UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file no. 001-36875

Exterran Corporation
(Exact name of registrant as specified in its charter)

Delaware	**47-3282259**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11000 Equity Drive	
Houston Texas	**77041**
(Address of principal executive offices)	(Zip Code)

(281) 836-7000
(Registrant’s telephone number, including area code)

4444 Brittmoore Road, Houston, Texas 77041
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	EXTN	New York Stock Exchange

Securities registered pursuant to 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock of the registrant held by non-affiliates, based on the closing price on the New York Stock Exchange, as of June 30, 2019 was $421,501,632.

Number of shares of the common stock of the registrant outstanding as of February 20, 2020: 33,038,866 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2020 Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission within 120 days after December 31, 2019, are incorporated by reference into Part III of this Form 10-K.

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PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this report are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including, without limitation, statements regarding our business growth strategy and projected costs; future financial position; the sufficiency of available cash flows to fund continuing operations; the expected amount of our capital expenditures; anticipated cost savings, future revenue, gross margin and other financial or operational measures related to our business and our primary business segments; the future value of our equipment; and plans and objectives of our management for our future operations. You can identify many of these statements by looking for words such as “believe,” “expect,” “intend,” “project,” “anticipate,” “estimate,” “will continue” or similar words or the negative thereof.

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this report. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will prove to be correct. Known material factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include those described below, in Part I, Item 1A (“Risk Factors”) and Part II, Item 7 (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”) of this report. Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things:

- conditions in the oil and natural gas industry, including a sustained imbalance in the level of supply or demand for oil or natural gas or a sustained low price of oil or natural gas, which could depress or reduce the demand or pricing for our natural gas compression and oil and natural gas production and processing equipment and services;
- reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies;
- economic or political conditions in the countries in which we do business, including civil developments such as uprisings, riots, terrorism, kidnappings, violence associated with drug cartels, legislative changes and the expropriation, confiscation or nationalization of property without fair compensation;
- changes in currency exchange rates, including the risk of currency devaluations by foreign governments, and restrictions on currency repatriation;
- risks associated with cyber-based attacks or network security breaches;
- changes in international trade relationships, including the imposition of trade restrictions or tariffs relating to any materials or products (such as aluminum and steel) used in the operation of our business;
- risks associated with our operations, such as equipment defects, equipment malfunctions, environmental discharges and natural disasters;
- the risk that counterparties will not perform their obligations under their contracts with us or other changes that could impact our ability to recover our fixed asset investment;
- the financial condition of our customers;
- our ability to timely and cost-effectively obtain components necessary to conduct our business;
- employment and workforce factors, including our ability to hire, train and retain key employees;
- our ability to implement our business and financial objectives, including:
    - winning profitable new business;
    - timely and cost-effective execution of projects;
    - enhancing or maintaining our asset utilization, particularly with respect to our fleet of compressors and other assets;
    - integrating acquired businesses;
    - generating sufficient cash to satisfy our operating needs, existing capital commitments and other contractual cash obligations, including our debt obligations; and
    - accessing the financial markets at an acceptable cost;
- our ability to accurately estimate our costs and time required under our fixed price contracts;
- liability related to the use of our products and services;

- changes in governmental safety, health, environmental or other regulations, which could require us to make significant expenditures; and
- our level of indebtedness and ability to fund our business.

All forward-looking statements included in this report are based on information available to us on the date of this report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this report.

Item 1. *Business*

Exterran Corporation (together with its subsidiaries, "Exterran Corporation," the "Company," "our," "we" or "us"), a Delaware corporation formed in March 2015, is a global systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment and compression products and services, providing critical midstream infrastructure solutions to customers throughout the world. Our manufacturing facilities are located in the United States of America ("U.S."), Singapore and the United Arab Emirates.

On November 3, 2015, Archrock, Inc. (named Exterran Holdings, Inc. prior to November 3, 2015) ("Archrock") completed the spin-off (the ‘‘Spin-off") of its international contract operations, international aftermarket services and global fabrication businesses into an independent, publicly traded company named Exterran Corporation. Following the completion of the Spin-off, we and Archrock became and continue to be independent, publicly traded companies with separate boards of directors and management.

General

We provide our products and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. We operate in three primary business lines: contract operations, aftermarket services and product sales. The nature and inherent interactions between and among our business lines provide us with opportunities to cross-sell and offer integrated product and service solutions to our customers.

