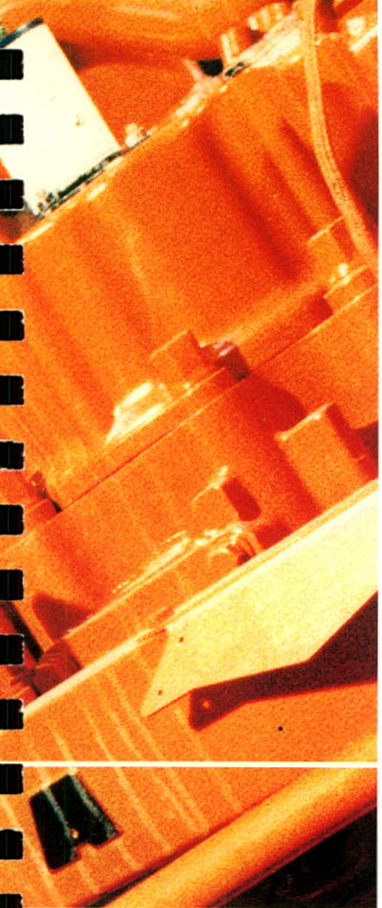


ENERFLEX

2000 ANNUAL REPORT

Enerflex is in the business of gas compression, providing products and services that make natural gas production possible. Enerflex is also a growing force in the manufacture and service of gas-fuelled power generation systems. Headquartered in Calgary, Alberta, Canada, the Company has operations in Canada, the United States, Scotland, England, Australia and Indonesia.

Enerflex operates three business units, each of which performs a different role in enabling Enerflex customers to gather and move natural gas or generate power.

Compression and Power

Engineers and assembles standard-built or custom-designed gas compression packages and power generation systems.

Service

Supplies parts, service and refurbishment of existing compressor packages.

Leasing

Rents and leases a variety of gas compression and power generation equipment.

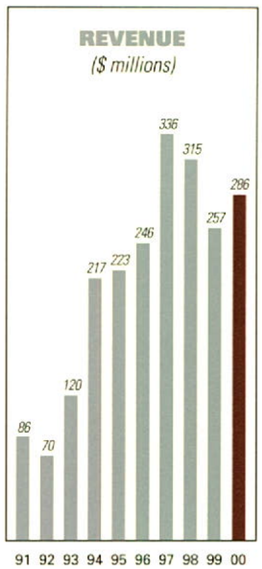
Enerflex is Canada's dominant gas compression and power generation equipment and service provider, and a growing player in the global market.

The Company's shares trade on the Toronto Stock Exchange under the trading symbol EFX.

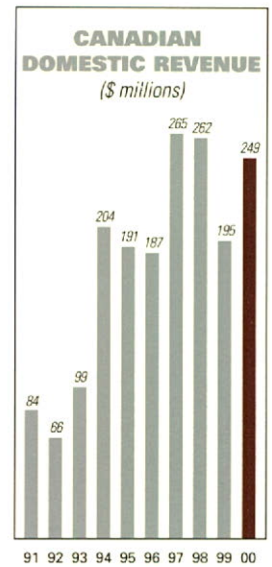
CONTENTS

STRONG BUSINESS PROSPECTS

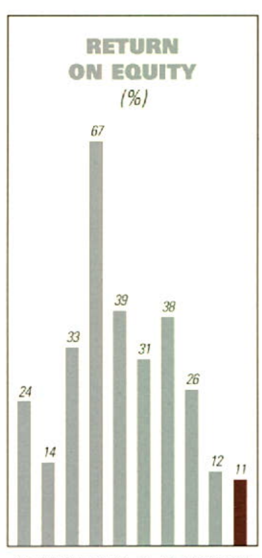
With demand for natural gas compression equipment constrained, business conditions in 2000 were challenging. Still, Enerflex posted total revenue of $286 million, 11.5% higher than in 1999.



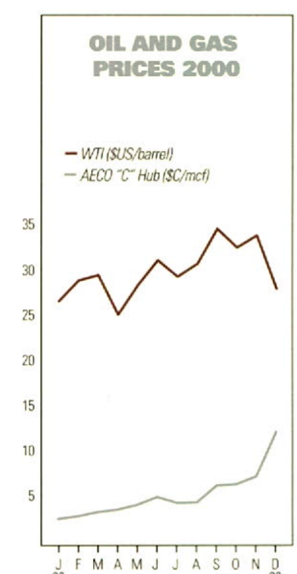
Enerflex continues to be the market leader for compression equipment and service in Canada, an advantageous position considering the general weakness of international market demand in 2000.



Despite lower results for 2000, Enerflex's average annual return on equity over the past 10 years is nearly 30%.



Strong crude oil prices, and record natural gas prices, created exceptionally strong cash flow among oil and gas producers. Most producers focused on strengthening their balance sheets, however, rather than expanding capital spending.



ENERFLEX AT A GLANCE

HIGHLIGHTS

(Millions, except per share data)	2000	1999	1998
RESULTS			
Revenue	286.3	256.7	314.5
EBITDA[1]	28.9	29.1	42.4
Income before income taxes	17.7	20.4	38.1
Net income	11.3	12.1	22.6
Per common share – basic	0.76	0.81	1.50
Cash from operations before changes in non-cash working capital	18.5	18.7	26.0
Capital expenditures, net			
Rental equipment	7.9	5.6	10.2
Property, plant and equipment	4.3	14.8	23.5
Dividend per common share (¢)	40	40	40
FINANCIAL POSITION			
Working capital	57.9	60.0	56.0
Total assets	192.7	186.1	159.5
Long-term debt	30.0	30.0	15.2
Shareholders' equity	104.1	103.0	100.1
KEY RATIOS			
Gross margin as a % of revenue	18.8	19.8	22.4
Pre-tax income as a % of revenue	6.2	8.0	12.1
Return on opening equity	11.0	12.1	26.0

(1) Earnings before interest, taxes, depreciation and amortization

This document contains forward-looking statements, which are subject to certain risks, uncertainties and assumptions. Should one or more of these factors materialize, or should assumptions prove incorrect, actual results may vary significantly from those expected.

RIGHT WHERE WE WANT TO BE

RIGHT WHERE WE WANT TO BE

For Enerflex, 2000 was a critical building year.

Even though market demand for our products was softer than expected, we're pleased to report that our Company posted respectable financial and operational results.

It's unusual to have a year in which high natural gas prices do not lead to strong demand for compression, yet that's precisely what happened in 2000.

Even though commodity prices were high, the capital markets were unhappy with the performance of oil and gas producers. As a result, these businesses were generally managed with an eye to short-term profitability. These companies, which are Enerflex customers, focused on debt reduction, share buybacks and acquisitions. Consequently, they invested less in capital equipment.

It's inevitable that companies will need to resume managing for growth and that capital spending on compression equipment and facilities will therefore increase. We are confident that 2001 will provide better market conditions for Enerflex.

While 2000 was not the year we expected, we did use the time wisely and have positioned ourselves extremely well for 2001.

How did Enerflex become a better business in 2000?

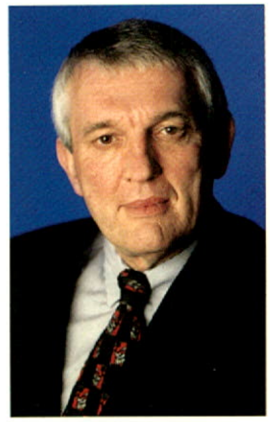
First, we reorganized and simplified our corporate structure. Instead of seven divisions, we have three business units: Compression and Power, Service and Leasing. We expanded our field service capabilities to deliver better and faster service to more customers around the world.

We standardized and "value-engineered" our equipment to a greater extent, which helps reduce manufacturing and service costs. We developed creative, off-balance-sheet financing solutions – from short-term rental to long-term leases – that allow our customers to acquire high quality equipment for less cost.

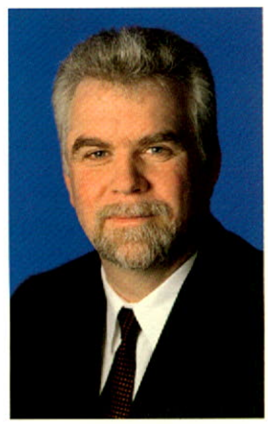
Finally, we developed a breakthrough business plan for 2001 – 05. The plan focuses on operational excellence, geographic expansion and creating a corporate culture for performance and success.

FINANCIAL PERFORMANCE The Company's financial performance in 2000 was indeed respectable given that market conditions were, for the most part, difficult. The fact that Enerflex could increase revenue by 11.5% in such a market illustrates vividly the dedication of our people and the quality of our products and services.

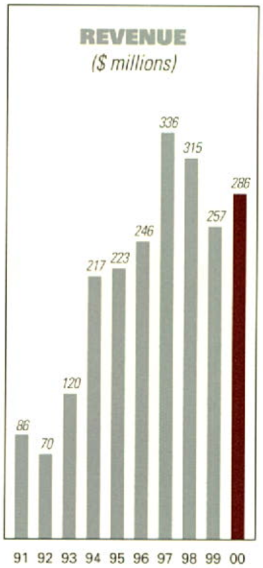
At the same time, however, we saw downward pressure on prices, with the result that our increased revenue did not result in increased profits. Net income fell by 6.6% to $11.3 million, or 76 cents per share.



P. John Aldred
Executive Chairman



Malcolm R. Cox
President and Chief Executive Officer



These achievements will transform Enerflex from today's $300 million company (in annual revenue) to a $1 billion company.

We are quietly confident that improved market conditions in 2001 will bring increased sales and improved profitability.

