

# ENERFLEX

For immediate release

## Enerflex Reports Second Quarter 2009 Financial Results and Announces Third Quarter 2009 Distributions

CALGARY, ALBERTA – (August 11, 2009) – Enerflex Systems Income Fund (TSX:EFX.UN) is pleased to announce its financial and operating results for the three and six months ended June 30, 2009.

### Financial Highlights

<i>\$ millions, except per unit amounts and percentages (unaudited)</i>	Three Months Ended June 30		
	2009	2008	% change
Revenue	\$ 228.2	\$ 259.5	(12)%
Gross margin	\$ 39.8	\$ 55.3	(28)%
Gross margin percent	17.5	21.3	
Operating margin <sup>(1)</sup>	\$ 16.7	\$ 21.4	(22)%
Operating margin percent <sup>(1)</sup>	7.3	8.3	
Net income	\$ 14.9	\$ 17.5	(15)%
Earnings per unit (basic)	\$ 0.32	\$ 0.37	(14)%
Distributable cash flow per unit <sup>(2)</sup>	\$ 0.40	\$ 0.91	(56)%
Distribution per unit	\$ 0.30	\$ 0.25	20%

  

	Six Months Ended June 30		
	2009	2008	% change
Revenue	\$ 481.2	\$ 492.1	(2)%
Gross margin	\$ 93.0	\$ 102.1	(9)%
Gross margin percent	19.3	20.7	
Operating margin <sup>(1)</sup>	\$ 34.7	\$ 35.3	(2)%
Operating margin percent <sup>(1)</sup>	7.2	7.2	
Net income	\$ 31.1	\$ 31.0	-%
Earnings per unit (basic)	\$ 0.67	\$ 0.66	2%
Distributable cash flow per unit <sup>(2)</sup>	\$ 0.59	\$ 0.97	(39)%
Distribution per unit	\$ 0.60	\$ 0.50	20%

(1) Operating margin provides the net margin contributions made from the Fund's core businesses after considering all SG&A expenses, the impact of the Fund's foreign exchange hedging strategy and excluding re-organization costs. Operating margin is a non-GAAP measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers.

(2) Distributable cash flow provides the amount of cash available for distribution to unitholders and will fluctuate on a quarterly basis due to seasonal cash flows, maintenance capital expenditures incurred, income taxes paid, and interest costs on outstanding debt and changes to non-cash working capital. Distributable cash flow is a non-GAAP measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers.

### Second Quarter and First Half Highlights

- Second quarter earnings were \$0.32 per unit, a 14% decrease from the \$0.37 per unit achieved in 2008. Earnings in the first half were \$0.67 per unit, 2% higher than the first half of 2008.
- Second quarter EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) decreased to \$22.4 million or 19% from \$27.6 million in the prior year. First half EBITDA was \$46.9 million compared to \$48.6 million achieved during the same period last year.
- The build, own, operate and maintain project for BP in Oman started reporting revenues in the second quarter.

Second quarter revenues of \$228.2 million represent a 12% decrease from the comparable quarter of the prior year. Revenues from international sources accounted for 61% of total revenues or \$139.7 million. First half revenues were \$481.2 million compared to \$492.1 million during the same period of the prior year.

Earnings per unit in the second quarter decreased to \$0.32, 14% lower than the \$0.37 per unit achieved in the second quarter of 2008. First half earnings per unit were \$0.67, compared to \$0.66 in the same period of 2008.

Enerflex generated \$22.4 million of EBITDA in the second quarter, a decrease of 19% compared to \$27.6 million in the comparable quarter of last year. EBITDA for the first half was \$46.9 million, comparable to \$48.6 million during the first half of 2008.

Gross margin decreased to \$39.8 million or 17.5% of revenue in the second quarter as compared to \$55.3 million or 21.3% of revenue during the comparable quarter last year. In the second quarter, foreign exchange related to foreign denominated contracts negatively impacted gross margins by \$2.0 million (\$1.0 million in 2008) and positively impacted EBITDA by \$6.4 million (negative impact of \$0.6 million in 2008). Gross margin was also negatively impacted by \$3.9 million during the quarter as a result of re-structuring charges and cost overruns on various projects.

Gross margin for the first half of the year totalled \$93.0 million or 19.3% of revenue compared to \$102.1 million or 20.7% of revenue during the first half of 2008. In the first half, foreign exchange related to foreign denominated contracts positively impacted gross margins by \$2.2 million (negative impact of \$1.3 million in 2008) and positively impacted EBITDA by \$8.0 million (negative impact of \$2.7 million in 2008). Gross margin was also negatively impacted by re-structuring charges and cost overruns on various projects by \$6.8 million during the first half.

Due to the continuing low levels of activity during the second quarter, backlog has decreased to \$216.0 million and represents a 50% decrease from the prior year periods' backlog of \$428.4 million. Internationally, many projects that Enerflex is actively pursuing have been delayed until the second half of the year. The Fund will continue to pursue these projects aiming to secure these bids, particularly in the Middle East/North Africa (MENA) region as the year progresses.

"The combination of low natural gas prices, depressed activity levels and the continuing impact of the deterioration of the equity and credit markets have brought about one of the weakest springs for the industry," commented Blair Goertzen, President and CEO of Enerflex. "The declining backlog has resulted in cost reduction initiatives which we will monitor closely for the remainder of the year. Internationally, we remain optimistic about the long-term growth potential of both AustralAsia and MENA. In AustralAsia, the positive outlook for the proposed CBM to LNG projects continues which will bode well for our market leading products and services in the region. In MENA, we are targeting a comprehensive list of projects some of which are expected to come to fruition in the second half of the year. Though the business environment continues to be a challenge, Enerflex is in solid position to endure this downturn as our balance sheet remains amongst the best in our industry enabling us to pursue our growth strategy as we come out of this trough," concluded Goertzen.

The Fund ended the quarter with \$63.1 million in cash and \$69.4 million in borrowings (net of cash). This results in a conservative net debt-to-equity ratio of 0.17 to 1 and net debt-to-EBITDA of 0.74 times. The Fund has access to a committed Bank Facility which has been expanded to \$200 million to finance working capital and project requirements. At the end of the second quarter there were \$32.6 million in cash borrowings against the Bank Facility. With a large portion of its Bank Facility available for future borrowings, cash flows generated from operations and a conservative debt level, Enerflex is well positioned to pursue strategic growth opportunities.

The Board of Directors of the Fund approved a third quarter cash distribution of \$0.30 per unit which will be paid on October 15, 2009 to unitholders of record on September 30, 2009.

## Conference Call and Webcast Details

Enerflex will host a conference call for analysts and investors Wednesday, August 12, 2009 at 9:00 a.m. MDT (11:00 a.m. EDT) to discuss the Fund's 2009 second quarter results. The call will be hosted by Blair Goertzen, President and CEO of Enerflex Systems Income Fund.

If you wish to participate in this conference call, please call 1.866.225.9256 or 1.416.641.6117. Please call at least ten minutes ahead of time.

Participants who wish to listen to a recording of the conference at a later time may do so by calling 1.800.408.3053 or 1.416.695.5800 (pass code: 4843353#) approximately one hour after the completion of the call. The recording will be available until the end of day August 19, 2009.

A live audio webcast of the conference call will be available on our website at [www.enerflex.com](http://www.enerflex.com) under the Investor Relations section on August 12, 2009 at 9:00 a.m. MDT (11:00 a.m. EDT). Approximately one hour after the call, a recording of the event will be available on our website.