For financial data relating to our reportable business segments or countries that accounted for 10% or more of our revenue in any of the last three fiscal years or 10% or more of our property, plant and equipment, net, as of December 31, 2019, 2018 or 2017, see Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") and Note 22 to our Consolidated Financial Statements included in Part IV, Item 15 (collectively referred to as "Financial Statements," and individually referred to as "balance sheets," "statements of operations," "statements of comprehensive income (loss)," "statements of stockholders' equity" and "statements of cash flows" herein).

Contract Operations

In our contract operations business, we provide compression and processing and treating services through the operation of our natural gas compression equipment and crude oil and natural gas production and process equipment for our customers. In addition to these services, we also offer water treatment and power solutions to our customers on a stand-alone basis or integrated into our natural gas compression or crude oil production and processing solutions. Our services include the provision of personnel, equipment, tools, materials and supplies to meet our customers' natural gas compression, oil and natural gas production and processing water treatment and power generation service needs. To provide these services to meet our customers' needs, activities we may perform include engineering, designing, sourcing, constructing, installing, operating, servicing, repairing, maintaining and demobilizing equipment owned by us.

We generally enter into contracts with our contract operations customers with initial terms ranging between three to 12 years. In many instances, we are able to renew those contracts prior to the expiration of the initial term and in other instances, we may sell the underlying assets to our customers pursuant to purchase options or negotiated sale agreements. If a contract is not renewed or a customer does not purchase the underlying assets, our equipment is generally returned to our premises for future redeployment. Our contracts may include several compressor units on one site or entire facilities designed to process and treat produced oil or natural gas to make them suitable for end use, which may require us to make significant investments in equipment, facilities and related installation costs. Our commercial contracts generally require customers to pay a monthly service fee even during periods of limited or disrupted oil or natural gas feed flows, which we believe provide us with relatively stable and predictable cash flows. Additionally, we have limited direct exposure to short-term commodity price fluctuations because we typically do not take title to the oil or natural gas that we compress, process or treat, and because the natural gas we use as fuel for our equipment is supplied by our customers.

Our equipment is operated and maintained in accordance with established operational procedures and maintenance schedules. These operations and maintenance procedures are updated as technology changes and as our operations team develops new techniques and procedures. In addition, because our field technicians regularly operate and maintain our contract operations equipment, they are familiar with the condition of our equipment and can readily identify potential problems. In our experience, this in-house expertise and these maintenance procedures maximize equipment life and unit availability, minimize avoidable downtime and lower the overall maintenance expenditures over the equipment life. We believe our contract operations services generally allow our customers to achieve higher production rates and lower unit costs of operation than they would otherwise achieve with their own operations, resulting in increased revenue and margin for our customers. In addition, outsourcing these services allows our customers flexibility for their compression and production and processing needs while minimizing their upfront capital requirements.

During the year ended December 31, 2019, approximately 28% of our revenue and 66% of our gross margin was generated from contract operations. As of December 31, 2019, we had approximately $1.3 billion of unsatisfied performance obligations (commonly referred to as backlog), of which approximately $268 million is expected to be recognized as revenue before December 31, 2020. Our contract operations backlog consists of unfilled orders based on signed contracts and does not include potential sales pursuant to letters of intent received from customers. Our contract operations business is capital intensive. As of December 31, 2019, the net book value of property, plant and equipment associated with our contract operations business was $782.5 million.

Aftermarket Services

In our aftermarket services business, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. Our services range from routine maintenance services and parts sales done on a transactional basis to the full operation and maintenance of customer-owned equipment under long-term agreements.

We generally enter into contracts with our operation and maintenance customers with initial terms ranging between one to four years, and in some cases, in excess of five years. In many instances, we are able to renew those contracts prior to the expiration of the initial term. We believe that we are particularly well qualified to provide these services because of our highly experienced operating personnel and technical and engineering expertise gained through providing similar services as part of our contract operations business. In addition, our aftermarket services business complements our strategy to provide integrated infrastructure solutions to our customers because it enables us to continue to serve our customers after the sale of any products or facilities manufactured through our product sales business. Our business approach is designed to leverage our aftermarket services with our product sales business to provide full life-cycle services to customers who buy equipment from us and we also seek to sell those same aftermarket services to customers who have bought similar equipment from other companies based on our existing experience and infrastructure available to support them.