OVERVIEW BY BUSINESS UNIT

Compression and Power Enerflex's Compression and Power business unit recorded $154 million in revenue in 2000, or 54% of the Company's total revenue. Normally, Compression and Power posts more than 60% of Enerflex's revenue. As we have seen, 2000 was a slower than normal period, for the reasons cited above.

Service Our service business registered steady growth in 2000, with $123 million in revenue. This business typically has higher margins, so growth creates very attractive financial results. We expect even stronger results in 2001.

Leasing The Leasing business is still a relatively small part of the Enerflex portfolio, but it's the fastest growing. We believe that as producers resume their growth in 2001, our creative financing solutions will be in strong demand.

Enerflex 2005: a world player We hope this letter, and other sections of this annual report, will inform you fully about Enerflex in 2000. At this point in our Company's history, however, our future is more important than our past.

Let us sketch for you a portrait of the Enerflex we see in 2005. This may seem a long way off, but every day we are taking steps to ensure our Company keeps improving in several key ways.

MORE DIVERSIFIED GEOGRAPHICALLY Enerflex is an international company, but you couldn't accurately call us a global company. We need greater penetration into several new regions – notably the United States, South America and Southeast Asia – to achieve the goal of being genuinely global. Our products and services are well-suited to these markets, and we anticipate growing our presence both organically and through acquisition.

MORE FOCUS ON RENTAL Over the past 20 years, compressor sales have been the driver of growth at Enerflex. As a result of companies' changing financial requirements, rental arrangements will capture a greater portion of the market of the future. The United States, for instance, is much more a rental market than Canada is. In the U.S. market, we will rent our equipment directly to end-users, or sell equipment to rental companies serving the end-user.

THE INDUSTRY LEADER IN OPERATIONAL EXCELLENCE We take pride in running a tight ship. But we know that, as the industry becomes more competitive, we need to get continually better at what we do. That means staying close to our customers, and setting and meeting the industry's highest standards for operational performance.

Our goals for 2005 are aggressive but achievable and will transform Enerflex from today's $300 million company (in annual revenue) to a $1 billion company.

RIGHT WHERE WE WANT TO BE One reason for our optimism is that we are so clearly in the right business at the right time.

Worldwide, the demand for natural gas is expected to grow at a rate of 3% to 5% per year over the next decade. U.S. demand is forecast to grow from 20 trillion cubic feet today to 30 trillion cubic feet in 2015. Because virtually every cubic foot of gas requires compression, the demand for compression (and associated service and financing) will only increase.

Deregulation, environmental legislation and rising electricity costs will all play a major role in shaping the power generation business in future years. We believe that Enerflex's ability to produce high quality, low cost, transportable power generation equipment capable of burning natural gas or alternate fuels will be in strong demand.

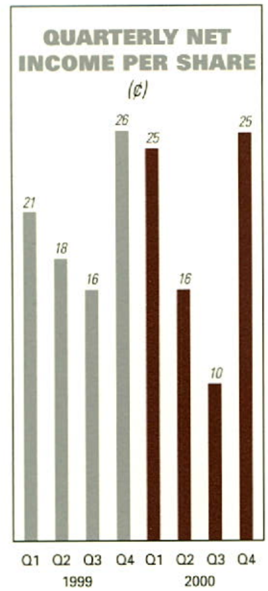
It's obvious that someone is going to be selling huge volumes of gas compression and power generation equipment over the next 15 years. By building on our competitive advantages of high-quality products and services at a reasonable price, Enerflex will be a significant player in these growing global markets.

How big a player we are depends not just on the marketplace but on the performance of our people.

That's when we start feeling really excited about our prospects. We wish all Enerflex shareholders could have the privilege, as we do, of working every day with the people of Enerflex. They are technically accomplished, customer-focused and passionate about the work that we do.

For the people of Enerflex, 2000 was a challenging but critical year. We fully expect that 2001 will be one of the best years our Company has yet seen. If we can meet the potential of 2001 – and we believe we can and will – then Enerflex will continue to reward employees and shareholders over the coming year.

We thank all of Enerflex's 900 employees, as well as our Board of Directors, for their contributions in 2000. As always at Enerflex, we win as a team.



Yours sincerely,

P. John Aldred
Executive Chairman

Malcolm R. Cox
President and Chief Executive Officer

February 8, 2001

RIGHT WHERE WE WANT TO BE

OPERATIONAL EXCELLENCE

COMPANY PROFILE Founded in 1980, Enerflex provides a variety of products and services to the natural gas production and power generation industry in Canada, the United States, the United Kingdom, Indonesia, Australia and many other countries worldwide.

The Company's activities cover three broad business themes that support the global production of natural gas and generation of electric power.

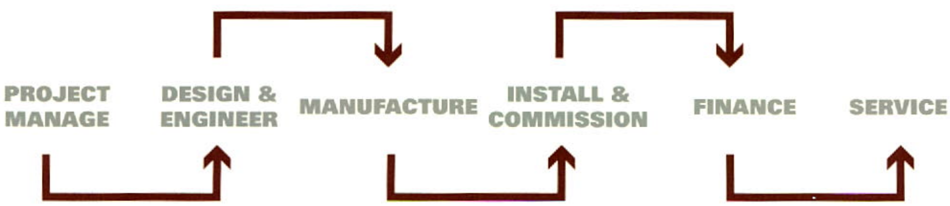
Manufacturing Enerflex designs, manufactures and installs a wide variety of new gas compression packages. Engineered and assembled by Enerflex at its Calgary manufacturing facility, these packages are standard-built or custom-designed with components supplied by leaders and innovators within the global industry. The Company also provides gas-fuelled power generation systems as stand-alone equipment packages or on a turnkey, installed basis.

Service Enerflex supplies parts, service and re-engineering of existing compressor packages. The parts and service component is carried out through a responsive network of nine branch and five satellite and field office facilities located across Canada, as well as Scotland, Australia and Indonesia. Equipment re-engineering and refurbishment, which optimizes existing compressor packages, takes place at the Company's Calgary remanufacturing facility.

Leasing Enerflex offers customers many flexible and innovative financing packages, through which companies can purchase the use of a broad range of gas compression and power generation equipment. Leasing options include short-term rentals, long-term capital and operating leases and full-service contract operations.

Having these three functions under one roof allows Enerflex to offer customers anywhere in the world a complete solution. It also allows the Company to profit during all stages of the often volatile and cyclical global gas market.

UNDERSTANDING GAS COMPRESSION



Having these three functions under one roof allows Enerflex to offer customers anywhere in the world a complete solution.

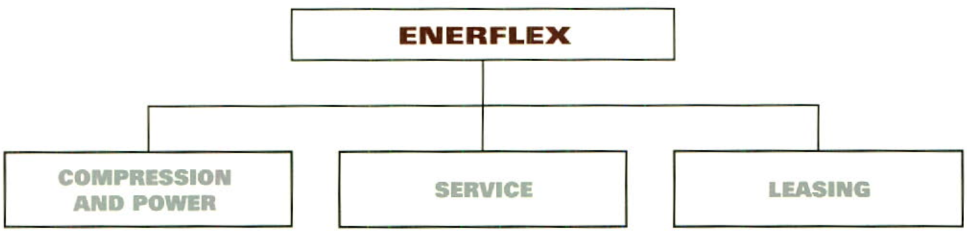
Worldwide, demand for natural gas is expected to increase by 3% to 5% per year over the next decade.

Natural gas occurs in underground reservoirs, which normally lack pressure sufficient to bring the gas to the wellhead. For this reason, virtually all natural gas must be compressed. Compression systems increase the pressure within gas gathering systems so that the gas can be delivered to a pipeline and on to market.

Demand for compression typically increases when new gas fields are opened (often a function of market demand and commodity prices) or when pressure declines in existing gas fields.

Worldwide, demand for natural gas is expected to increase by 3% to 5% per year over the next decade.

OPERATING STRUCTURE The nature of the business is reflected in the Company's operating structure. Enerflex has three distinct business units: Compression and Power, Service and Leasing.



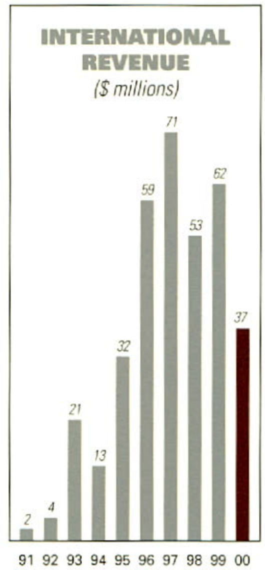
The following pages will review the operations of each Enerflex business unit.

The Enerflex Manufacturing Facility The heart of Enerflex's operations is the Company's 328,000 sq. ft. manufacturing facility built on 40 acres in Calgary, Alberta, Canada.

Opened in 1999, the facility allows Enerflex to manufacture compression and power systems in a timely and efficient manner.

The facility can be easily expanded at a modest cost as demand, and the size and complexity of equipment, increases in the years ahead.

Enerflex's head office is located in the same complex as the manufacturing facility. We live above the store.

