dividends credited to their accounts during the period. The carrying value of the liability relating to cash settled share-based payments at June 30, 2020 included in current liabilities was $1.5 million (December 31, 2019 – $2.4 million) and in other long term liabilities was $6.1 million (December 31, 2019 - $10.0 million).

(b) Equity-Settled Share-Based Payments

	June 30, 2020		December 31, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**3,565,521**	**$ 14.67**	3,662,698	$ 14.74
Granted	-	-	890,836	13.38
Exercised[1]	-	-	(595,224)	12.52
Forfeited	-	-	(371,422)	15.67
Expired	-	-	(21,367)	14.91
Options outstanding, end of period	**3,565,521**	**$ 14.67**	3,565,521	$ $14.67
Options exercisable, end of period	**1,427,608**	**$ 14.93**	1,427,608	$ $14.93

[1]No options were exercised for the six months ended June 30, 2020. The weighted average share price of Options at the date of exercise for the six months ended June 30, 2019 was $18.96.

The following table summarizes options outstanding and exercisable at June 30, 2020:

	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	3.32	$ 12.39	594,929	2.48	$ 12.27
$13.52 – $15.94	1,469,275	4.39	14.64	449,776	2.10	15.04
$15.95 – $20.75	989,435	4.17	17.28	382,903	2.69	18.96
Total	**3,565,521**	**4.00**	**$ 14.67**	**1,427,608**	**2.41**	**$ 14.93**

(c) Cash-Settled Share-Based Payments

During the three and six months ended June 30, 2020, the value of director's compensation and executive bonuses elected to be received in DSUs totalled $0.4 million and $1.7 million (June 30, 2019 - $0.4 million and $0.9 million).

	Number of DSUs		Weighted average grant date fair value per unit
DSUs outstanding, January 1, 2020	721,820	$	13.95
Granted	271,773		6.15
In lieu of dividends	23,762		7.36
DSUs outstanding, June 30, 2020	**1,017,355**	**$**	**11.71**

NOTE 14. FINANCE COSTS AND INCOME

	Three months ended June 30,				Six months ended June 30,			
		2020		2019		**2020**		2019
Finance Costs								
Short and long-term borrowings	**$**	**5,362**	$	4,867	**$**	**10,637**	$	10,094
Interest on lease liability		**872**		549		**1,746**		1,078
Total finance costs	**$**	**6,234**	$	5,416	**$**	**12,383**	$	11,172
Finance Income								
Bank interest income	**$**	**45**	$	1,263	**$**	**202**	$	2,619
Income from finance leases		**21**		24		**44**		49
Total finance income	**$**	**66**	$	1,287	**$**	**246**	$	2,668
Net finance costs	**$**	**6,168**	$	4,129	**$**	**12,137**	$	8,504

NOTE 15. FINANCIAL INSTRUMENTS

Designation and Valuation of Financial Instruments

Financial instruments at June 30, 2020 were designated in the same manner as they were at December 31, 2019. Accordingly, with the exception of the long-term debt Notes, the estimated fair values of financial instruments approximated their carrying values. The carrying value and estimated fair value of the Notes as at June 30, 2020 was $323.5 million and $342.8 million, respectively (December 31, 2019 – $312.3 million and $328.0 million, respectively). The fair value of these Notes at June 30, 2020 was determined on a discounted cash flow basis with a weighted average discount rate of 4.0 percent (December 31, 2019 – 3.8 percent).

Derivative Financial Instruments and Hedge Accounting

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

The following table summarizes the Company's commitments to buy and sell foreign currencies as at June 30, 2020:

		Notional amount	Maturity
Canadian Dollar Denominated Contracts			
Purchase contracts	USD	**13,990**	July 2020 – January 2021
Sales contracts	USD	**(30,035)**	July 2020 – January 2021
Purchase contracts	EUR	**58**	August 2020
Australian Dollar Denominated Contracts			
Purchase contracts	USD	**1,250**	July 2020 – August 2020

At June 30, 2020, the fair value of derivative financial instruments classified as financial assets was $0.9 million, and as financial liabilities was $0.9 million (December 31, 2019 – $0.2 million and $0.4 million, respectively).

Foreign Currency Translation Exposure

The Company is subject to foreign currency translation exposure, primarily due to fluctuations of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real. Enerflex uses foreign currency borrowings to hedge against the exposure that arises from foreign subsidiaries that are translated to the Canadian dollar through a net investment hedge. As a result, exchange gains and losses on the translation of $63.0 million U.S. dollars in designated foreign currency borrowings are included in accumulated other comprehensive income for June 30, 2020. The following table shows the sensitivity to a 5 percent weakening of the Canadian dollar against the U.S. dollar, Australian dollar, and Brazilian real.