During the year ended December 31, 2019, approximately 10% of our revenue and 9% of our gross margin was generated from aftermarket services.

Product Sales

In our product sales business, we design, engineer, manufacture, install and sell natural gas compression packages as well as equipment used in the treating and processing of crude oil, natural gas and water primarily to major and independent oil and natural gas producers as well as national oil and natural gas companies around the world. We offer a broad range of equipment designed to process crude oil and natural gas into hydrocarbon commodities suitable for end use. Our products include wellhead, gathering, residue and high pressure natural gas compression equipment, cryogenic plants, mechanical refrigeration and dew point control plants, condensate stabilizers, water treatment equipment, integrated power generation and skid-mounted production packages designed for both onshore and offshore production facilities. We believe the broad range of products we sell through our global operating structure enables us to take advantage of the ongoing, worldwide energy infrastructure build-out.

We design, engineer, manufacture, sell and, in certain cases, install, skid-mounted natural gas compression equipment to meet standard or unique customer specifications. Generally, we manufacture compressors sold to third parties according to each customer's specifications. We purchase components for these compressors from third party suppliers including several major engine and compressor original equipment manufacturers in the industry. We also sell pre-engineered compressor units designed to maximize value and fast delivery to our customers. Typically, we expect our compressor equipment backlog to be manufactured and delivered within a three to 12 month period.

We also sell custom-engineered, built-to-specification natural gas and oil processing and treating equipment, including designing facilities comprised of a combination of our products integrated into a solution that meets our customers' needs. Some of these projects are located in remote areas and in developing countries with limited oil and natural gas industry infrastructure. To meet most customers' rapid schedule requirements and minimize customer downtime, we maintain an inventory of standard products and longer lead-time components used to manufacture our products to our customers' specifications. Typically, we expect our processing and treating equipment backlog to be produced within a six to 24 month period.

During the year ended December 31, 2019, approximately 62% of our revenue and 25% of our gross margin was generated from product sales. As of December 31, 2019, our backlog in product sales was approximately $278.0 million, of which approximately $266 million is expected to be recognized as revenue before December 31, 2020. Our product sales backlog consists of unfilled orders based on signed contracts and does not include potential product sales pursuant to letters of intent received from customers.

Competitive Strengths

We believe we have the following key competitive strengths:

- ***Global footprint and expansive service and product offerings positioned to capitalize on the global energy infrastructure build-out.*** The global oil and natural gas production and processing infrastructure build out provides us with opportunities for growth. We are well positioned to capitalize on increased opportunities in both the U.S. and international markets. We believe our global customer base will continue to invest in infrastructure projects based on longer-term fundamentals that are less tied to near-term commodity prices and that our size and geographic presence provide us with a unique advantage in meeting our customers' needs. We provide our customers with a broad variety of products and services in approximately 25 countries worldwide, including compression, production and processing services, natural gas compression, oil and natural gas processing and treating equipment, water treatment solutions, installation services and integrated power generation. By offering a broad range of products and services that leverage our core strengths, we believe we provide unique integrated solutions that meet our customers' needs. We believe the breadth and quality of our products and services, the depth of our customer relationships and our presence in many major oil and natural gas producing regions place us in a position to capture additional business on a global basis.

- ***Complementary businesses enable us to offer customers integrated infrastructure solutions.*** We aim to provide our customers with a single source to meet their energy infrastructure needs and we believe we have the ability to serve our customers' changing needs in a variety of ways. For customers that seek to manage their capital spending on energy infrastructure projects, we offer our full project and operations services through our contract operations business. For customers that prefer to develop and acquire their own infrastructure assets, we are able to sell equipment and facilities to support their operations and, following the sale of our equipment, we can also provide commissioning, start-up, operations, maintenance, overhaul, upgrade and reconfiguration services through our aftermarket services business. Furthermore, we can combine our products into an integrated solution where we can design, engineer, procure and, in some cases, construct assets on-site for sale to our customers. Because of the breadth of our products and our unique ability to deliver those products through our different commercial models, we believe we are able to provide the right solution that is most suitable to our customers in the markets in which they operate. We believe this ability to provide our customers with a variety of products and services provides us with more business opportunities, as we are able to adjust the products and services we provide to reflect our customers' changing needs.