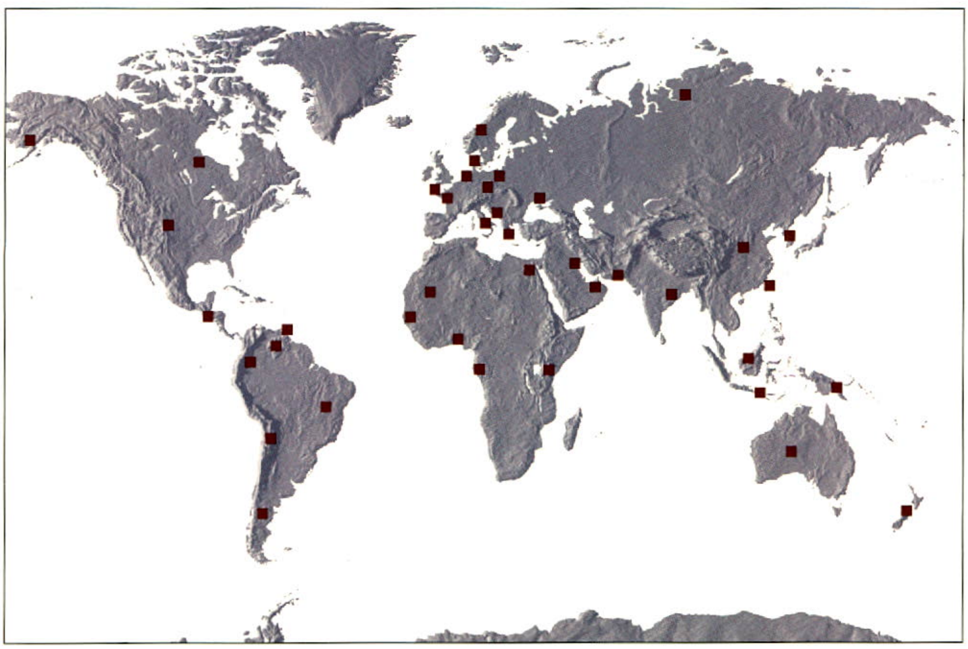


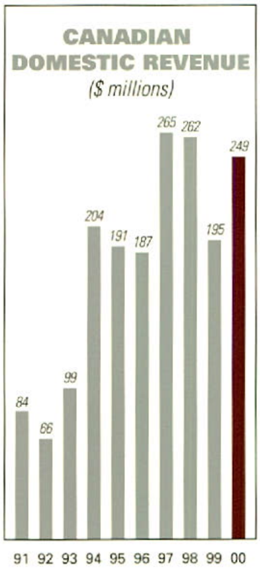
A growing international presence The natural gas industry is global, and therefore, so are the related functions of compression, service and leasing.

In 2000, some 87% of Enerflex's sales were in Canada, with the balance divided among seven countries internationally. This map shows the countries where Enerflex did business in 2000 and previously.

Going forward, greater international activity is a major strategic direction for Enerflex. Through organic growth, joint ventures and acquisitions, the Company will continue to add sales and service capabilities in key international markets.

WORLDWIDE EQUIPMENT LOCATIONS





COMPRESSION AND POWER

The business Enerflex's Compression and Power business unit designs and manufactures gas compression and power generation systems for customers around the world.

This unit was formed in 2000 through the merger of three former divisions. The rationale for merger was that these divisions essentially served the same customers and contracted the same suppliers, albeit in distinct ways.

By combining the best talents in marketing, engineering and manufacturing and placing them under the direction of the Company's best leaders, Enerflex can provide more convenient and streamlined solutions for customers. Operationally, having a single business unit reduces costs and improves efficiency.

Operational highlights for 2000

- manufactured 147 gas compression systems, compared to 121 in 1999;
- manufactured 41 power generation systems, compared to 39 in 1999;
- supplied a number of compression systems for U.S. rental fleets;
- strengthened customer support through an integrated sales model;
- continued to drive down cost and delivery times while improving quality and performance;
- established a facilities group, unique to the industry, to integrate and improve safety, environmental and field security practices.

Results for 2000 In 2000, Compression and Power recorded $154 million in revenue, compared to $142 million in 1999, an increase of 8.5%.

Outlook for 2001 The outlook for Enerflex's Compression and Power unit depends on much more than the outlook for gas prices. In order to meet the increasing demand for natural gas, producing companies will need to invest capital in gas compression equipment. Although it's difficult to predict the exact timing of recovery, we expect it will occur in 2001. Compression and Power is well-positioned to respond to increased demand for compression equipment.

SERVICE

The business Enerflex's Service business unit is a critical component of the Company's strategy to provide a complete solution at the best price.

Enerflex has the most extensive service network for gas compression and power generation equipment in Canada, with 350 highly trained people in nine branch and five satellite and field office locations across Canada plus operations in Australia, Indonesia and Scotland. For listings, see pages 43-44.

As a major distributor for several key brands of engines, compressors and parts, Service uses its fleet of more than 70 service trucks to go anywhere service is required: 24 hours a day, 7 days a week, 365 days a year.

Responsive and dedicated people, thorough and ongoing technical training and close strategic relationships make Enerflex's high level of service possible. The Company's health and safety record is evidenced by Enerflex's Certificate of Recognition, a credential of excellence in health and safety that's widely recognized within the energy industry.

The natural gas fields of Western Canada are currently the core of Enerflex's service market. The business unit also has a branch in Ontario, two in Australia and one in Scotland.

Generally speaking, 2000 was a production-oriented rather than growth-oriented market. Most customers did not choose to invest in new equipment. Instead, they ran existing equipment longer into its life cycle which naturally required spending on parts and service.

In addition to these services, Enerflex refurbishes existing compression equipment through its equipment re-engineering and remanufacturing group. Refurbishment is needed, typically, for one of two reasons. One, declining field pressure means that compression equipment needs to be modified to meet changing conditions. Two, equipment is moved from one application to another.

For this market, Enerflex focuses on re-engineering, revamping, then reselling existing packages. The unit also buys back used equipment – to refurbish and rebuild to factory tolerances.

Enerflex has the industry's only standalone operation in re-engineering and remanufacturing compression equipment.

The natural gas fields of Western Canada are currently the core of Enerflex's service market.

Enerflex anticipates that Leasing will capture a steadily greater share of the rental market.

Operational highlights for 2000

- completed 11,502 service assignments, compared to 11,172 in 1999;
- opened three new satellite branches: two in Alberta (Manning and Edson) and one in Saskatchewan (Kindersley);
- opened a new 15,000 sq. ft. service facility in Red Deer, Alberta;
- signed parts and service agreement with PanCanadian Petroleum;
- initiated parts and service capability in Indonesia;
- signed a new distribution agreement with Alfa Laval for filtration systems;
- expanded re-engineering capabilities, such as replacing an 800 HP reciprocating compressor with a screw compressor.

Results for 2000 In 2000, Service recorded $123 million in revenue, compared to $106 million in 1999, an increase of 15.4%.

Outlook for 2001 Overall, Enerflex forecasts steady conditions to prevail in 2001. As existing units continue to age, the demand for service work and overhauls will increase.

In the re-engineering and remanufacturing market, Enerflex Service expects to see solid growth over 2000 levels. Changing field conditions driven by increasing decline rates and the need to maximize availability of existing equipment will create a strong demand for our refurbishment capability.

LEASING

The business Through its Leasing unit, Enerflex provides customers with a variety of leasing and rental options for acquiring the use of gas compression and power generation equipment. These include short-term rentals, long-term capital and operating leases and full-service contract operations.

This unit saw substantial growth in 2000, when many customers reduced capital spending at the urging of capital markets.

More and more customers have shown a need to finance their equipment off-balance-sheet.

Enerflex anticipates that Leasing will capture a steadily greater share of the rental market and will be a key competitive advantage for Enerflex in the North American and international markets.

Operational highlights for 2000

- signed 74 lease agreements (new or renewal), compared to 46 in 1999;
- added 13 new customers;
- increased size of rental fleet by 19 packages;
- introduced trailer-mounted packages into the lease fleet, a newly designed 95 HP package and the first ever balanced compressor produced by Enerflex and Ariel;
- introduced power generation packages into the lease fleet;
- developed an alliance with a small manufacturer of screw compressor packages to meet rental applications below 200 HP.

Results for 2000 In 2000, Leasing recorded $9 million in revenue, compared to $8 million in 1999, an increase of 14.5%.

Outlook for 2001 Changing field conditions driven by decline rates and shorter reserve life, the need for producers to improve capital management and a trend to outsourcing equipment and services will create a growing demand for leases and other off-balance-sheet financing.

Enerflex is well established in this growing market segment in Canada and plans to increase the size of its North American fleet of compression and power generation equipment.

Enerflex plans to grow its Leasing fleet by at least 20% in 2001.

Enerflex plans to grow its Leasing fleet by at least 20% in 2001.

RIGHT WHERE WE WANT TO BE

STRONG RESULTS IN A CHALLENGING YEAR

RESULTS OF CONSOLIDATED OPERATIONS In 2000, business conditions largely followed the pattern seen in 1998 and 1999. Despite strong demand and record prices for natural gas, demand for compression equipment was generally constrained.

Demand for compression equipment was generally constrained.

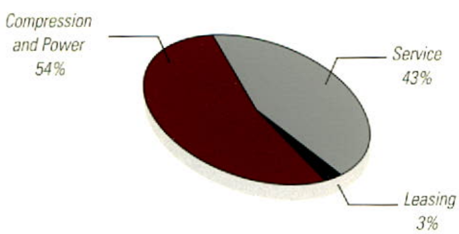
The Company anticipates that market conditions will strengthen in 2001, buoyed by strong demand and strong prices for natural gas. This should create favorable conditions for all three business units. Compression and Power will benefit from higher capital spending on gas compression equipment, while high demand for gas will also support the growth of Service and Leasing.

Enerflex reports the following results for 2000 on a consolidated basis:

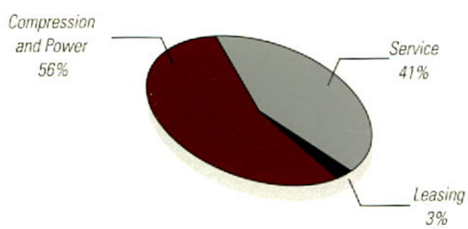
- total revenues in 2000 were $286.3 million, up 11.5% from $256.7 million in 1999;
- net income in 2000 was $11.3 million, down 6.6% from $12.1 million from 1999;
- on a per-share basis, net income was $0.75 (on a fully diluted basis), down from $0.80 in 1999;
- the Company's return on opening equity was 11% compared to 12% in 1999 and a five-year average of 24%.