## About Enerflex

Enerflex Systems Income Fund is a leading supplier of products and services to the global oil and gas production industry. Our core expertise is the supply of products and services between the wellhead and the pipeline. Enerflex provides natural gas compression and process equipment for sale or lease, hydrocarbon production and processing facilities, electrical, instrumentation and controls services and a comprehensive package of field maintenance and contracting capabilities. Through our ability to provide these products and services in an integrated manner, or as standalone offerings, Enerflex offers its customers a unique value proposition.

Headquartered in Calgary, Canada, Enerflex has approximately 2,600 employees. Enerflex, its subsidiaries, interests in affiliates and joint-ventures operate in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Egypt, Indonesia and Malaysia. Enerflex's trust units trade on the Toronto Stock Exchange under the symbol "EFX.UN".

## Forward-Looking Statements

*Certain information contained herein constitutes forward-looking information under applicable securities laws. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. Forward-looking information typically contains statements with words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" or similar words suggesting future outcomes or outlook. The following discussion is intended to identify certain factors, although not necessarily all factors, which could cause future outcomes to differ materially from those set forth in the forward-looking information. The risks and uncertainties that may affect the operations, performance, development and results of Enerflex's businesses include, but are not limited to, the following factors: the impact of general economic conditions; industry conditions, including the adoption of new environmental and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and gas prices; oil and gas product supply and demand; risks inherent in Enerflex's ability to generate sufficient cash flow from operations to meet its current and future obligations; increased competition; the lack of availability of qualified personnel or management; labor unrest; fluctuations in the foreign exchange or interest rates; stock market volatility; opportunities available to or pursued by Enerflex and other factors, many of which are beyond the control of Enerflex. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate by Enerflex at the time of preparation, may prove to be incorrect or may not occur. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other risks, uncertainties and factors that could affect Enerflex's operations or financial results are included in our filings with the securities commissions or similar authorities in each of the provinces of Canada, as may be updated from time to time. There is no representation by Enerflex that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and Enerflex does not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by law. Any forward-looking information contained herein is expressly qualified by this cautionary statement.*

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## FINANCIAL HIGHLIGHTS

(Unaudited)(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Revenue</b>				
Canadian	\$ 88,483	\$ 98,862	\$ 196,444	\$ 221,284
International	139,685	160,663	284,728	270,862
<b>Total revenue</b>	<b>228,168</b>	<b>259,525</b>	<b>481,172</b>	<b>492,146</b>
<b>Gross margin</b>	<b>39,840</b>	<b>55,331</b>	<b>92,955</b>	<b>102,075</b>
Gross margin percent	17.5%	21.3%	19.3%	20.7%
<b>Selling, general &amp; administrative expenses</b>	<b>32,066</b>	<b>34,332</b>	<b>65,967</b>	<b>66,317</b>
<b>Income before interest &amp; taxes</b>	<b>17,144</b>	<b>22,071</b>	<b>36,013</b>	<b>37,286</b>
<b>Interest expense</b>	<b>1,552</b>	<b>1,364</b>	<b>2,847</b>	<b>2,892</b>
<b>Income before taxes</b>	<b>15,592</b>	<b>20,707</b>	<b>33,166</b>	<b>34,394</b>
<b>Income tax expense</b>	<b>655</b>	<b>3,243</b>	<b>2,027</b>	<b>3,438</b>
<b>Net income</b>	<b>\$ 14,937</b>	<b>\$ 17,464</b>	<b>\$ 31,139</b>	<b>\$ 30,956</b>

## NON-GAAP MEASURES

(Unaudited)(Thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Operating margin<sup>1</sup></b>				
Gross margin	\$39,840	\$55,331	\$92,955	\$102,075
Selling, general & administrative expenses	32,066	34,332	65,967	66,317
Foreign currency (gains) / losses	(8,902)	(425)	(7,571)	563
Equity earnings	16	(3)	(151)	(122)
<b>Operating margin</b>	<b>\$16,660</b>	<b>\$21,427</b>	<b>\$34,710</b>	<b>\$ 35,317</b>
Operating margin percent	7.3%	8.3%	7.2%	7.2%
<b>EBITDA<sup>1</sup></b>				
Earnings before interest & taxes	\$17,144	\$22,071	\$36,013	\$ 37,286
Depreciation and amortization	5,267	5,566	10,902	11,356
<b>EBITDA<sup>1</sup></b>	<b>\$22,411</b>	<b>\$27,637</b>	<b>\$46,915</b>	<b>\$ 48,642</b>
EBITDA – adjusted <sup>2</sup>	\$16,045	\$28,250	\$38,890	\$ 51,349
<b>Distributable cash flow<sup>1,3</sup></b>				
Cash flow from operations before working capital adjustments	\$21,466	\$23,161	\$42,207	\$ 40,564
Adjustments to working capital and other	(341)	19,808	(10,863)	5,984
Net maintenance capital expenditures	(2,406)	(671)	(3,633)	(1,401)
<b>Distributable cash</b>	<b>\$18,719</b>	<b>\$42,298</b>	<b>\$27,711</b>	<b>\$ 45,147</b>
Distributions accrued and paid	\$14,060	\$11,674	\$28,103	\$ 23,347

<sup>1</sup> Operating margin, operating margin percent, earnings before interest, taxes, depreciation and amortization (EBITDA), distributable cash flow and distribution payout ratio are non-GAAP (Generally Accepted Accounting Principles) measures that do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Management believes these measures are useful supplemental measures. Operating margin provides the net margin contributions made from the Fund's core businesses after considering all SG&A expenses, the impact of the Fund's foreign exchange hedging strategy and excluding re-organization costs. EBITDA provides the results generated by the Fund's primary business activities prior to consideration of how those activities are financed, assets are amortized or how the results are taxed in various jurisdictions. Distributable cash flow provides the amount of cash available for distribution to unitholders and will fluctuate on a quarterly basis due to seasonal cash flows, maintenance capital expenditures incurred, income taxes paid, and interest costs on outstanding debt and changes to non-cash working capital. Investors should be cautioned that operating margin, operating margin percent, EBITDA, distributable cash flow and distribution payout ratio should not be construed as an alternative to net income and cash flow from operations determined in accordance with GAAP as an indicator of Enerflex's performance.

<sup>2</sup> EBITDA is adjusted for the net impacts of foreign currency fluctuations related to the export of goods in currencies other than Canadian dollar and the instruments used to hedge this foreign currency exposure.

<sup>3</sup> The Fund has adopted the Canadian Security Administrators' (CSA) recommendations on the calculation of distributable cash. The recommendations of the CSA require that the calculation of distributable cash incorporate changes to non-cash working capital. Comparative figures have been adjusted to the CSA definition.

During the second quarter of 2009, the Fund declared distributions of \$0.30 per unit or \$14.1 million. Under the Canadian Securities Administrators' (CSA) definition of distributable cash flow<sup>1</sup>, changes in non-cash working capital are incorporated into the calculation of distributable cash flow<sup>1</sup>. This definition negatively impacted distributable cash flow<sup>1</sup> by \$0.3 million in the second quarter of 2009 as compared to a positive impact of \$19.8 million in the same period of 2008.