- ***High-quality products and services.*** We have built a network of high-quality energy infrastructure assets that are strategically deployed across our global platform. Through our history of operating a wide variety of products in many energy-producing markets around the world, we have developed the technical expertise and experience that we believe is required to understand the needs of our customers and to meet those needs through a range of products and services. These products and services include highly customized compression, production, processing and treating solutions as well as standard products based on our expertise, in support of a range of projects, from those requiring quick completion to those that may take several years to fully develop. Additionally, our experience has enabled us to develop efficient systems and work processes and a skilled workforce that allow us to provide high-quality services. We seek to continually improve our products and services to enable us to provide our customers with high-quality, comprehensive oil and natural gas infrastructure support worldwide.

- ***Cash flows from our contract operations business are supported by long-term contracts.*** We provide contract operations services to customers located in 12 countries. Within our contract operations business, we seek to enter into long-term contracts with a diverse collection of customers, including large integrated oil and natural gas companies and national energy companies. These contracts generally involve initial terms ranging from three to 12 years, and typically require our customers to pay a monthly service fee even during periods of limited or disrupted oil or natural gas flows. Furthermore, our customer base includes companies that are among the largest and most well-known companies within their respective regions and countries.

- ***Experienced management team.*** We have an experienced and skilled management team with a long track record of driving growth through organic expansion and selective acquisitions. The members of our management team have strong relationships in the oil and gas industry and have operated through numerous commodity price cycles throughout our areas of operations. Members of our management team have spent a significant portion of their respective careers at highly regarded energy and manufacturing companies serving the upstream, midstream and downstream segments of the oil and natural gas market.

- ***Well-balanced capital structure with sufficient liquidity.*** We intend to maintain a capital structure with an appropriate amount of leverage and the financial flexibility to invest in our operations and pursue attractive growth opportunities which we believe will increase overall earnings and cash flow generated by our business. As of December 31, 2019, taking into account guarantees through outstanding letters of credit, we had undrawn capacity of $601.8 million under our revolving credit facility, of which $513.3 million was available for additional borrowings as a result of a covenant restriction included in our credit agreement. In addition, as of December 31, 2019, we had $16.7 million of cash and cash equivalents on hand.

Business Strategies

We intend to continue to capitalize on our competitive strengths to meet our customers' needs through the following key strategies:

- ***Strategically grow our business.*** Our primary strategic focus involves the targeted growth of our core business by expanding our product and services offerings and by leveraging our existing, proven portfolio of products and services. We intend to infuse new technology and innovation into our existing midstream products and services while developing new product and service offerings in water treatment and integrated power generation. Additionally, our strategic focus includes targeting development opportunities in the U.S. energy market and expansion into new international markets benefiting from the global energy infrastructure build-out. We believe our diverse product and service portfolio allows us to readily respond to changes in industry and economic conditions and that our global footprint allows us to provide the prompt product availability our customers require. We have the ability to undertake projects in new locations as needed to meet customer demand and to readily deploy our capital to construct new or supplemental projects that we can build, own, operate and maintain on behalf of our customers through our contract operations business. In addition, we seek to provide our customers with integrated energy infrastructure solutions by combining product and service offerings across our businesses. We plan to supplement our organic growth with select acquisitions, partnerships and other commercial arrangements in key markets to further enhance our geographic reach, product offerings and other capabilities. We believe these arrangements will allow us to generate incremental revenues from existing and new customers and increase market share.

- ***Expand customer base and deepen relationships with existing customers.*** We believe the unique, broad range of products and services we offer, the quality of our products and services and our diverse geographic footprint position us to attract new customers and cross-sell our products and services to existing customers. In addition, we have a long history of providing our products and services to our customers which, coupled with the technical expertise of our experienced personnel, enables us to understand and meet our customers' needs, particularly as those needs develop and change over time. We intend to continue to devote significant business development resources to market our products and services, leverage existing relationships and expedite our growth potential. Additionally, we seek to evolve our products and services offerings by developing new technologies that will allow us to provide differentiated solutions to the critical midstream infrastructure needs of our customers.