Segment revenues and income before interest and taxes Enerflex operates three business units: Compression and Power, Service and Leasing. The charts and tables below illustrate 2000 revenues and income for each, compared to 1999 levels.

2000 REVENUE – *$286.3*
($ millions)



1999 REVENUE – *$256.7*
($ millions)



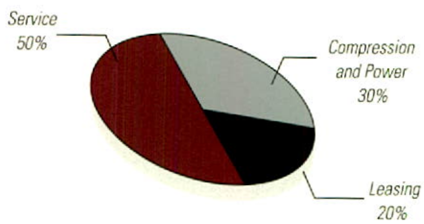
REVENUE

(Thousands)	2000	1999
Compression and Power	$ 154,448	$ 142,347
Service	122,572	106,224
Leasing	9,263	8,093
	$ 286,283	$ 256,664

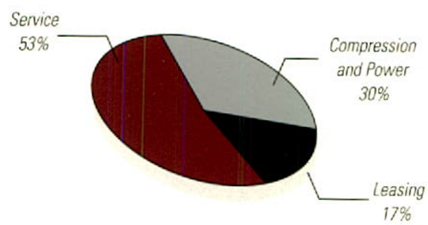
INCOME BEFORE INTEREST AND TAXES

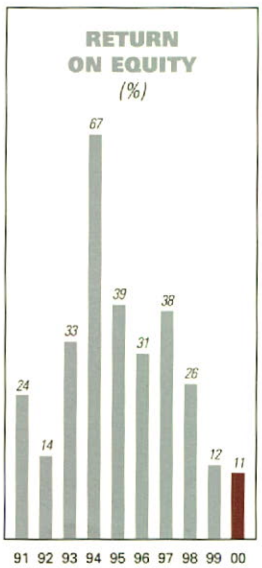
(Thousands)		2000		1999
Compression and Power	$	6,454	$	6,630
Service		10,544		11,817
Leasing		4,288		3,896
	$	21,286	$	22,343

2000 SEGMENT INCOME – *$21.3*
(Before Interest and Taxes, $ millions)



1999 SEGMENT INCOME – *$22.3*
(Before Interest and Taxes, $ millions)





Overall sales increased 11.5% in 2000 compared to 1999. In spite of increased sales, operating margins and net income declined due to poor market conditions, under-utilization of the new manufacturing plant and higher interest costs. Three of the Company's divisions have now been consolidated into the plant which will result in higher utilization and significantly lower general and administrative costs. This will positively impact income in 2001 and thereafter. The expanded capacity provided by the plant will benefit the Company as the compression market recovers.

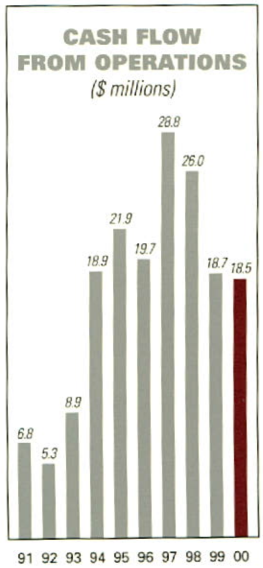
In addition, Service business earnings declined in the fourth quarter of 2000 compared to the same period in 1999, due to lower demand for refurbishment work and a one-time gain taken in 1999 related to the settlement of a claim. Income levels are fully expected to return to normal beginning in the first quarter of 2001.

GROSS MARGINS The Company's overall gross margin for 2000 was 18.8%, as compared to 19.8% in 1999. By business unit, the historical pattern prevailed in which Leasing achieved the largest gross margin, followed by Service and then Compression and Power.

SELLING, GENERAL AND ADMINISTRATIVE Selling, general and administrative expenses were $33.2 million or 11.6% of revenue in 2000, nearly identical to the 1999 percentage.

INTEREST Net interest expense in 2000 was $3.6 million, compared to $1.9 million in 1999. In 1999, $512,000 of interest costs were capitalized in respect of construction of the manufacturing facility completed that year. The remaining increase was due to the expansion of the rental fleet by a net of $7.9 million.

INCOME TAXES The effective rate of income tax for 2000 was 36%, compared to 41% in each of the previous two years. These rates are lower than the expected statutory rate in Canada due to the receipt of manufacturing and processing credits and the effects of the income tax rate reductions.



RETURN ON EQUITY In 2000, Enerflex achieved an after-tax return on opening book equity of 11%. This compares to an average of 24% for the previous five-year period. While lower than the historical average, the 2000 return was achieved without significant use of leverage. The Company's conservative approach is appropriate given the cyclical nature of the industry.

FINANCIAL CONDITION AND LIQUIDITY

Cash flow from operations Enerflex generated $18.5 million cash from operations in 2000, compared to $18.7 million in 1999.

In 2000, $2.3 million was used to finance the operating working capital needs of Company operations, compared to $13.4 million in 1999. As business levels increased toward the end of the year, receivables declined, requiring less cash to fund operations.

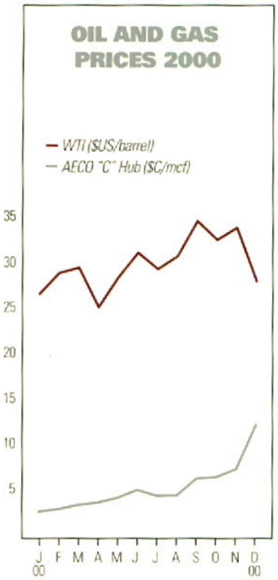
Investments Total capital expenditures in 2000 were $16.9 million, compared to $32.8 million in 1999.

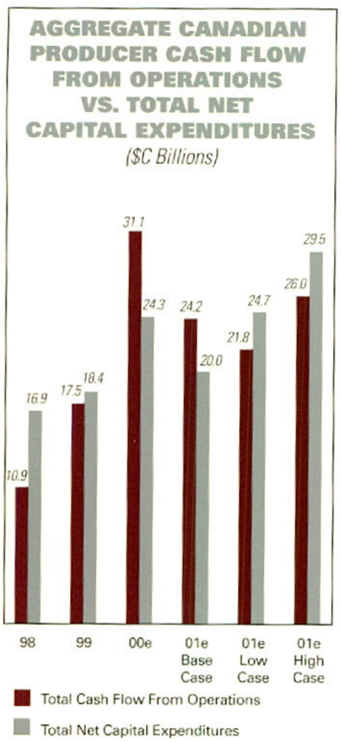
In 2000, the largest single investment was $12.4 million to expand the rental fleet, compared to an expansion of $11.6 million in 1999. To meet growing demand for rental equipment, Enerflex plans to continue to increase the size of the rental fleet in 2001. The Company also had proceeds of $4.6 million from the sale of rental equipment, compared to $6.1 million in 1999.

By 2000, most major expenditures relating to the Company's manufacturing facility were complete.

Financing and liquidity As at December 31, 2000, the Company had total debt of $54.8 million. This includes an operating loan of $24.6 million and long-term debt, including current portion, of $30.2 million. This compares to total debt of $47.4 million a year earlier. Working capital at December 31, 2000 was $57.9 million, compared to $60.0 million a year earlier. Shareholders' equity at December 31, 2000 was $104.1 million, compared to $103.0 million a year earlier.

In 2001, Enerflex expects to finance its capital programs and domestic and international activities from operating cash flow. In addition, Enerflex has a $50 million operating line of credit and a $30 million term facility which was specifically provided for the construction of the manufacturing plant completed in 1999.





Data Sources: First Energy Capital Corp.
Canadian Energy Synopsis
Oct. 20, 2000

DIVIDENDS The annual dividend per share for 2000 was 40 cents, consistent with 1999. This is a payout ratio of 52.6% of 2000 net earnings compared to 49.4% in 1999.

SHARE REPURCHASE In 2000, Enerflex renewed its Normal Course Issuer Bid, and purchased 103,300 common shares at an average price of $32.62, compared to 85,400 shares purchased in 1999 at an average price of $32.89.

OUTLOOK FOR MARKETS AND COMPETITION Enerflex's business prospects will be directly affected by three key factors:

- the business outlook for oil and gas producers;
- the nature and extent of natural gas drilling in Western Canada;
- the business outlook and competitive environment within the compression and power generation industries.

Industry outlook – oil and gas producers Based on history and industry practice, we should be in the midst of a large capital investment phase within the Canadian oil and gas industry. The reason, of course, is growing demand.

Throughout 2000, prices for crude oil and natural gas were very strong, reaching record levels in the case of natural gas.

Not surprisingly, these high prices are creating extremely strong cash flow and profits within the Canadian oil and gas industry. In the third quarter of 2000, Canada's senior producers reported profits up 146% from the same quarter in 1999. Third-quarter cash flow nearly doubled the level of the same quarter the previous year.

For the past 18 months, cash flow among senior producers has outstripped capital spending. However, the lack of spending on facilities and infrastructure will need to change if producers expect to meet the forecast demand for gas. Capital spending, particularly on compression equipment, will need to increase dramatically.

Drilling strategies pursue cash flow, not growth With natural gas prices hovering at very high levels, relative to recent years, it might be expected that producers would seek to invest to produce more natural gas.

The past year has shown that this is not the case. The trend toward shallow drilling caused many analysts to express concern over companies' abilities to meet production forecasts.

While natural gas drilling activity is strong – with more than 8,200 natural gas wells drilled in 2000 – the focus of this activity has been development drilling. Exploration drilling was at modest levels, roughly one-third the volume of development drilling.