#### **FOR THE THREE MONTHS ENDED JUNE 30, 2009**

During the second quarter of 2009, the Fund generated \$228.2 million in revenue, as compared to \$259.5 million in the second quarter of 2008. The decrease of \$31.3 million or 12% was a result of decreased revenues in all three segments. International revenue decreased \$21.0 million from the same period in 2008 and represented 61% of revenue as compared to 62% in 2008. As compared to the three month period ended June 30, 2008:

- Engineered Systems' revenue decreased by \$19.4 million due to decreased domestic and international sales due to the devalued US dollar and lower activity levels;
- Service revenue decreased by \$10.8 million, a result of lower parts and service revenue in the Canadian and European businesses, partially offset by increases in AustralAsia; and
- Production Services' revenue decreased by \$1.2 million as a result of lower capital utilization and lower rental rates across all horsepower categories due to continued low levels of domestic compression investment and a reduction in the size of the rental fleet as compared to 2008.

**Gross margin** for the three months ended June 30, 2009 was \$39.8 million or 17.5% of revenue as compared to \$55.3 million or 21.3% of revenue for the same three month period of 2008, a decrease of \$15.5 million. Gross margin percentages decreased in all three segments. Many factors contributed to the decrease and are summarized as follows:

- Engineered Systems' gross margin percentage decreased from 15.8% in the second quarter of 2008 to 11.6% in the same period of 2009. The strengthening Canadian dollar, lower plant utilization rates in the Fund's Compression & Power facility and cost overruns on certain projects contributed to the lower margins;
- Service gross margin percentage of 27.4% decreased from 29.7% in 2008 as a result of lower margins within the European and Canadian operations that experienced lower utilization rates, partially offset by improved margin percentages in AustralAsia due to strong parts and service sales; and
- Production Services' gross margin percentage of 36.9% decreased from 47.0% due to lower fleet utilization and rental rates in addition to higher maintenance costs when compared with the same period of 2008.

In the second quarter of 2009, foreign exchange (FX) related to foreign denominated contracts negatively impacted gross margin by \$2.0 million and positively impacted EBITDA<sup>1</sup> by \$6.4 million. During the second quarter of 2008, foreign exchange related to foreign denominated contracts negatively impacted gross margin by \$1.0 million and negatively impacted EBITDA by \$0.6 million. Gross margin was also negatively impacted by \$3.9 million during the quarter as a result of restructuring charges and cost overruns on various projects. No comparable costs were incurred in 2008.

**Selling, general and administrative** (SG&A) expenses were \$32.1 million or 14.1% of revenue during the three months ended June 30, 2009, compared to \$34.3 million or 13.2% of revenue in the same period of 2008. The \$2.2 million decrease in SG&A expenses during the quarter, as compared to the same period in 2008, is attributed to lower travel and employee costs as a result of cost reduction efforts initiated in the second quarter of 2009, net of severance costs and lower bad debt.

**Foreign exchange** gains totalled \$8.9 million in the second quarter of 2009 as compared to a gain of \$0.4 million in the same period of 2008. The gain was primarily the result of the use of forward exchange contracts to hedge foreign currency exposure on Engineered Systems fabrication contracts.

Enerflex mitigates the impact of exchange rate fluctuations by matching expected future U.S. dollar denominated cash inflows with U.S. dollar liabilities, principally foreign exchange contracts, bank debt and accounts payable. In 2007, the Fund adopted the use of foreign exchange contracts as its primary mitigation strategy to hedge any net foreign currency exposure. Forward contracts are entered into in the amount of the net foreign dollar exposure for a term matching to the expected payment terms outlined in the sales contract. Outstanding forward contracts are marked-to-market at the end of each period with any gain or loss on the forward contract included in income.

The result is that any gain or loss in margins resulting from exchange rate fluctuations is offset by gains or losses in U.S. dollar assets and liabilities. However, the timing of recognition of the offsetting gain or loss in margin can vary from the gain or loss on foreign denominated debt or forward contracts due to percentage of completion revenue recognition, as these hedges relate to long-term contracts. The Canadian dollar appreciated 8% against the U.S. dollar in the second quarter of 2009 and appreciated by 1% against the U.S. dollar during the same period of 2008.

At June 30, 2009, the Fund's bank debt included US \$28.0 million of LIBOR loans compared to US \$15.0 million of LIBOR borrowings at June 30, 2008. At June 30, 2009, the Fund was party to foreign currency contracts with a total net sales value of US \$35.4 million as compared to a net sales value of US \$99.5 million, Euro €7.3 million and Australian \$9.2 million outstanding as at June 30, 2008.

Enerflex does not hedge its exposure to investments in foreign subsidiaries, which are largely self-sustaining. Exchange gains or losses on net investments in foreign subsidiaries are accumulated in unitholders' equity within "Accumulated comprehensive income/loss". The accumulated comprehensive loss at the end of 2008 of \$1.4 million adjusted to an accumulated comprehensive gain of \$1.0 million at June 30, 2009. This was the result of the changes in the value of the Canadian dollar against the Euro, Australian dollar and U.S. dollar. The Australian dollar appreciated by 7% against the Canadian dollar during the second quarter of 2009, as compared to a 4% appreciation in the same period of 2008. The Euro depreciated by 2% against the Canadian dollar during the second quarter of 2009, as compared to a depreciation of 1% in the same period of 2008.

**Operating margin**<sup>1</sup> assists the reader in understanding the net margin contributions made from the Fund's core businesses after considering all SG&A expenses and the impact of the Fund's foreign exchange hedging strategy. For the three months ended June 30, 2009, Enerflex produced an operating margin<sup>1</sup> of \$16.7 million, or 7.3% of revenue, as compared to an operating margin<sup>1</sup> of \$21.4 million, or 8.3% of revenue, for the same period in 2008. The decrease in operating margin<sup>1</sup> for the quarter as compared to 2008 resulted from the same factors that contributed to the decreased revenue and gross margin offset by the decreased SG&A expenses.

**Interest costs** totalled \$1.6 million for the three months ended June 30, 2009, compared with \$1.4 million in the same period of 2008, an increase of \$0.2 million. Interest costs in 2009 were higher than those in 2008 as a result of higher average borrowings and lower interest income from investing the Fund's cash balances. Enerflex's borrowings on its Bank Facility averaged US\$23.2 million in the second quarter of 2009 as compared to an average of US\$20.0 million for the three months ended June 30, 2008.

**Income tax expense** totalled \$0.7 million for the three months ended June 30, 2009 compared to \$3.2 million in the same period of 2008. The decrease in income taxes in the second quarter of 2009 compared to 2008 was primarily due to lower income before taxes and higher distributions deductible for tax.

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**Net income** generated by Enerflex during the second quarter of 2009 was \$14.9 million as compared to \$17.5 million in the same period of 2008. This resulted in earnings per income trust unit of \$0.32 in 2009 as compared to \$0.37 for the same period of 2008.

## QUARTERLY SUMMARY

*(Unaudited)(Thousands except per unit amounts)*

Quarter ended	Revenue	Net income	Earnings per unit	Earnings per unit - diluted
June 30, 2009	\$228,168	\$14,937	\$0.32	\$0.32
March 31, 2009	253,004	16,202	0.35	0.35
December 31, 2008	297,474	16,178	0.35	0.35
September 30, 2008	257,059	18,086	0.39	0.39
June 30, 2008	259,525	17,464	0.37	0.37
March 31, 2008	232,621	13,492	0.29	0.29
December 31, 2007	235,116	18,702	0.40	0.40
September 30, 2007	195,570	11,528	0.25	0.25

## SEGMENTED RESULTS

Enerflex has three business segments: Engineered Systems, Service and Production Services, which operate as follows:

### ENGINEERED SYSTEMS

The Engineered Systems segment engineers, fabricates and assembles standard and custom-designed compression packages, production and processing equipment and facilities, CHP systems and power generation systems.