- ***Enhance our safety performance.*** We believe our safety performance and reputation help us to attract and retain customers and employees. We have adopted rigorous processes and procedures to facilitate our compliance with safety regulations and policies on a global basis. We work diligently to meet or exceed applicable safety regulations, and continue to focus on our safety as our business grows and operating conditions change.

- ***Continue to optimize our global platform, products and services and enhance our profitability.*** We regularly review and evaluate the quality of our operations, products and services and portfolio of our product and service offerings. This evaluation process includes assessing the quality of our performance and potential opportunities to create value for our customers. We believe the development and introduction of new technology into our existing products and services offerings will create more value for our customers and us in the market place, which we believe will further differentiate us from our competitors. Additionally, we believe our ongoing focus on improving the quality of our operations, products and services results in greater satisfaction among our customers, which we believe results in greater profitability and value for our shareholders.

Industry Overview

Natural Gas Compression

Natural gas compression is a mechanical process whereby the pressure of a given volume of natural gas is increased to a desired pressure for movement from one point to another and is essential to the production and transportation of natural gas. Compression is typically required several times during the natural gas production and transportation cycle, including (i) at the wellhead, (ii) throughout gathering and distribution systems, (iii) into and out of processing and storage facilities and (iv) along pipelines. Natural gas compression can also be used to re-inject associated gas into producing wells to provide enhanced oil recovery.

Our contract operations business is comprised primarily of large horsepower internal combustion engine or electric motor-driven reciprocating compressors that are typically deployed in facilities comprised of several compressors on one site. A significant portion of this business involves comprehensive projects that require the design, engineering, manufacture, delivery and installation of several compressors on one site coupled with related natural gas treating and processing equipment. We are able to serve our customers' needs for such projects through our product sales business and with follow-on services from our aftermarket services business, or through the provision of our contract operations services.

Processing and Treating

Crude oil and natural gas are generally not marketable products as produced raw at the wellhead and must be processed or treated to meet hydrocarbon commodity specifications before they can be transported to market. Processing and treating equipment is used to separate and treat oil and natural gas as they are produced to achieve a marketable quality of product. Production processing typically involves the separation of oil and natural gas and the removal of contaminants or the separation of marketable liquids from the gas stream prior to transportation. The end result is "pipeline" or "sales" quality crude oil and natural gas. Further processing or refining is almost always required before oil or natural gas is suitable for use as fuel or feedstock for petrochemical production. Production processing normally takes place in the "upstream" and "midstream" sectors, while refining and petrochemical processing is referred to as the "downstream" sector. Wellhead or upstream processing and treating equipment include a wide and diverse range of products.

We manufacture custom-engineered, built-to-specification natural gas and oil processing and treating equipment. We also provide integrated solutions comprised of a combination of our products into a single offering, which typically consist of much larger equipment packages than standard equipment and are generally used in much larger scale production operations. The custom equipment sector is primarily driven by global economic trends, and the specifications for purchased equipment can vary significantly. Technology, engineering capabilities, project management, available manufacturing space and quality control standards are the key drivers in the custom equipment sector.

Water Solutions

We provide a full range of treatment solutions for removing oil and suspended solids from produced water with primary, secondary, and tertiary treatment. Our unique service offerings from customized products to retrofitting, allow us to understand water challenges and clean-up requirements through expertise in the field, lab studies, and equipment design. We help recover oil and reduce disposal cost whether shipping it offsite or reinjecting on location.

Outsourcing

Natural gas producers, transporters and processors choose to outsource their operations due to the benefits and flexibility of contract operations services. In particular, we believe outsourcing compression, production and processing operations to experienced operators like us offers customers:

- access to our specialized personnel and technical skills, including engineers, operators and field service and maintenance employees, which we believe generally leads to improved production rates and increased throughput and therefore higher revenues and margins;
- the ability to increase their profitability by transporting or producing a higher volume of natural gas through decreased equipment downtime and reduced operating, maintenance and equipment costs by allowing us, as the service provider, to efficiently manage their operations; and
- the flexibility to deploy their capital on projects more directly related to their primary business of hydrocarbon exploration and production by reducing their investment in compression, production and processing equipment and related maintenance capital requirements.

Oil and Natural Gas Industry Cyclicality and Volatility

Changes in oil and natural gas exploration and production spending normally result in changes in demand for our products and services. However, we believe our contract operations business is less impacted by commodity prices than certain other energy service products and services because compression, production and processing services are necessary for oil and natural gas to be delivered from the wellhead to end users. Furthermore, our contract operations business is tied primarily to global oil and natural gas production and consumption trends, which are generally less cyclical in nature than exploration activities.