Clearly, the strategy of most producers was to maximize short-term returns by keeping capital expenditures low. We anticipate that this should change in 2001.

While both the Service and Leasing business units benefit from a focus of reduced capital investment, the fortunes of the Compression and Power business unit depend on capital expenditures by producing companies.

The changing face of the compression industry Just as forces affecting the natural gas industry influence Enerflex, so the Company competes in a highly competitive gas compression industry. Enerflex sees several competitive trends that will impact the business in the years ahead.

A SINGLE NORTH AMERICAN MARKET Enerflex is the leader in the Canadian market, but the business is increasingly North American in scale. Enerflex plans to compete in the U.S market. The Company's strategy reflects this fact.

RENTAL WILL BE MORE IMPORTANT The U.S. compression market is 30% served by rental equipment, while the Canadian industry is approximately 5% rental. The rental trend is accelerating in the U.S. About 50% of new U.S. compressor horsepower is being directed into rental fleets.

THE CANADIAN LANDSCAPE IS CHANGING Three factors are changing how the Canadian compressor industry functions. First, shorter reserve life suggests greater activity in servicing and reconfiguring existing equipment. Second, producers' desire to manage capital should spur more rental activity. Third, more companies will outsource technical and operational support functions.

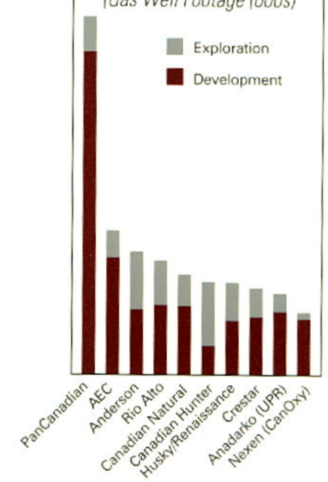
CONSOLIDATION AND RATIONALIZATION WILL CONTINUE As the compression industry becomes more competitive, strong companies will naturally seek acquisitions in order to capture greater economies of scale. In time, the North American industry will be dominated by a small number of larger companies.

Enerflex intends to be one of these companies.

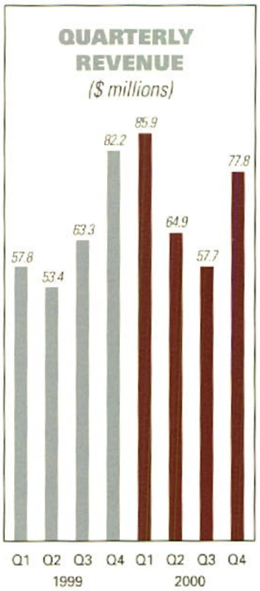
BUSINESS RISKS While demand for Enerflex's products and services is largely a function of the supply, demand and price of natural gas, many other factors can affect the fortunes of the business either positively or negatively. Enerflex encourages all investors to read and be aware of the following business risk issues and the Company's response to them.

Markets and operations Energy prices in general affect Enerflex, as most customers generate cash flow from both oil and gas. Natural gas prices are determined by supply, demand and government regulations relating to natural gas production and processing, while these factors are entirely outside the control of Enerflex. The market itself is both cyclical and, at times, highly volatile.

TOP DRILLING OPERATORS IN WESTERN CANADA FOR 2000
(YTD Q3)
(Gas Well Footage (000s)



Source: Ziff Energy Group



Foreign exchange Enerflex, a Canadian company, is exposed to foreign exchange risk when it buys or sells goods or services in U.S. dollars. The Company manages most of this inherent risk through a variety of contractual means, but currency risk cannot be eliminated entirely.

The cyclical nature of the energy industry Enerflex is structured to be profitable in both high and low periods of the energy cycle. This is done through product breadth, international diversification and access to a variety of equipment financing methods. Over the past 10 years, Enerflex has generated positive cash flow even in challenging times.

Foreign operations In 2000, Enerflex sold goods and services in seven countries outside Canada. While this diversification is desirable, it can expose the Company to risk related to issues such as quality of receivables. The Company mitigates this risk by dealing with credit-worthy institutions, and using credit insurance and letters of credit where appropriate.

Distribution agreements One of the Company's strategic assets is its distribution agreements with leading manufacturers, notably Ariel Corporation (for compressors) and Waukesha Engine (for engines). Enerflex and its people make it a priority to maintain and enhance these strategic relationships.

Climatic factors In North America, cold winters typically increase demand (and therefore price) of natural gas. That's positive for Enerflex. Warm winters in Western Canada, however, can make it difficult to reach well locations and in turn hamper drilling and compression operations. This is negative for Enerflex.

Seasonal demand Demand for compression products and services, and hence Enerflex business prospects, are clearly influenced by seasonal demand. The year's first quarter is generally accompanied by increased winter deliveries of equipment. Service activities are generally higher in the summer.

Environment Enerflex regularly conducts third-party environment audits to ensure that environmental issues do not materially affect financial condition or performance.

BOARD OF DIRECTORS

The Board comprises eight Directors, a majority of whom are considered to be independent of management and free of any interest or business relationship that may interfere with their judgement. No one shareholder of the Company has the ability to exercise a majority of the votes for the election of the Board of Directors.

The Company intends to maintain its policy of having a Board comprising a majority of unrelated directors. Subject to the approval of the Corporate Governance and Compensation Committee, individual Directors can and have engaged an outside advisor at the expense of the Company in the event there are any matters related to corporate or Board actions on which the Director wishes to receive independent, professional counsel. At December 31, 2000 the Directors were:

P. JOHN ALDRED
Executive Chairman
Calgary, Alberta

MALCOLM R. COX
President and Chief Executive Officer
Chestermere, Alberta

PATRICK D. DANIEL
President and Chief Executive Officer
Enbridge Inc.
Calgary, Alberta

MICHAEL A. GRANDIN
Executive Vice President
and Chief Financial Officer
Canadian Pacific Limited
Calgary, Alberta

GEOFFREY F. HYLAND
President and Chief Executive Officer
Shaw Industries Ltd.
Rexdale, Ontario

J. NICHOLAS ROSS
Chairman and Chief Executive Officer
Rover Capital Corporation
Toronto, Ontario

HON. BARBARA J. SPARROW
President
Sparrow Holdings Ltd.
Calgary, Alberta

ROBERT C. WILLIAMS
Managing Director
Equity Capital Markets/Syndication
Scotia Capital Inc.
Toronto, Ontario

Assessment of the composition of the Board and its effectiveness is the responsibility of the Corporate Governance and Compensation Committee. The Board of Directors believes that its current representation is adequate to effectively carry out its governance duties and responsibilities.

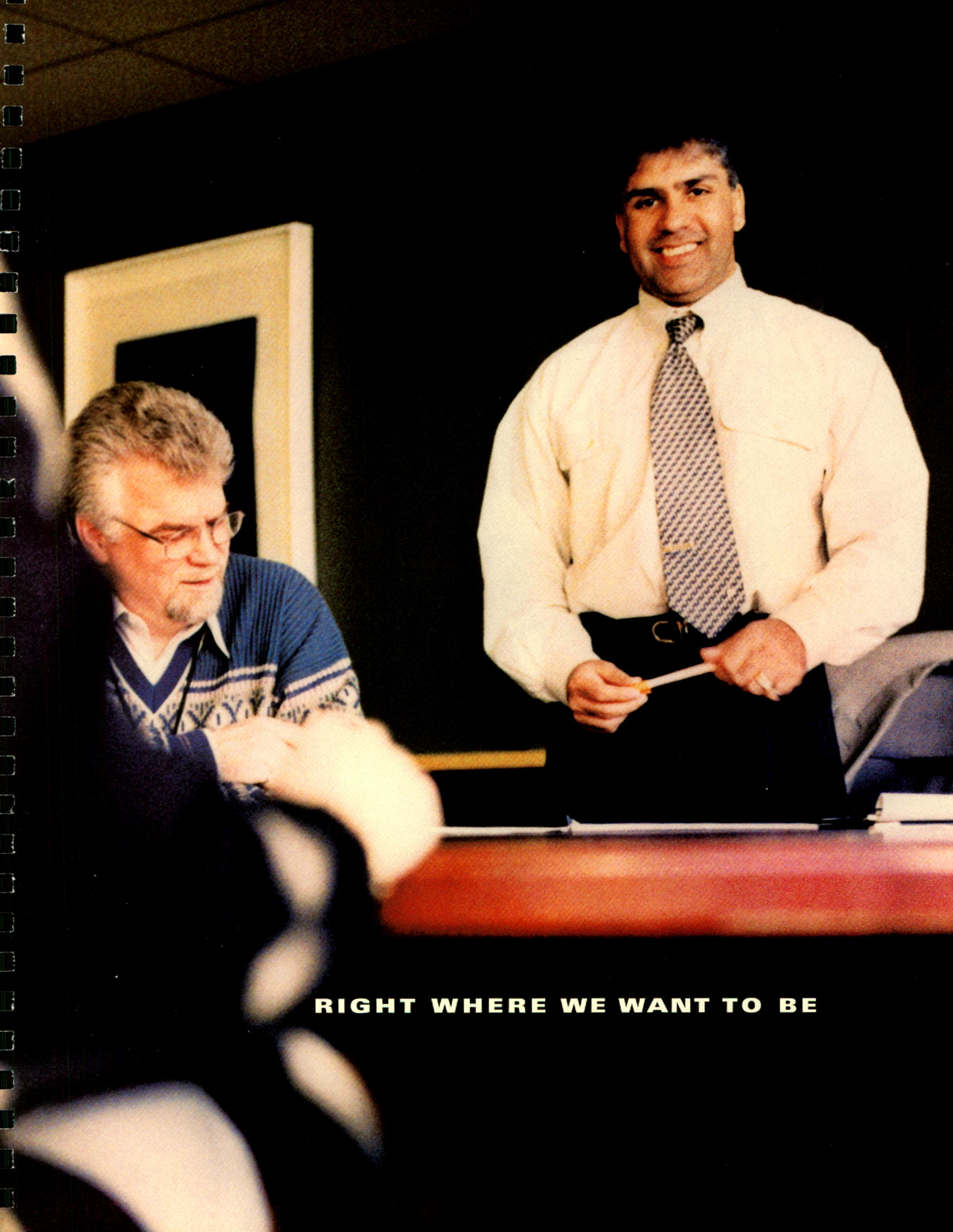
COMMITTEES OF THE BOARD The Board has two committees, both of which comprise Directors who are independent of management.