<i>(unaudited)(thousands)</i> Three months ended June 30,	2009	2008
Segment revenue	\$ 148,655	\$ 166,924
Intersegment revenue	(2,088)	(982)
Revenue	\$ 146,567	\$ 165,942
Revenue – Canadian	\$ 28,494	\$ 30,941
Revenue – International	\$ 118,073	\$ 135,001
Gross margin	\$ 16,953	\$ 26,266
EBITDA <sup>1</sup>	\$ 13,251	\$ 13,438
Income before interest and income taxes	\$ 11,542	\$ 11,303
Plant utilization - Compression and Power	49%	60%
Plant utilization – Production and Processing	94%	94%
Plant utilization – AustralAsia	82%	80%

<sup>1</sup> *Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.*

Engineered Systems' revenue totalled \$146.6 million for the three months ended June 30, 2009 as compared to \$165.9 million in the same period of 2008. This decrease of \$19.3 million was largely the result of decreased international sales from lower product exports from Canada and reduced activity levels in the Fund's operations in AustralAsia. International revenue represented 81% of 2009's second quarter revenue, consistent with the comparative period in 2008.

Gross margin for the segment totalled \$17.0 million, or 11.6% compared to \$26.3 million or 15.8% of revenue in 2008. The decreased gross margin was the result of a strengthening Canadian dollar in the quarter, cost overruns on certain projects and lower utilization rates in the Compression & Power division. The Fund utilizes foreign currency forward contracts to mitigate the exposure on international contracts however a timing difference exists between the foreign exchange gains and losses recorded on the forward contracts and the full gross margin impact

related to foreign exchange movements as a result of percentage completion revenue recognition. During the second quarter of 2009, FX related to foreign denominated contracts negatively impacted gross margin by \$2.0 million, compared to a negative impact of \$1.0 million in the same period in 2008.

Income before interest and income taxes increased by \$0.2 million to \$11.5 million in the three months ended June 30, 2009 from \$11.3 million in the second quarter of 2008. The increase was due to lower general and administrative costs in Canada and Europe, tempered by higher costs in expanding operations in the AustralAsia and MENA regions, and higher foreign exchange gains as a result of the Fund's foreign exchange contracts, partially offset by decreased revenue and margins.

With the low horsepower compression market steadily declining over the past year, the Fund closed the low horsepower compression manufacturing facility in Stettler, Alberta during the second quarter as part of its restructuring initiatives. The Fund has incorporated the design and manufacturing capability for low horsepower compression equipment into its main Compression & Power manufacturing facility in Calgary.

### Bookings and Backlog

The Fund records bookings and backlog when the Fund receives a firm commitment from customers for products and services. Backlog is an indicator of future revenue for the Fund.

#### Bookings

*(unaudited)(thousands)* Year-to-date as of June 30,

	2009	2008
Canadian	\$ 33,326	\$ 73,475
International	184,835	376,659
Total bookings	<u>\$218,161</u>	<u>\$ 450,134</u>

#### Backlog

*(unaudited)(thousands)* As at June 30,

	2009	2008
Canadian	\$ 37,755	\$ 77,889
International	178,274	350,536
Total backlog	<u>\$216,029</u>	<u>\$ 428,425</u>

Backlog at June 30, 2009 was \$216.0 million compared to \$428.4 million at June 30, 2008. This represents a 50% decrease from the prior year and a 30% decrease from the backlog at December 31, 2008. FX on international backlog at June 30, 2009 resulted in a negative impact of \$9.7 million compared to a negative impact of \$0.7 million for the same period in 2008.

International backlog decreased by 49% from June 30, 2008 and represents 83% of total backlog at June 30, 2009, as compared to 82% for the same period in 2008. The Fund has been impacted by a slowing global economy, with the domestic market impacted in all segments, but particularly in the low horsepower compression market as well as a slowdown on the international market, despite expansion and execution of the Fund's international strategy and increasing international presence.

#### SERVICE

The Service segment provides Mechanical and Electrical Instrumentation and Controls services to the oil and gas industry through an extensive branch network in Canada, the Netherlands, the state of Alaska, Germany, Australia and Indonesia.

<i>(unaudited)(thousands)</i> Three months ended June 30,	2009	2008
Segment revenue	\$ 79,671	\$ 89,378
Intersegment revenue	(4,126)	(3,049)

Revenue	<b>\$ 75,545</b>	\$ 86,329
Revenue – Canadian	<b>\$ 54,471</b>	\$ 61,306
Revenue – international	<b>\$ 21,074</b>	\$ 25,023
Gross margin	<b>\$ 20,653</b>	\$ 25,654
EBITDA <sup>1</sup>	<b>\$ 4,993</b>	\$ 8,645
Income before interest and income taxes	<b>\$ 3,874</b>	\$ 7,835

<sup>1</sup> Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.

Service revenue was \$75.5 million in the second quarter of 2009 and comprised 33% of consolidated revenue. This compares to \$86.3 million and 33% of consolidated revenue in the same period of 2008. The decrease of \$10.8 million was the result of decreased revenues for Mechanical Service and EI&C in Canada and Mechanical Service in Europe, partially offset by increased revenues from both parts and service sales in AustralAsia. International revenues of \$21.1 million accounted for 28% of the segment's total revenue, compared to 29% of revenue in 2008.

Gross margin for the segment totalled \$20.7 million, or 27.4% for the second quarter of 2009 as compared to \$25.7 million, or 29.7% in 2008. The decrease in gross margin and gross margin percent resulted from reduced parts margins and lower labour utilization in Mechanical Services in Canada and lower parts margins in Europe partially offset by strong parts and service margins and lower utilization in AustralAsia.

Income before interest and income taxes decreased by 50% to \$3.9 million in the three months ended June 30, 2009 from \$7.8 million in the second quarter of 2008. This decrease was largely the result of decreased gross margins partially offset by lower administrative costs in Canada initiated earlier in the year, as compared to 2008.

## **PRODUCTION SERVICES**

The Production Services segment provides a variety of rental and leasing alternatives for natural gas compression, power generation and processing equipment.

<i>(unaudited)(thousands)</i> Three months ended June 30,	<b>2009</b>	2008
Segment revenue	<b>\$ 6,056</b>	\$ 7,254
Intersegment revenue	-	-
Revenue	<b>\$ 6,056</b>	\$ 7,254
Revenue - Canadian	<b>\$ 5,518</b>	\$ 6,615
Revenue - International	<b>\$ 538</b>	\$ 639
Gross margin	<b>\$ 2,234</b>	\$ 3,411
EBITDA <sup>1</sup>	<b>\$ 4,167</b>	\$ 5,554
Income before interest and income taxes	<b>\$ 1,728</b>	\$ 2,933
Capital expenditures, net of proceeds on disposal	<b>\$ (2,490)</b>	\$ (72)
Capital utilization – Compression	<b>59%</b>	61%
Capital utilization - Power and Processing	<b>28%</b>	33%

<sup>1</sup> Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.

Production Services' revenue for the second quarter of 2009 decreased \$1.2 million to \$6.1 million as compared to \$7.3 million in 2008. The decrease was the result of a decline in utilization and rental rates and in the size of the fleet with little new capital investment by the Fund. The reduced

fleet size resulted from a high level of rental contract buy-out activity in the fourth quarter of 2008 and little new capital investment by the Fund due to the reduced demand for rental equipment.