Demand for oil and natural gas is cyclical and subject to fluctuations. This is primarily because the industry is driven by commodity demand and corresponding price movements. When oil and natural gas price increases occur, producers typically increase their capital expenditures, which generally results in greater activity levels and revenues for equipment providers to the oil and gas industry. During periods of lower oil or natural gas prices, producers typically decrease their capital expenditures, which generally results in lower activity levels and revenues for equipment providers to the oil and gas industry.

Seasonal Fluctuations

Our results of operations have not historically reflected material seasonal tendencies and we do not believe that seasonal fluctuations will have a material impact on us in the foreseeable future.

Markets, Customers and Competition

Our global customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national energy companies, independent producers and natural gas processors, gatherers and pipeline operators.

During the year ended December 31, 2019, XTO Energy Inc. (“XTO”) and Basrah Gas Company (“Basrah Gas”) accounted for approximately 21% and 12% of our total revenue, respectively. During the year ended December 31, 2018, MPLX LP (“MPLX”) accounted for approximately 15% of our total revenue and during the year ended December 31, 2017, Archrock accounted for approximately 12% of our total revenue. No other customer accounted for more than 10% of our revenue in 2019, 2018 and 2017.

We currently operate in approximately 25 countries. We have manufacturing facilities in the U.S., Singapore and the United Arab Emirates and offices in most of the major oil and gas regions around the world.

The markets in which we operate are highly competitive. Overall, we experience considerable competition from companies that may be able to more quickly adapt to changes within our industry and changes in economic conditions as a whole and to more readily take advantage of available opportunities. We believe we are competitive with respect to price, equipment availability, customer service, flexibility in meeting customer needs, technical expertise, quality and reliability of our compression, processing and treating equipment and related services. We face vigorous competition throughout our businesses, with some companies competing with us in multiple business segments. In our product sales business, we have different competitors in the standard and custom-engineered equipment sectors. Competitors in the standard equipment sector include several large companies and a large number of small, regional fabricators. Our competition in the custom-engineered sector consists mainly of larger companies with the ability to provide integrated projects and product support after the sale.

We expect to face increased competition as we seek to diversify our customer base and increase utilization of our service offerings.

Sources and Availability of Raw Materials

We manufacture natural gas compression, oil and natural gas processing and treating equipment and water treatment equipment to provide contract operations services and to sell to third parties from components which we acquire from a wide range of suppliers. These components represent a significant portion of the cost of our compression, processing and treating and water treatment equipment products. Increases in raw material costs cannot always be offset by increases in our products’ sales prices. While many of our materials and components are available from multiple suppliers at competitive prices, we obtain some of the components, including compressors and engines, used in our products from a limited group of suppliers. We occasionally experience long lead times for components, including compressors and engines, from our suppliers and, therefore, we may at times make purchases in anticipation of future orders.

Environmental and Other Regulations

Government Regulation

Our operations are subject to stringent and complex U.S. federal, state, local and international laws and regulations that could have a material impact on our operations or financial condition. Our operations are regulated under a number of laws governing, among other things, discharges of substances into the air, ground and regulated waters, the generation, transportation, treatment, storage and disposal of hazardous and non-hazardous substances, disclosure of information about hazardous materials used or produced in our operations, and occupational health and safety.

Compliance with these environmental laws and regulations may expose us to significant costs and liabilities and cause us to incur significant capital expenditures in our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of investigatory and remedial obligations, and the issuance of injunctions delaying or prohibiting operations. In certain circumstances, laws may impose strict, joint and several liability without regard to fault or the legality of the original conduct on classes of persons who are considered to be responsible for the release of hazardous substances into the environment. In addition, it is not uncommon for third parties to file claims for personal injury, property damage and recovery of response costs allegedly caused by hazardous substances or other pollutants released into the environment. We currently own or lease, and in the past have owned or leased, a number of properties that have been used in support of our operations for a number of years. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons, hazardous substances, or other regulated wastes may have been disposed of, or released, on or under the properties owned by us, leased by us or other locations where such materials have been taken for disposal by companies sub-contracted by us. In addition, many of these properties have been previously owned or operated by third parties whose treatment and disposal or release of hydrocarbons, hazardous substances or other regulated wastes were not under our control. These properties and the materials released or disposed thereon may be subject to various laws that could require us to remove or remediate historical property contamination, or to perform certain operations to prevent future contamination. We are not currently under any order requiring that we undertake or pay for any cleanup activities. However, we cannot provide any assurance that we will not receive any such order in the future.