Canadian dollar weakens by 5 percent	USD	AUD	BRL
Earnings from foreign operations			
Earnings before income taxes	$ 1,959	$ 3	$ 73
Financial instruments held in foreign operations			
Other comprehensive income	$ 13,934	$ 776	$ 241
Financial instruments held in Canadian operations			
Earnings before income taxes	$ (10,223)	$ -	$ -

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 June 30, 2020 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 annual interest expense would be $1.4 million. All interest charges are recorded on the interim condensed consolidated statement of earnings as finance costs.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. In managing liquidity risk, the Company has access to a significant portion of its Bank Facility for future drawings to meet the Company's future growth targets and to pay its obligations as they come due. As at June 30, 2020, the Company held cash and cash equivalents of $78.6 million and had drawn $142.4 million against the Bank Facility, leaving it with access to $532.2 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 1.2:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of 14:1 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 June 30, 2020:

	Less than 3 months	3 months to 1 year	Greater than 1 year	Total
Derivative financial instruments				
Foreign currency forward contracts	$ 754	$ 123	$ -	$ 877
Accounts payable and accrued liabilities	221,434	-	-	221,434
Long-term debt - Bank Facility	-	-	142,423	142,423
Long-term debt - Notes	-	40,000	283,490	323,490
Other long-term liabilities	-	-	7,951	7,951

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 16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Net change in non-cash working capital and other				
Accounts receivable	**$ 6,228**	$ 7,582	**$ 60,642**	$ 125,085
Contract assets	**39,262**	(484)	**59,173**	20,131
Inventories	**34,441**	(29,577)	**(2,721)**	(65,351)
Deferred revenue	**10,444**	(82,508)	**(5,188)**	(125,967)
Accounts payable and accrued liabilities, provisions, and income taxes payable	**(71,916)**	6,181	**(114,336)**	17,028
Foreign currency and other	**18,260**	9,560	**(5,083)**	8,832
	$ 36,719	$ (89,246)	**$ (7,513)**	$ (20,242)

Cash interest and taxes paid and received during the period:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Interest paid – short- and long-term borrowings	**$ 9,233**	$ 8,819	**$ 9,958**	$ 9,501
Interest paid – lease liabilities	**872**	549	**1,746**	1,078
Total interest paid	**$ 10,105**	$ 9,368	**$ 11,704**	$ 10,579
Interest received	**48**	1,320	**164**	2,670
Taxes paid	**1,297**	3,351	**7,691**	12,389
Taxes received	**-**	376	**234**	402

Changes in liabilities arising from financing activities during the period:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Long-term debt, opening balance	**$ 474,388**	$ 343,757	**$ 430,487**	$ 444,712
Changes from financing cash flows	**649**	27,063	**15,934**	(67,887)
The effect of changes in foreign exchange rates	**(12,175)**	(5,255)	**16,361**	(11,786)
Amortization of deferred transaction costs	**230**	548	**459**	1,069
Other changes	**66**	(677)	**(83)**	(672)
Long-term debt, closing balance	**$ 463,158**	$ 365,436	**$ 463,158**	$ 365,436

NOTE 17. GUARANTEES, COMMITMENTS, AND CONTINGENCIES

At June 30, 2020, the Company had outstanding letters of credit of $50.4 million (December 31, 2019 - $46.3 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	**$ 102,973**
2021	**3,642**
2022	**1,337**

NOTE 18. SEASONALITY

The oil and natural gas service sector in Canada and in some parts of the USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher revenues in the fourth quarter of each year while Service and 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 19. 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 six months ended June 30, 2020, the Company recognized $80.2 million of revenue from one customer in the USA and Canada segments, which represented 12.3 percent of total consolidated revenue for the period. At June 30, 2020, amounts owing from the customer included in accounts receivable and contract assets was $33.7 million, which represented 8.9 percent of the total balance of accounts receivable and contract assets.

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.