The Corporate Governance and Compensation Committee comprises Mr. Robert C. Williams (Chairman), Mr. J. Nicholas Ross and Mr. Geoffrey F. Hyland. The Committee undertakes a continuous review of all aspects of the Board's governance practices and other initiatives that may be exemplary of sound governance including Board membership, remuneration and performance, identification and recruitment of new directors and new director orientation. Principal compensation responsibilities include human resource planning, compensation of executive officers and other senior management, short- and long-term incentive programs, pension and other benefit plans, executive officer appointments, evaluation of performance of the Executive Chairman and the President and Chief Executive Officer, succession planning and executive development.

The Audit Committee comprises Mr. Patrick D. Daniel (Chairman), Hon. Barbara J. Sparrow, Mr. Michael A. Grandin and Mr. J. Nicholas Ross. Principal duties include overview responsibility for financial statements and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies, the integrity of accounting systems and internal controls, and consultation with the auditors independent of management.

LEAD DIRECTOR Mr. P. John Aldred, the Executive Chairman and Mr. Malcolm R. Cox, the President and Chief Executive Officer, are the only management representatives who are also members of the Board of Directors. Mr. Robert C. Williams, who is not a member of management, has been appointed the Lead Director. The Lead Director's role is to facilitate the functioning of the Board independently of management. Amongst other things, the Lead Director serves as an independent contact for other directors on matters not deemed appropriate to be discussed initially with the Executive Chairman or in other situations where the Executive Chairman is not available. The Lead Director is also available to counsel the Executive Chairman on matters appropriate for review in advance of discussion with the full Board of Directors. The Lead Director holds office until such time as he resigns or is replaced by a majority vote of the outside directors.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS The Board of Directors is responsible for the stewardship of the Company and considers good corporate governance to be central to the Company's effective and efficient operation. The Board is responsible for effective communications between the Company, its stakeholders and the public, and for the annual planning process, which includes strategies prepared by senior executives and the assessment of principal risks. The Board convenes at least quarterly, including periodic meetings with senior management of the Company.



RIGHT WHERE WE WANT TO BE

RIGHT WHERE WE WANT TO BE

FINANCIAL STATEMENTS

CONTENTS

The Company's financial performance in 2000 was indeed respectable given that market conditions were, for the most part, difficult.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

TO THE SHAREHOLDERS OF ENERFLEX SYSTEMS LTD. The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that in the consolidated financial statements.

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

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

The consolidated financial statements have been audited independently by Arthur Andersen LLP on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

P. John Aldred
Executive Chairman

Malcolm R. Cox
President and Chief Executive Officer

February 8, 2001

AUDITORS' REPORT

To the Shareholders of Enerflex Systems Ltd.:

We have audited the consolidated statements of financial position of Enerflex Systems Ltd. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Calgary, Alberta
February 2, 2001

ARTHUR ANDERSEN LLP
Chartered Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands)		December 31 2000	1999
ASSETS			
Current assets			
Accounts receivable		$ 58,842	$ 70,675
Inventory	(Note 1)	51,136	40,338
Future income taxes	(Note 7)	1,812	–
Total current assets		111,790	111,013
Rental equipment	(Note 2)	31,740	26,029
Property, plant and equipment	(Note 3)	47,273	47,711
Future income taxes	(Note 7)	639	–
Goodwill, net of accumulated amortization		1,299	1,340
		$ 192,741	$ 186,093
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Operating bank loans	(Note 4)	$ 24,638	$ 15,240
Accounts payable and accrued liabilities		29,075	33,620
Current portion of long-term debt	(Note 4)	200	2,200
Total current liabilities		53,913	51,060
Long-term debt	(Note 4)	30,000	30,000
Future income taxes	(Note 7)	4,717	2,066
		88,630	83,126
Commitments and contingencies	(Note 6)		
Shareholders' equity			
Share capital	(Note 5)	35,617	35,204
Retained earnings		68,494	67,763
		104,111	102,967
		$ 192,741	$ 186,093

On behalf of the Board:

P. John Aldred,
Director

Patrick D. Daniel,
Director

CONSOLIDATED STATEMENTS OF INCOME

(Thousands, except share amounts)		Years Ended December 31 2000	1999
Revenue	(Note 9)	$ 286,283	$ 256,664
Cost of goods sold		232,369	205,781
Gross margin		53,914	50,883
Selling, general and administrative expenses		33,227	29,734
Gain on sale of assets		(599)	(1,194)
Income before interest and taxes		21,286	22,343
Interest	(Note 4)	3,583	1,900
Income before income taxes		17,703	20,443
Income taxes	(Note 7)	6,391	8,337
Net income		$ 11,312	$ 12,106
Net income per common share – basic		$ 0.76	$ 0.81
– fully diluted		$ 0.75	$ 0.80
Weighted average number of common shares		14,968,887	15,026,580

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Thousands)		Years Ended December 31 2000	1999
Retained earnings, beginning of year		$ 67,763	$ 65,378
Net income		11,312	12,106
Common shares purchased for cancellation	(Note 5)	(3,125)	(2,610)
Stock options purchased	(Note 5)	(1,467)	(1,095)
Dividends		(5,989)	(6,016)
Retained earnings, end of year		$ 68,494	$ 67,763

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)	Years Ended December 31 2000	1999
Operating Activities		
Net income	$ 11,312	$ 12,106
Depreciation and amortization	7,570	6,763
Future income taxes	200	1,006
Gain on sale of assets	(599)	(1,194)
	18,483	18,681
Changes in non-cash working capital	(2,324)	(13,361)
	16,159	5,320
Investing Activities		
Purchase of:		
Rental equipment	(12,443)	(11,627)
Property, plant and equipment	(4,503)	(21,155)
Proceeds on disposal of:		
Rental equipment	4,558	6,062
Property, plant and equipment	185	6,358
	(12,203)	(20,362)
Changes in non-cash working capital	(922)	(554)
	(13,125)	(20,916)
Financing Activities		
Increase in operating bank loans	9,398	11,305
Proceeds from (repayment of) long-term debt	(2,000)	13,900
Common shares purchased for cancellation	(3,369)	(2,809)
Stock options purchased	(2,482)	(1,846)
Stock options exercised	657	725
Dividends	(5,989)	(6,016)
	(3,785)	15,259
Changes in non-cash working capital	751	337
	(3,034)	15,596
Increase in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –
Supplemental disclosure of cash flow information		
Interest paid	$ 3,584	$ 2,331
Income taxes paid	$ 6,134	$ 7,336

SUMMARY OF ACCOUNTING POLICIES

Tabular Dollar Amounts in Thousands

INCORPORATION AND BASIS OF PRESENTATION Enerflex Systems Ltd. (the "Company") is incorporated under the Canada Business Corporations Act. The consolidated financial statements include the accounts of Enerflex Systems Ltd. and its subsidiaries.

USE OF ESTIMATES The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimated.

REVENUE RECOGNITION Revenues from the design, manufacture and installation of equipment are recorded upon substantial technical completion. Any foreseeable losses on contracts are charged to operations at the time they become evident. Revenues from parts and service sales are recorded when goods are shipped and services rendered. Revenue from equipment leases is recorded over the lease term.

INVENTORY Manufacturing materials are recorded at the lower of cost (principally on the first-in, first-out method) and net realizable value. Repair parts are recorded at the lower of cost (weighted average) and net realizable value. Work in progress includes material, labour and manufacturing overhead, and is recorded net of progress billings on a contract by contract basis.

RENTAL EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT Rental equipment and property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives (three years to 20 years) of the various classes of assets. Repairs and maintenance costs are charged to operations as incurred. Major renewals and improvements are capitalized. A provision is made in advance for major overhauls on rental equipment. No depreciation is provided on assets under construction.

GOODWILL Goodwill represents the excess of the purchase price over the value attributed to net tangible assets acquired. Goodwill is assessed periodically for impairment and is being amortized over 40 years.

CHANGE IN ACCOUNTING POLICY – INCOME TAXES Effective January 1, 2000, the Company retroactively adopted the liability method of accounting for income taxes. Under this method, temporary differences between the tax basis of the Company's assets and liabilities and their carrying amounts result in future income tax assets and liabilities. Future income taxes are measured using income tax rates that, at the balance sheet date, are expected to apply when the liability is settled or the asset is realized. The impact of this change in accounting policy on the financial statements of prior periods is not significant. Consequently, the financial statements of prior periods have not been restated. Had the Company followed the deferral method of accounting for income taxes in the current period, future income tax expense and the related future tax liability would have increased by $593,000.

FORWARD EXCHANGE CONTRACTS In the normal course of business, the Company enters into short-term foreign currency forward exchange contracts with financial institutions to hedge assets, liabilities or future commitments denominated in a foreign currency. Gains and losses arising from these contracts offset the losses and gains from the underlying hedged transactions.