Gross margin in the second quarter of 2009 totalled \$2.2 million, or 36.9%, as compared to \$3.4 million or 47.0% in 2008. The decrease in gross margin was the result of lower utilization and rental rates and lower gross margin percentage resulting from the allocation of a fixed depreciation charge over a smaller revenue base.

Income before interest and income taxes of \$1.7 million was \$1.2 million lower than 2008 as a result of the factors discussed above.

During the three months ended June 30, 2009, Production Services sold 2 compression units and 4 process equipment units from its fleet, for gross proceeds of \$3.8 million and a gain on sale of \$0.5 million. This compares to 4 compression units and 5 process units, for gross proceeds of \$1.5 million and a gain on sale of \$0.7 million in 2008. The sale of units generally occurs when customers exercise their contractual option to purchase equipment. Enerflex added 3 compression units and 1 process unit to its fleet during the second quarter of 2009, for an investment of \$2.1 million.

#### **FOR THE SIX MONTHS ENDED JUNE 30, 2009**

During the six months ended June 30, 2009, the Fund generated \$481.2 million in revenue, as compared to \$492.1 million in the same period of 2008. The decrease of \$10.9 million or 2% was a result of decreased revenues in all three segments. International revenue increased \$13.9 million from the same period in 2008 and represented 59% of revenue as compared to 55% in 2008, while domestic revenues decreased by \$24.8 million over the prior year. As compared to the six month period ended June 30, 2008:

- Engineered Systems' revenue decreased by \$1.0 million due to lower domestic sales partially offset by higher international revenues;
- Service revenue decreased by \$8.4 million, with decreased revenue in Canada and Europe, partially offset by increased revenue in AustralAsia; and
- Production Services' revenue decreased by \$1.5 million as a result of lower rental rates, lower capital utilization and a reduced rental fleet.

**Gross margin** for the six months ended June 30, 2009 was \$93.0 million or 19.3% of revenue as compared to \$102.1 million or 20.7% of revenue for the six months ended June 30, 2008, a decrease of \$9.1 million. Gross margin percentage decreased in all three segments for the first six months of 2009 compared to the same period in 2008. Many factors contributed to these movements and are summarized as follows:

- Engineered Systems gross margin percentage of 14.6% decreased from 15.5% due to a strengthening Canadian dollar, cost overruns on certain projects and lower utilization rates in Compression & Power;
- Service gross margin percentage of 27.0% decreased from 27.9% as a result of lower labour utilization and parts sales in Canada and Europe, offset by increased margins in AustralAsia; and
- Production Services gross margin percentage of 40.9% decreased from 51.3% due to lower fleet utilization and rental rates when compared with the same period of 2008.

In the first half of 2009, foreign exchange (FX) related to foreign denominated contracts positively impacted gross margin by \$2.2 million and positively impacted EBITDA<sup>1</sup> by \$8.0 million. During the first half of 2008, foreign exchange related to foreign denominated contracts negatively impacted gross margin by \$1.3 million and negatively impacting EBITDA by \$2.7 million. Gross margin was also negatively impacted by \$6.8 million during the first half as a result of re-structuring charges and cost overruns on various projects. No comparable costs were incurred in 2008.

**Selling, general and administrative** expenses were \$66.0 million or 13.7% of revenue during the six months ended June 30, 2009, down by \$0.3 million compared to the same period of 2008. Higher compensation costs carried forward from 2008 were required to react to increased

compensation pressures for skilled and professional employees and the Fund's growth initiatives in AustralAsia, MENA and Europe were more than offset by cost reductions including lower travel, consulting and employee costs in addition to the closing of the Stettler facility.

**Income before interest and income taxes** totalled \$36.0 million for the six months ended June 30, 2009 as compared to \$37.3 million for the same period in 2008. This decrease of \$1.3 million was the result of the factors discussed above.

**Interest costs** totalled \$2.8 million for the six months ended June 30, 2009, compared with \$2.9 million in the same period of 2008, a decrease of \$0.1 million primarily due to lower interest charges.

**Income tax expense** totalled \$2.0 million for the six months ended June 30, 2009 compared to \$3.4 million in the same period of 2008. The decrease in income taxes was primarily due to increased distributions deductible for tax.

**Net Income** generated by Enerflex during the first half of 2009 was \$31.1 million as compared to \$31.0 million in the same period of 2008. This results in earnings per income trust unit of \$0.67 in 2009, as compared to \$0.66 in the same period of 2008.

## SEGMENTED RESULTS

### ENGINEERED SYSTEMS

<i>(unaudited)(thousands)</i> Six months ended June 30,	2009	2008
Segment revenue	\$ 318,343	\$ 314,077
Intersegment revenue	(7,451)	(2,155)
Revenue	\$ 310,892	\$ 311,922
Revenue – Canadian	\$ 69,437	\$ 87,968
Revenue – International	\$ 241,455	\$ 223,954
Gross margin	\$ 45,265	\$ 48,430
EBITDA <sup>1</sup>	\$ 27,228	\$ 24,067
Income before interest and income taxes	\$ 23,820	\$ 20,452
Plant utilization - Compression and Power	53%	62%
Plant utilization – Production and Processing	93%	91%
Plant utilization – AustralAsia	82%	81%

<sup>1</sup> *Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.*

Engineered Systems' revenue totalled \$310.9 million for the six months ended June 30, 2009 as compared to \$311.9 million in the same period of 2008. This decrease of \$1.0 million was the result of decreases in domestic sales within the Compression & Power division partially offset by increased domestic sales in the Production & Processing division. The decrease in domestic sales was due in part to the devaluation of the U.S. dollar relative to the Canadian dollar and was partially offset by an increase in international sales in the segment. Increased international revenues were due to increased exports from Canada while AustralAsia revenues were consistent with 2008 levels. International revenue represented 78% of 2009's revenue as compared to 72% in 2008.

Gross margin for the segment totalled \$45.3 million or 14.6% compared to \$48.4 million or 15.5% of revenue in 2008. The decreased gross margin was the result of the slower economy and a declining compression and process marketplace. In Canada, a strengthening Canadian dollar, lower utilization rates in Compression & Power, cost overruns on international projects and lower

quoted margins contributed to the decline. The Fund utilizes foreign currency forward contracts to mitigate the exposure on international contracts however a timing difference exists between the foreign exchange gains and losses recorded on the forward contracts and the full gross margin impact related to foreign exchange movements. During the first half of 2009, FX related to foreign denominated contracts positively impacted gross margin by \$2.2 million, compared to a negative impact of \$1.3 million in the same period in 2008.

Income before interest and income taxes in 2009 increased by \$3.3 million to \$23.8 million, from \$20.5 million in 2008. This increase was a result of the decreased revenue and margins which were more than offset by decreased SG&A plus increased foreign exchange gains on foreign exchange contracts.

## SERVICE

<i>(unaudited)(thousands)</i> Six months ended June 30,	2009	2008
Segment revenue	\$ 164,738	\$ 172,506
Intersegment revenue	(7,138)	(6,516)
Revenue	\$ 157,600	\$ 165,990
Revenue – Canadian	\$ 115,448	\$ 120,331
Revenue – International	\$ 42,152	\$ 45,659
Gross margin	\$ 42,505	\$ 46,338
EBITDA <sup>1</sup>	\$ 9,811	\$ 12,564
Income before interest and income taxes	\$ 7,490	\$ 9,980

<sup>1</sup> *Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.*

Service revenue was \$157.6 million for the six months ended June 30, 2009 and comprised 33% of consolidated revenue. This compares to \$166.0 million and 34% of consolidated revenue in the same period of 2008. The decrease of \$8.4 million was the result of decreased revenues for Mechanical Service and EI&C in Canada and Mechanical Service in Europe, partially offset by increased revenues in AustralAsia. International revenues of \$42.2 million accounted for 27% of the segment's total revenue as compared to 28% of revenue in 2008.