Three months ended June 30,	USA		Rest of World		Canada		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment revenue	**$ 179,440**	$ 337,411	**$ 59,533**	$ 91,821	**$ 51,182**	$ 122,769	**$ 290,155**	$ 552,001
Intersegment revenue	**(2,042)**	(10,343)	**-**	(113)	**(675)**	329	**(2,717)**	(10,127)
Revenue	**$ 177,398**	$ 327,068	**$ 59,533**	$ 91,708	**$ 50,507**	$ 123,098	**$ 287,438**	$ 541,874
Revenue – Engineered Systems	**113,282**	263,041	**189**	20,169	**35,726**	101,743	**149,197**	384,953
Revenue – Service[1]	**41,307**	44,800	**22,850**	29,559	**12,877**	18,093	**77,034**	92,452
Revenue – Rentals[1]	**22,809**	19,227	**36,494**	41,980	**1,904**	3,262	**61,207**	64,469
Operating income	**$ 6,751**	$ 49,832	**$ 3,807**	$ 2,869	**$ 3,881**	$ 10,516	**$ 14,439**	$ 63,217

Six months ended June 30,	USA		Rest of World		Canada		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment revenue	**$ 408,621**	$ 642,302	**$ 129,808**	$ 193,086	**$ 120,535**	$ 231,167	**$ 658,964**	$ 1,066,555
Intersegment revenue	**(4,114)**	(22,717)	**-**	(7,575)	**(1,672)**	(9,487)	**(5,786)**	(39,779)
Revenue	**$ 404,507**	$ 619,585	**$ 129,808**	$ 185,511	**$ 118,863**	$ 221,680	**$ 653,178**	$ 1,026,776
Revenue – Engineered Systems	**278,898**	503,035	**6,845**	46,749	**88,847**	180,631	**374,590**	730,415
Revenue – Service[1]	**79,568**	80,643	**46,730**	57,627	**25,712**	35,042	**152,010**	173,312
Revenue – Rentals[1]	**46,041**	35,907	**76,233**	81,135	**4,304**	6,007	**126,578**	123,049
Operating income	**$ 44,135**	$ 75,673	**$ 14,020**	$ 4,827	**$ 6,504**	15,664	**$ 64,659**	$ 96,164

[1] Revenues from the operation and maintenance of BOOM contracts have been reclassified from the Service to Rentals product line including $11,717 previously disclosed during the first quarter of 2020. For the three and six months ended June 30, 2019, $10,744 and $21,400 have been reclassified. Please refer to Note 12 for further details.

As at	USA		Rest of World		Canada		Total	
	Jun. 30, 2020	Dec. 31, 2019	**Jun. 30, 2020**	Dec. 31, 2019	**Jun. 30, 2020**	Dec. 31, 2019	**Jun. 30, 2020**	Dec. 31, 2019
Segment assets	**$ 961,851**	$ 948,437	**$ 613,655**	$ 601,512	**$ 531,694**	$ 552,457	**$ 2,107,200**	$ 2,102,406
Goodwill	**166,009**	158,214	**341,001**	327,347	**88,367**	88,367	**595,377**	573,928
Corporate	**-**	-	**-**	-	**-**	-	**(329,574)**	(295,326)
Total segment assets	**$ 1,127,860**	$ 1,106,651	**$ 954,656**	$ 928,859	**$ 620,061**	$ 640,824	**$ 2,373,003**	$ 2,381,008

NOTE 20. SUBSEQUENT EVENTS

Subsequent to the quarter, the Company executed a letter of intent to extend a BOOM project in the Middle East for 10 years. Final terms of the extension are anticipated to be agreed to and executed in the third quarter of 2020.

Subsequent to June 30, 2020, Enerflex declared a quarterly dividend of $0.02 per share, payable on October 1, 2020, to shareholders of record on August 20, 2020. Enerflex's Board of Directors will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow and anticipated market conditions.

DIRECTORS AND EXECUTIVES

Enerflex's Executive Management Team:
Left to Right – Andrew Jack, Greg Stewart, David Izett, Marc Rossiter, Sanjay Bishnoi, Phil Pyle, and Patricia Martinez.

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2. *Member of the Nominating and Corporate Governance Committee*
3. *Chair of the Human Resources and Compensation Committee*
4. *Member of the Human Resources and Compensation Committee*
5. *Chair of the Audit Committee*
6. *Member of the Audit Committee*
7. *Chairman of the Board*

SHAREHOLDERS' INFORMATION

COMMON SHARES

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

TRANSFER AGENT, REGISTRAR, AND DIVIDEND DISBURSING AGENT

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Calgary, AB, Canada and Toronto, ON, Canada

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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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Suite 904, 1331 Macleod Trail SE
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Requests for Enerflex's Annual Report, Quarterly Reports, and other corporate communications should be directed to ir@enerflex.com.

ENERFLEX

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