FOREIGN EXCHANGE TRANSLATION Transactions and non-monetary balances denominated in foreign currency are translated into Canadian dollars using the exchange rates at the dates of the transactions; monetary balances are translated using the exchange rate at the date of the statement of financial position. Translation gains or losses are included in the statement of income.

STOCK-BASED COMPENSATION PLAN The Company's stock-based compensation plan is described in Note 5. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. Option holders have the right to request the Company to purchase for cash all or part of the options. When stock options are purchased from employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings, net of related income tax benefits.

NOTE 1. INVENTORY

	2000	1999
Manufacturing materials	$ 20,737	$ 6,947
Repair parts held for resale	23,313	20,431
Work in progress:		
Costs in excess of related billings	14,350	18,662
Billings in excess of related costs	(7,264)	(5,702)
	$ 51,136	$ 40,338

NOTE 2. RENTAL EQUIPMENT

	2000	1999
Cost	$ 38,344	$ 31,069
Less accumulated depreciation	(6,604)	(5,040)
Net book value	$ 31,740	$ 26,029

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

	2000 Cost	2000 Accumulated Depreciation	1999 Cost	1999 Accumulated Depreciation
Land	$ 7,327	$ –	$ 7,112	$ –
Buildings	35,553	(4,482)	34,020	(3,454)
Equipment	28,019	(19,144)	25,605	(15,572)
Total	$ 70,899	$ (23,626)	$ 66,737	$ (19,026)
Net book value		$ 47,273		$ 47,711

NOTE 4. DEBT

	2000	1999
Bank term loan	$ 30,000	$ 30,000
Note payable	200	2,200
	30,200	32,200
Less amounts due within one year	(200)	(2,200)
	$ 30,000	$ 30,000

Both the bank term loan and note payable were provided to finance the construction of the Company's manufacturing facility that was completed in 1999. The bank term loan is unsecured, bears interest at prime rate plus 1/2% and is repayable in three equal annual payments of $10,000,000 commencing in 2002. The note payable is secured by land, bears interest at the annual rate of 5 3/4%, and is repayable in 2001.

Interest on long-term debt was $2,266,000 (1999 – $1,870,000, of which $512,000 was capitalized to property, plant and equipment).

The Company's available operating bank lines of credit total $50,000,000, are unsecured and bear interest at bank prime. At December 31, 2000, $24,638,000 (1999 – $15,240,000) was drawn.

NOTE 5. SHARE CAPITAL

AUTHORIZED The Company is authorized to issue an unlimited number of common shares and first preferred shares.

ISSUED

	2000 Common Shares	2000 Amount	1999 Common Shares	1999 Amount
Balance, beginning of year	15,003,000	$ 35,204	15,019,000	$ 34,678
Stock options exercised	47,300	657	69,400	725
Common shares purchased	(103,300)	(244)	(85,400)	(199)
Balance, end of year	14,947,000	$ 35,617	15,003,000	$ 35,204

COMMON SHARES PURCHASED Under the provisions of its normal course issuer bid, the Company purchased and cancelled 103,300 common shares at an average price of $32.62, for a total cost of $3,369,000 including commissions (1999 – 85,400 shares at an average price of $32.89, for a total cost of $2,809,000).

STOCK OPTIONS PURCHASED During 2000, stock options to purchase 129,400 common shares were purchased for $1,467,000 net of income tax benefits of $1,015,000 (1999 – 82,920 common shares for $1,095,000 net of income tax benefits of $751,000).

STOCK OPTIONS OUTSTANDING The Company has reserved 1,500,000 common shares under the terms of its employee stock option plan, of which 403,000 are available for issuance at December 31, 2000 (1999 – 414,000). The exercise price of each option equals the average of the market price of the Company's shares on the five days preceding the date of the grant. Options vest at the rate of 20% on each of the five anniversaries of the date of grant, and expire on the tenth anniversary.

A summary of the status of the plan as at December 31, 2000 and 1999 and changes during the years then ended is presented below:

	2000 Options	2000 Weighted Average Exercise Price	1999 Options	1999 Weighted Average Exercise Price
Outstanding, beginning of year	764,350	$ 19.87	796,350	$ 16.29
Granted	140,430	33.53	153,550	28.67
Exercised	(47,300)	13.86	(69,400)	10.45
Purchased	(129,400)	17.26	(82,920)	9.68
Cancelled	(92,450)	26.84	(33,230)	19.37
Outstanding, end of year	635,630	22.86	764,350	19.87
Options exercisable, end of year	307,430		322,940	

The following table summarizes information about the stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$7.81 – $9.33	189,800	4.3	$ 8.83	174,920	$ 8.78
$20.03 – $28.63	233,150	7.1	24.28	93,910	22.18
$32.63 – $38.18	212,680	8.2	33.82	38,600	34.16
$7.81 – $38.18	635,630	6.6	22.86	307,430	16.06

PER SHARE AMOUNTS Fully diluted earnings per share includes imputed interest, net of income taxes, of $436,000 (1999 – $456,000) calculated at a rate of 5% (1999 – 5%) on the potential proceeds from the exercise of stock options.

NOTE 6. COMMITMENTS AND CONTINGENCIES

At December 31, 2000, the Company had outstanding letters of credit issued in lieu of holdbacks and performance bonds aggregating $5,574,000.

NOTE 7. INCOME TAXES

The difference between the income tax provision using statutory income tax rates and the actual income tax provision is explained as follows:

	2000	1999
Income taxes calculated at statutory rates	$ 7,899	$ 9,125
Manufacturing and processing profits reduction	(632)	(720)
Other	(876)	(68)
Income tax provision	$ 6,391	$ 8,337

The composition of the income tax provision is as follows:

	2000	1999
Current income taxes	$ 6,191	$ 7,331
Future income taxes (1999 – deferred income taxes)	200	1,006
Income tax provision	$ 6,391	$ 8,337

Current future income tax assets arise from deductible temporary differences between the tax basis of current assets and liabilities (primarily provisions for doubtful accounts receivable, obsolete inventory and warranty expense) and their carrying amounts.

Long-term future income tax assets result from deductible temporary differences between the tax basis of the Company's property, plant and equipment and its carrying amount.

Future income tax liabilities result from taxable temporary differences between the tax basis of the Company's rental equipment and its carrying amount.

NOTE 8. FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE In the normal course of operations, the Company is exposed to movements in the U.S. and Australian dollar exchange rates relative to the Canadian dollar. In order to minimize the exposures, the Company utilizes hedging instruments to create offsetting positions to specific exposures. These instruments are employed in connection with an underlying asset, liability or anticipated transaction, and are not used for speculative purposes.

At December 31, 2000, the Company had contracted to sell $3,500,000 (Australian) at an average rate of $0.8758 in the period of March to June, 2001 to manage its foreign currency exposure in the ordinary course of business.

CREDIT RISK A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES The fair values of financial instruments that are included in the consolidated statements of financial position, other than long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of long-term debt does not differ significantly from its carrying amount.

NOTE 9. SEGMENTED INFORMATION

The Company operates in three reportable segments, each offering different products and services. These segments are: Compression and Power, which includes design, fabrication and installation of modular compression and power systems; Service, which includes the supply of parts, maintenance and the re-engineering of used compression and power systems; and Leasing.

	Compression and Power Systems ($)		Service ($)		Leasing ($)		Consolidated ($)	
	2000	1999	2000	1999	2000	1999	2000	1999
Segment revenue	165,994	153,559	125,151	112,193	9,263	8,093	300,408	273,845
Intersegment revenue	(11,546)	(11,212)	(2,579)	(5,969)	–	–	(14,125)	(17,181)
External revenue	154,448	142,347	122,572	106,224	9,263	8,093	286,283	256,664
Depreciation and amortization	2,993	2,570	1,829	1,866	2,748	2,327	7,570	6,763
Income before interest and taxes	6,454	6,630	10,544	11,817	4,288	3,896	21,286	22,343
Segment assets	96,313	101,194	61,564	55,406	33,273	28,015	191,150	184,615
Corporate							1,591	1,478
							192,741	186,093
Capital expenditures	1,381	18,886	3,089	2,237	12,463	11,643	16,933	32,766
Corporate							13	16
							16,946	32,782

The Company derived $36,743,000 (1999 – $61,790,000) of revenues from foreign countries, including gross exports from domestic operations of $25,598,000 (1999 – $52,842,000). Sales to any one country are not considered to be individually significant.