Gross margin for the segment totalled \$42.5 million, or 27.0% as compared to \$46.3 million, or 27.9% in 2008. Margins were lower as the gross margin percentage decreased predominantly in Europe and was mitigated by an increased percentage in EI&C in Canada due to higher labour utilization and in AustralAsia with strong parts margins.

Income before interest and income taxes decreased by \$2.5 million to \$7.5 million in the six months ended June 30, 2009 from \$10.0 million in the first six months of 2008. This decrease was a result of the factors discussed above.

## PRODUCTION SERVICES

<i>(unaudited)(thousands)</i> Six months ended June 30,	2009	2008
Segment revenue	\$ 12,683	\$ 14,236
Intersegment revenue	(3)	(2)
Revenue	\$ 12,680	\$ 14,234
Revenue - Canadian	\$ 11,559	\$ 12,984
Revenue - International	\$ 1,121	\$ 1,250
Gross margin	\$ 5,185	\$ 7,307
EBITDA <sup>1</sup>	\$ 9,876	\$ 12,011
Income before interest and income taxes	\$ 4,703	\$ 6,854

Capital expenditures, net of proceeds on disposal	\$ 1	\$ (7,642)
Capital utilization – Compression	59%	61%
Capital utilization - Power and Processing	28%	34%

<sup>1</sup> Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP earnings measure that does not have a standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.

Production Services' revenue for the first six months of 2009 decreased \$1.5 million to \$12.7 million as compared to \$14.2 million in 2008. The decrease was the result of reductions in rental revenue due to a decline in utilization and rental rates and in the size of the fleet. The reduced fleet size resulted from a high level of rental contract buy-out activity in the fourth quarter of 2008, combined with little capital investment by the Fund in 2009.

Gross margin in 2009 totalled \$5.2 million, or 40.9%, as compared to \$7.3 million or 51.3% in 2008. This decrease was due to lower utilization rates, lower rental rates on the compression fleet partially offset by slightly higher process rates, and the allocation of a fixed depreciation charge over a smaller revenue base.

Income before interest and income taxes of \$4.7 million was \$2.2 million lower than 2008 as a result of the factors discussed above.

During the six months ended June 30, 2009, Production Services sold 5 compression units and 7 process units from its fleet, for gross proceeds of \$5.4 million and a gain on sale of \$1.3 million. This compares to 15 compression units and 14 process units, for gross proceeds of \$10.0 million and a gain on sale of \$1.7 million in 2008. The sale of units generally occurs when customers exercise their contractual option to purchase equipment. Enerflex added 4 compression units and 4 process units to its fleet during 2009, for an investment of \$5.1 million.

## FINANCIAL POSITION

The following table outlines significant changes in the Consolidated Balance Sheets as at June 30, 2009 as compared to December 31, 2008:

(\$millions)	Increase / (decrease)	Explanation
<b>Assets:</b>		
Accounts receivable	(3.1)	Decreased progress billings due to the lower activity levels in the Engineered Systems segment and decreased prepaid expenses and project costs, partially offset by higher revenue accrual balances in 2009.
Assets held for trading	1.9	The Fund had an embedded derivative on an international contract resulting in a mark-to-market gain.
Income taxes receivable	2.5	Increased primarily due to tax recoveries recorded on increased distributions deductible for Canadian tax purposes.
Current future income taxes	(2.5)	Decreased primarily as a result of reduced deductible temporary differences on financial statement provisions.
Rental equipment	(2.2)	The decline is due to continuing depreciation of existing assets during the quarter and rental contract buy-outs.
<b>Liabilities:</b>		
Liabilities held for trading	(6.7)	The market value of foreign exchange contracts increased due to the strengthening Canadian dollar.
Deferred revenue	(3.6)	Revenue recognized on existing jobs where

		advanced billings were completed exceeded advanced billings on new contracts awarded during the first half of 2009.
Income taxes payable	(2.8)	Decreased primarily due to payment of income taxes accrued but unpaid at December 2008.
Long term debt	16.7	Increased long term debt resulting from additional borrowings on the Bank Facility through the first half of 2009.

## LIQUIDITY

The Fund's primary sources of liquidity and capital resources are:

- Cash generated from continuing operations;
- Bank financing and operating lines of credit; and
- The issuance and sale of debt and equity instruments.

### Statement of Cash Flows:

<i>(unaudited)(thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash, beginning of period	\$ 40,963	\$ 41,312	\$ 50,517	\$ 38,927
Cash provided from (used in):				
Operating activities	21,125	42,969	31,344	46,548
Investing activities	(4,064)	(766)	(7,934)	8,442
Financing activities	5,123	(30,376)	(10,780)	(40,778)
Cash, end of period	\$ 63,147	\$ 53,139	\$ 63,147	\$ 53,139

### Operating Activities

For the three months ended June 30, 2009, cash generated from operating activities was \$21.1 million, a decrease of \$21.9 million compared to the same period of 2008. The decrease was the result of lower earnings and increased working capital needs primarily due to decreased accounts payable and deferred revenue.

For the six months ended June 30, 2009, cash generated from operating activities was \$31.3 million compared to \$46.5 million for the same period of 2008. The decrease was the result of increased working capital needs as decreased accounts payable were partially offset by decreased accounts receivable and inventories as well as increased deferred revenue.

### Investing Activities

Cash used in investing activities for the three months ended June 30, 2009 was \$4.1 million, an increase of \$3.3 million as compared to the same period in 2008. The change was the result of a \$1.3 million increase in fixed asset and rental expenditures, an increase in proceeds on disposition of fixed assets and rental equipment of \$2.0 million and an increase in long-term capital lease financing receivables of \$2.9 million.

Cash used in investing activities for the six months ended June 30, 2009 was \$7.9 million compared to cash produced in investing activities of \$8.4 million in the same period in 2008. The change was the result of a \$5.7 million increase in fixed asset and rental expenditures while proceeds on disposition of fixed assets and rental equipment decreased by \$4.8 million.

### Financing Activities

Cash produced from financing activities was \$5.1 million for the three months ended June 30, 2009 as compared to cash used of \$30.4 million for the same period of 2008. The increase was primarily a result of the Fund increasing borrowings on its Bank Facility in the second quarter of 2009, as well as increasing distributions paid by \$2.4 million as compared to the second quarter of 2008.

Cash used in financing activities was \$10.8 million for the first half ended June 30, 2009 as compared to cash used of \$40.8 million for the same period of 2008. The change was due to the same factors as the quarter, increased borrowings on the Fund's Bank Facility and increased distributions.

### Distributable Cash Flow

(unaudited)(thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Distributable cash flow <sup>1</sup>	\$18,719	\$42,298	\$27,711	\$45,147

<sup>1</sup> Distributable cash flow and distribution payout ratio are non-GAAP earnings measures that do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.

Distributable cash flow<sup>1</sup> for the second quarter of 2009 of \$18.7 million decreased from \$42.3 million in the same period of 2008 primarily due to the changes in non-cash working capital and decreased earnings. Distributable cash flow not including the changes in non-cash working capital was \$19.1 million for the second quarter of 2009, \$3.4 million lower than the \$22.5 million during the same period of 2008.

### Distribution Payout Ratio

(unaudited)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Distribution payout ratio <sup>1</sup>	75%	28%	101%	52%

<sup>1</sup> Distributable cash flow and distribution payout ratio are non-GAAP earnings measures that do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Please refer to the complete description of non-GAAP measures after the financial highlights table.

Distributions declared in the second quarter of 2009 represented 75% of distributable cash flow<sup>1</sup> in comparison to 28% for the same period of 2008. The higher payout ratio was the result of the same factors contributing to the lower distributable cash flow and increased distribution. Ignoring the impact of changes in non-cash working capital, the payout ratio for the second quarter of 2009 was 74% as compared to 52% in the same period of 2008.

### Net Capital Spending

(unaudited)(thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net capital spending	\$1,062	\$1,709	\$6,284	\$(4,209)

Net capital spending for the second quarter of 2009 was \$1.1 million, a decline of \$0.6 million as compared to \$1.7 million in the same period of 2008. The change was the result of higher capital investment in the rental fleet, more than offset by higher proceeds on disposal of rental assets during the second quarter of 2009 as a result of continued reduced customer demand and increased proceeds from the sale of rental equipment in the second quarter of 2009.

### CAPITAL RESOURCES

On August 1, 2009, the Fund had 44,240,503 income trust units and 2,663,422 Exchangeable LP units outstanding. Enerflex has not established a formal distribution policy and the Board of Directors of the General Partner anticipates setting the quarterly distributions based on the availability of distributable cash flow and anticipated market conditions, taking into consideration business opportunities and the need for growth capital. In 2008, the Fund declared a distribution of \$0.25 per unit in each of the first and second quarters and of \$0.30 per unit in each of the third and fourth quarters. The Fund declared a distribution of \$0.30 per unit in each of the first two quarters

of 2009.

During 2006, the Fund completed the restructuring of its debt with the closing of a private placement for \$100.6 million in Senior Secured Notes (Notes) and the amendment of its bank credit facility (Bank Facility) for \$150.0 million. The Notes mature as follows: \$21.0 million maturing on December 20, 2013 and \$79.6 million maturing on December 20, 2016. The Bank Facility matures on June 30, 2010 and is extendable at the banks' option in June of each year.

The Notes and Bank Facility share security on a pari passu basis with collateral consisting of a fixed and floating charge on the Fund's Canadian assets and guarantees from various subsidiary companies. These credit facilities require the Fund to meet certain covenants, including a limitation on the debt-to-EBITDA<sup>1</sup> ratio and a limitation on distributions to unitholders in certain circumstances. Enerflex was in full compliance with these covenants at June 30, 2009 and August 1, 2009.

On July 31, 2009, the Fund successfully amended its Bank Facility by extending its maturity date by one year to June 30, 2011 and increasing the amount from \$150.0 million to \$200.0 million.

On June 30, 2009, \$100.6 million in Notes were outstanding and approximately \$44.4 million of the \$150.0 million Bank Facility was drawn, comprised of \$32.6 million in cash borrowings and \$11.8 million of letters of credit or guarantees, leaving approximately \$105.6 million available for future drawings. These credit facilities provide the financing required to support the Fund's operating requirements, as well as the flexibility to pursue growth opportunities.

**Consolidated Balance Sheets**

**June 30,**                      **December 31,**  
**2009**                                      **2008**

*(Unaudited) (Thousands)*

**ASSETS**

## Current assets

Cash and cash equivalents	\$	63,147	\$	50,517
Assets held for trading		3,566		1,671
Accounts receivable		238,096		241,174
Inventory		137,079		135,685
Income taxes receivable		6,971		4,435
Future income taxes		5,776		8,238
Total current assets		454,635		441,720

Rental equipment		86,428		88,641
Property, plant and equipment		70,069		70,130
Investment in affiliates		3,096		2,939
Future income taxes		3,556		3,771
Intangible assets		6,830		7,812
Goodwill		127,356		126,146
	\$	751,970	\$	741,159

**LIABILITIES AND UNITHOLDERS' EQUITY**

## Current liabilities

Accounts payable and accrued liabilities	\$	109,368	\$	109,248
Liabilities held for trading		1,390		8,123
Accrued distributions payable		14,060		14,028
Deferred revenue		75,131		78,766
Income taxes payable		1,875		4,628
Future income taxes		43		77
Total current liabilities		201,867		214,870

Long-term debt		132,535		115,847
Other long-term liabilities		4,052		2,830
Future income taxes		9,197		9,879
		347,651		343,426

*Guarantees, Commitments and Contingencies*

## Unitholders' equity

Unitholders' capital		207,296		206,322
Accumulated other comprehensive income (loss)		1,013		(1,363)
Contributed surplus		741		541
Retained earnings		195,269		192,233
		404,319		397,733
	\$	751,970	\$	741,159

<b>Consolidated Statements of Income</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(Unaudited) (Thousands, except unit amounts)</i>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenue	\$ 228,168	\$ 259,525	\$ 481,172	\$ 492,146
Cost of goods sold	188,328	204,194	388,217	390,071
Gross margin	39,840	55,331	92,955	102,075
Selling, general and administrative expenses	32,066	34,332	65,967	66,317
Foreign currency (gains) losses	(8,902)	(425)	(7,571)	563
Gain on sale of assets	(484)	(644)	(1,303)	(1,969)
Equity earnings from affiliates	16	(3)	(151)	(122)
Income before interest and income taxes	17,144	22,071	36,013	37,286
Interest	1,552	1,364	2,847	2,892
Income before income taxes	15,592	20,707	33,166	34,394
Income tax expense	655	3,243	2,027	3,438
Net Income	\$ 14,937	\$ 17,464	\$ 31,139	\$ 30,956
Net Income per unit - basic	\$ 0.32	\$ 0.37	\$ 0.67	\$ 0.66
- diluted	\$ 0.32	\$ 0.37	\$ 0.67	\$ 0.66
Weighted average number of units	46,852,225	46,695,601	46,827,115	46,694,317

<b>Consolidated Statements of Retained Earnings</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(Unaudited) (Thousands)</i>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Retained earnings, beginning of period	\$ 194,392	\$ 180,222	\$ 192,233	\$ 179,494
Adjustment to retained earnings, opening	-	-	-	(1,091)
Net Income	14,937	17,464	31,139	30,956
Distributions	(14,060)	(11,674)	(28,103)	(23,347)
Retained earnings, end of period	\$ 195,269	\$ 186,012	\$ 195,269	\$ 186,012

<b>Consolidated Statements of Comprehensive Income</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>(Unaudited) (Thousands)</i>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net Income	\$ 14,937	\$ 17,464	\$ 31,139	\$ 30,956
Other comprehensive income, net of tax:				
Foreign currency translation of self-sustaining operations (Note 9)	1,326	1,542	2,376	8,777
Comprehensive Income	\$ 16,263	\$ 19,006	\$ 33,515	\$ 39,733