TEN-YEAR DATA

(Millions, except per share data; unaudited)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
RESULTS										
Revenue	286.3	256.7	314.5	336.2	245.9	222.7	217.3	120.0	69.5	85.9
EBITDA (1)	28.9	29.1	42.4	46.7	32.4	32.2	33.8	17.0	8.8	12.7
Income before income taxes	17.7	20.4	38.1	42.7	27.8	26.9	30.2	13.6	5.6	8.6
Net income	11.3	12.1	22.6	25.2	16.5	16.1	17.8	7.7	3.0	4.7
Per common share – basic	0.76	0.81	1.50	1.67	1.10	1.07	1.17	0.51	0.18	0.29
Interest expense (income)	3.6	1.9	(0.3)	(0.1)	0.7	1.3	1.3	1.1	0.8	0.9
Depreciation and amortization	7.6	6.8	4.6	4.1	3.9	4.0	2.3	2.3	2.3	3.2
Cash from operations before changes in non-cash working capital	18.5	18.7	26.0	28.8	19.7	21.9	18.9	8.9	5.3	6.8
Capital expenditures, net										
Rental equipment	7.9	5.6	10.2	0.6	(2.2)	0.2	8.6	2.7	0.1	1.5
Property, plant and equipment	4.3	14.8	23.5	3.3	2.7	3.7	7.2	1.6	0.9	0.8
Dividends on common shares	6.0	6.0	6.0	4.5	3.8	3.8	2.6	2.6	0.1	–
FINANCIAL POSITION										
Working capital	57.9	60.0	56.0	58.0	37.7	26.9	13.0	12.5	12.6	8.6
Rental equipment	31.7	26.0	22.2	13.4	13.8	16.9	18.1	9.5	7.1	7.7
Property, plant and equipment	47.3	47.7	36.7	16.2	15.5	15.2	13.8	8.0	8.0	8.7
Total fixed assets	79.0	73.7	58.9	29.6	29.3	32.1	31.9	17.5	15.1	16.4
Total assets	192.7	186.1	159.5	142.7	106.4	91.8	102.5	62.0	41.4	38.6
Long-term debt	30.0	30.0	15.2	–	–	4.6	4.7	4.8	4.9	3.5
Shareholders' equity	104.1	103.0	100.1	87.0	66.4	53.6	41.6	26.5	23.4	22.1
KEY RATIOS										
Gross margin as a percentage of revenue	18.8	19.8	22.4	21.7	21.4	22.3	23.6	23.2	23.5	23.7
Pre-tax income as a percentage of revenue	6.2	8.0	12.1	12.7	11.3	12.1	13.9	11.3	8.1	10.0
Return on opening equity	11.0	12.1	26.0	38.0	30.9	38.8	67.2	32.9	13.6	24.4

(1) Earnings before interest, taxes, depreciation and amortization

QUARTERLY DATA

(Millions, except per share data; unaudited)	2000 Q4	2000 Q3	2000 Q2	2000 Q1	1999 Q4	1999 Q3	1999 Q2	1999 Q1
Revenue	77.8	57.7	64.9	85.9	82.2	63.3	53.4	57.8
EBITDA	8.2	5.3	6.7	8.7	9.0	6.8	6.6	6.7
Income before income taxes	5.2	2.4	3.9	6.2	6.5	4.1	4.5	5.3
Net income	3.8	1.5	2.3	3.7	3.9	2.4	2.6	3.2
Per common share – basic	0.25	0.10	0.16	0.25	0.26	0.16	0.18	0.21
Depreciation and amortization	2.0	1.9	1.9	1.8	1.9	1.9	1.8	1.2
Cash from operations before changes in non-cash working capital	5.2	3.4	3.9	6.0	7.5	3.2	3.9	4.1
Capital expenditures, net								
Rental equipment	4.2	1.4	(0.6)	2.9	1.8	1.4	0.2	2.2
Property, plant and equipment	2.2	0.4	0.9	0.8	2.4	(3.4)	9.1	6.7
Dividends on common shares	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Dividends per common share (¢)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Pre-tax income as a percentage of revenue	6.7	4.2	6.0	7.2	7.9	6.5	8.4	9.2

COMMON SHARE DATA

	2000	1999	1998	1997	1996	1995	1994	1993
Trading price range of common stock – high	40.80	40.00	45.60	44.00	18.25	9.00	9.75	8.75
– low	25.00	29.50	23.85	16.75	8.19	6.12	7.00	6.00
– close	31.00	37.50	29.50	32.50	16.50	8.38	8.69	7.50
Trading volume (millions)	6.8	5.0	7.5	7.7	3.0	4.5	5.5	2.6
Common shares (millions)								
Outstanding December 31	15.0	15.0	15.0	15.1	15.1	15.1	15.1	15.1
Weighted average – basic	15.0	15.0	15.1	15.1	15.1	15.1	15.1	15.1

DIRECTORS & OFFICERS

P. JOHN ALDRED
Director, Officer of the Corporation
Executive Chairman
Enerflex Systems Ltd.
Calgary, Alberta

MALCOLM R. COX
Director, Officer of the Corporation
President and Chief Executive Officer
Enerflex Systems Ltd.
Chestermere, Alberta

PATRICK D. DANIEL(1)
Director
President and Chief Executive Officer
Enbridge Inc.
Calgary, Alberta

MICHAEL A. GRANDIN(1)
Director
Executive Vice President
and Chief Financial Officer
Canadian Pacific Ltd.
Calgary, Alberta

GEOFFREY F. HYLAND(2)
Director
President and Chief Executive Officer
Shaw Industries Ltd.
Toronto, Ontario

J. NICHOLAS ROSS(1)(2)
Director
Chairman and Chief Executive Officer
Rover Capital Corporation
Toronto, Ontario

HON. BARBARA J. SPARROW(1)
Director
President,
Sparrow Holdings Ltd.
Calgary, Alberta

ROBERT C. WILLIAMS(2)
Director
Managing Director, Equity Capital
Markets/Syndication, Scotia Capital Inc.
Toronto, Ontario

MICHAEL D. HAMBLY
Officer of the Corporation
Vice-President and
General Manager
Compression and Power
Enerflex Systems Ltd.
Bragg Creek, Alberta

NIELS W. BANG
Officer of the Corporation
Vice-President
Service
Enerflex Systems Ltd.
Calgary, Alberta

PETER J. CONWAY
Officer of the Corporation
Vice-President
Product Development
Enerflex Systems Ltd.
Calgary, Alberta

Notes:
(1) Member of Audit Committee.
(2) Member of Corporate Governance and Compensation Committee.

CANADIAN LOCATIONS

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AUDITORS
Arthur Andersen LLP
Calgary, Alberta

BANKERS
Canadian Imperial
Bank of Commerce
Calgary, Alberta

SOLICITORS
Bennett Jones
Calgary, Alberta

SHARES The common shares of the Company are listed and traded on the Toronto Stock Exchange under the share symbol "EFX." The Company is a constituent of the TSE 300 Index.

REGISTRAR AND TRANSFER AGENT

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600, 530 8 Avenue SW
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Dir: 1.403.267.6555
Fax: 1.403.267.6592
Internet: www.computershare.com
Email: caregistryinfo@computershare.com
All questions about accounts, stock certificates or dividend cheques should be directed to the Registrar and Transfer Agent.

INVESTOR INFORMATION Requests for the Company's Annual Report, Quarterly Reports and other corporate communications should be directed to:

Investor Relations
Enerflex Systems Ltd.
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Tel: 1.403.236.6800
Email: info@enerflex.com

SHARES HELD IN NOMINEE NAME To ensure that shareholders whose shares are not held in their name receive all Company reports and releases on a timely basis, a direct mailing list is maintained by the Company. If you would like your name added to this list, please forward your request to Investor Relations at Enerflex.

ANNUAL GENERAL MEETING The Annual Meeting of Shareholders of Enerflex Systems Ltd. will be held on Thursday, March 29, 2001 in the Hyatt Regency Hotel, 700 Centre Street South, Calgary, Alberta at 2:00 pm Calgary Time.

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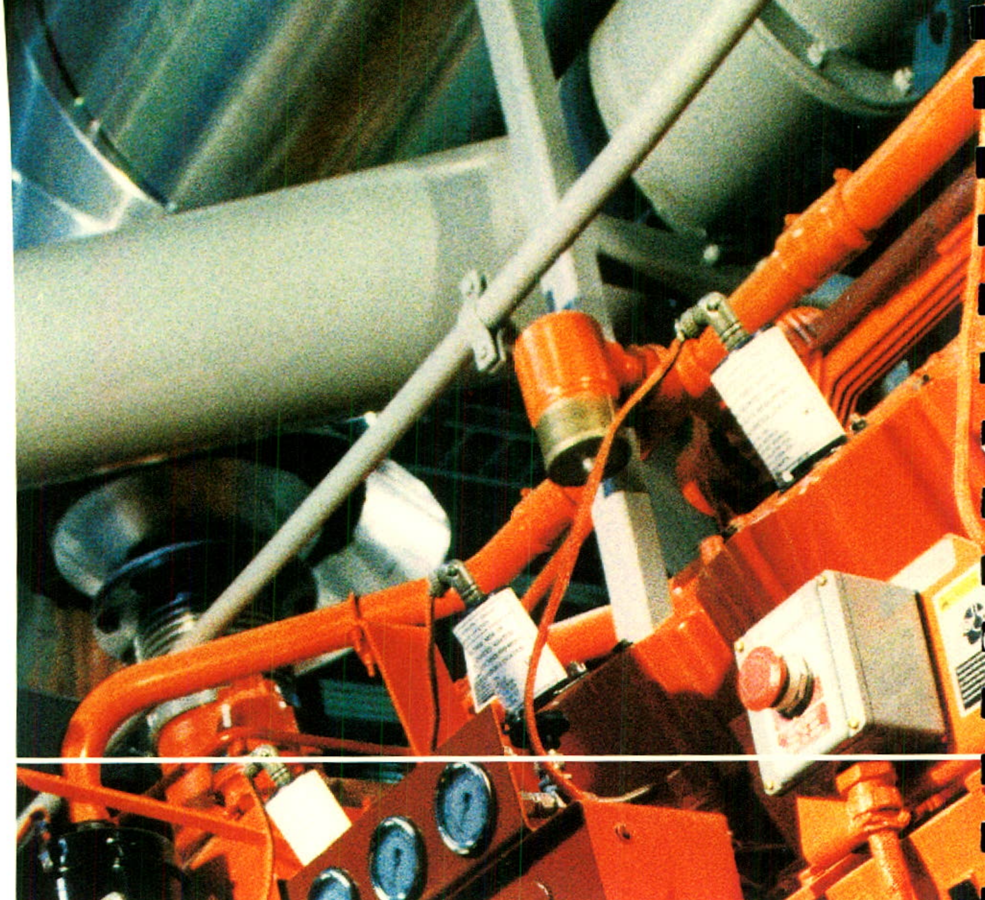

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