Consolidated Statements of Cash Flows	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Unaudited) (Thousands)	2009	2008	2009	2008
<b>Operating Activities</b>				
Net income	\$ 14,937	\$ 17,464	\$ 31,139	\$ 30,956
Depreciation and amortization	5,267	5,566	10,902	11,356
Future income taxes	1,628	734	1,417	229
Gain on sale of assets	(484)	(644)	(1,303)	(1,969)
Equity earnings from affiliates	16	(3)	(151)	(122)
Unit option expense	102	44	203	114
	<b>21,466</b>	23,161	<b>42,207</b>	40,564
Changes in non-cash working capital and other	(341)	19,808	(10,863)	5,984
Cash flow produced in operations	<b>21,125</b>	42,969	<b>31,344</b>	46,548
<b>Investing Activities</b>				
Acquisitions	-	238	-	238
Purchase of:				
Rental equipment	(2,123)	(1,359)	(5,453)	(2,129)
Property, plant and equipment	(956)	(1,940)	(2,473)	(3,323)
Assets under construction	(1,837)	(255)	(3,886)	(693)
Proceeds on disposal of:				
Rental equipment	3,781	1,481	5,436	9,967
Property, plant and equipment	73	364	92	387
	(1,062)	(1,471)	(6,284)	4,447
Changes in non-cash working capital and other	(3,002)	705	(1,650)	3,995
Cash flow (used) produced in investing	<b>(4,064)</b>	(766)	<b>(7,934)</b>	8,442
<b>Financing Activities</b>				
Advance (repayment) of long-term debt	18,497	(17,942)	17,026	(17,942)
Unit options exercised	72	-	72	-
Distributions paid	(13,565)	(11,646)	(27,169)	(23,290)
	5,004	(29,588)	(10,071)	(41,232)
Changes in non-cash working capital and other	119	(788)	(709)	454
Cash flow produced (used) in financing	<b>5,123</b>	(30,376)	<b>(10,780)</b>	(40,778)
Increase in cash and cash equivalents	<b>22,184</b>	11,827	<b>12,630</b>	14,212
Cash and cash equivalents, beginning of period	<b>40,963</b>	41,312	<b>50,517</b>	38,927
Cash and cash equivalents, end of period	<b>\$ 63,147</b>	\$ 53,139	<b>\$ 63,147</b>	\$ 53,139
Cash flows include the following elements:				
Interest paid	\$ 2,872	\$ 1,412	\$ 2,978	\$ 1,567
Income taxes paid (received)	\$ 3,088	\$ (817)	\$ 3,876	\$ (902)

## Segmented Information

The Fund has three reportable segments: Service, Engineered Systems and Production Services. The Service reportable segment is the aggregation of the Mechanical Service and Electrical, Instrumentation & Controls divisions. The Engineered Systems reportable segment is the aggregation of the Production and Processing and Compression and Power divisions.

	Service		Engineered Systems		Production Services		Consolidated	
Three months ended June 30,	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue	\$ 79,671	\$ 89,378	\$ 148,655	\$ 166,924	\$ 6,056	\$ 7,254	\$ 234,382	\$ 263,556
Intersegment revenue	(4,126)	(3,049)	(2,088)	(982)	-	-	(6,214)	(4,031)
External revenue	\$ 75,545	\$ 86,329	\$ 146,567	\$ 165,942	\$ 6,056	\$ 7,254	\$ 228,168	\$ 259,525
Gross margin	\$ 20,653	\$ 25,654	\$ 16,953	\$ 26,266	\$ 2,234	\$ 3,411	\$ 39,840	\$ 55,331
Depreciation and amortization	\$ 1,119	\$ 810	\$ 1,709	\$ 2,135	\$ 2,439	\$ 2,621	\$ 5,267	\$ 5,566
Income before interest and income taxes	\$ 3,874	\$ 7,835	\$ 11,542	\$ 11,303	\$ 1,728	\$ 2,933	\$ 17,144	\$ 22,071
Capital expenditures	\$ 234	\$ 250	\$ 2,047	\$ 1,249	\$ 1,291	\$ 1,409	\$ 3,572	\$ 2,908
Corporate							1,344	646
						\$ 4,916	\$ 3,554	
Proceeds on disposal of assets	\$ -	\$ 65	\$ 73	\$ 299	\$ 3,781	\$ 1,481	\$ 3,854	\$ 1,845
	Service		Engineered Systems		Production Services		Consolidated	
Six months ended June 30,	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue	\$ 164,738	\$ 172,506	\$ 318,343	\$ 314,077	\$ 12,683	\$ 14,236	\$ 495,764	\$ 500,819
Intersegment revenue	(7,138)	(6,516)	(7,451)	(2,155)	(3)	(2)	(14,592)	(8,673)
External revenue	\$ 157,600	\$ 165,990	\$ 310,892	\$ 311,922	\$ 12,680	\$ 14,234	\$ 481,172	\$ 492,146
Gross Margin	\$ 42,505	\$ 46,338	\$ 45,265	\$ 48,430	\$ 5,185	\$ 7,307	\$ 92,955	\$ 102,075
Depreciation and amortization	\$ 2,321	\$ 2,584	\$ 3,408	\$ 3,615	\$ 5,173	\$ 5,157	\$ 10,902	\$ 11,356
Income before interest and income taxes	\$ 7,490	\$ 9,980	\$ 23,820	\$ 20,452	\$ 4,703	\$ 6,854	\$ 36,013	\$ 37,286
Segment assets	\$ 174,763	\$ 170,419	\$ 343,510	\$ 316,389	\$ 117,609	\$ 112,215	\$ 635,882	\$ 599,023
Corporate							(11,268)	(2,541)
Goodwill	51,735	51,666	68,265	68,926	7,356	7,356	127,356	127,948
Total Segment assets	\$ 226,498	\$ 222,085	\$ 411,775	\$ 385,315	\$ 124,965	\$ 119,571	\$ 751,970	\$ 724,430
Capital expenditures	\$ 416	\$ 662	\$ 3,325	\$ 2,262	\$ 5,437	\$ 2,325	\$ 9,178	\$ 5,249
Corporate							2,634	896
						\$ 11,812	\$ 6,145	
Proceeds on disposal of assets	\$ -	\$ 72	\$ 92	\$ 315	\$ 5,436	\$ 9,967	\$ 5,528	\$ 10,354

Revenue from foreign countries was:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Australia	\$ 57,841	\$ 86,223	\$ 110,464	\$ 142,287
Indonesia	5,202	2,333	12,376	10,471
Libya	4,589	694	10,466	883
Mexico	5,498	1,306	9,119	1,481
Netherlands	11,195	13,899	23,114	27,732
Oman	4,510	1,406	10,343	1,767
Pakistan	10,273	11,136	21,714	16,360
Russia	8,993	4	35,517	61
United States	27,045	24,347	37,628	38,945
Other	4,539	19,315	13,987	30,875
	<b>\$139,685</b>	<b>\$ 160,663</b>	<b>\$284,728</b>	<b>\$ 270,862</b>
Included in these amounts are gross exports from domestic operations of:	<b>\$ 69,105</b>	<b>\$ 80,580</b>	<b>\$138,113</b>	<b>\$131,261</b>

Revenue is attributed to countries by the destination of the sale.

Total assets in foreign countries were as follows:

	June 30, 2009			December 31, 2008		
	Capital Assets & Goodwill	Other Assets	Total Assets	Capital Assets & Goodwill	Other Assets	Total Assets
Australia	\$ 33,779	\$ 45,397	\$ 79,176	\$ 23,157	\$ 62,491	\$ 85,648
Netherlands	10,849	39,540	50,389	7,664	45,641	53,305
United States	6,228	6,214	12,442	6,884	6,252	13,136
Other			25,271			35,187
Total assets			<b>\$ 167,278</b>			<b>\$ 187,276</b>

Total assets are attributed to countries by the location of the business.