We believe the global trend in environmental regulation is to place more restrictions on activities that may affect the environment, and thus, any changes in these laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal, emission or remediation requirements could have a material adverse effect on our results of operations and financial position.

Employees

As of December 31, 2019, we had approximately 3,600 employees. Many of our employees outside of the U.S. are covered by collective bargaining agreements. We generally consider our relationships with our employees to be satisfactory.

Available Information

Our website address is *www.exterran.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website, without charge, as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission (the “SEC”). Information on our website is not incorporated by reference in this report or any of our other securities filings. Paper copies of our filings are also available, without charge, from Exterran Corporation, 11000 Equity Drive, Houston, Texas 77041, Attention: Investor Relations.

The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers who file electronically with the SEC. The SEC’s website address is *www.sec.gov*.

Additionally, we make available free of charge on our website:

- our Code of Conduct;
- our Corporate Governance Principles; and
- the charters of our audit, compensation and nominating and corporate governance committees.

Item 1A. ***Risk Factors***

As described in Part I ("Disclosure Regarding Forward-Looking Statements"), this report contains forward-looking statements regarding us, our business and our industry. The risk factors described below, among others, could cause our actual results to differ materially from the expectations reflected in the forward-looking statements. The risk factors described below are not the only risks we face. Our business could also be affected by additional risks and uncertainties not currently known to us or that we currently consider to be immaterial. If any of the following risks or any other risks actually occurs, our business, financial condition, results of operations and cash flows could be negatively impacted.

Risks Related to Our Business and Industry

Low oil and natural gas prices could depress or reduce demand or pricing for our natural gas compression and oil and natural gas processing and treating equipment and services and, as a result, adversely affect our business.

Our results of operations depend upon the level of activity in the global energy market, including oil and natural gas development, production, processing and transportation. Oil and natural gas exploration and development activity and the number of well completions typically decline when there is a sustained reduction in oil or natural gas prices or significant instability in energy markets. Even the perception of longer-term lower oil or natural gas prices by oil and natural gas exploration, development and production companies can result in their decision to cancel, reduce or postpone major expenditures or to reduce or shut in well production.

Oil and natural gas prices and the level of drilling and exploration activity can be volatile. In periods of volatile commodity prices, the timing of any change in activity levels by our customers is difficult to predict. As a result, our ability to project the anticipated activity level for our business, and particularly our product sales segment may be limited.

During periods of lower oil or natural gas prices, our customers typically decrease their capital expenditures, which generally results in lower activity levels. A reduction in demand for our products and services could force us to reduce our pricing substantially, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, due to the low oil and natural gas price environment during 2015 and the majority of 2016, our customers sought to reduce their capital and operating expenditure requirements, and as a result, the demand and pricing for the equipment we manufacture was adversely impacted.

In addition, customer cash flows and returns on capital could drive customer investment priorities. Industry observers believe shareholders are encouraging management teams of energy companies to focus operational and compensation strategies on returns and free cash flow generation rather than solely on growth. To accomplish these strategies, energy companies may need to better prioritize or reduce capital spending, which could impact resource allocation and production, ultimately constraining the amount of new projects by our customers.

Any reduction in demand for our products and services could result in our customers seeking to preserve capital by canceling contracts, canceling or delaying scheduled maintenance of their existing natural gas compression and oil and natural gas processing and treating equipment, ceasing commitments for new contract operations services contracts or new compression, oil and natural gas processing and treating equipment or new water treatment equipment, or canceling or delaying orders for our products and services, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The erosion of the financial condition of our customers could adversely affect our business.

Many of our customers finance their exploration and development activities through cash flows from operations, the incurrence of debt or the issuance of equity. During times when the oil or natural gas markets weaken, our customers are more likely to experience a downturn in their financial condition. A reduction in borrowing bases under reserve-based credit facilities, the lack of availability of debt or equity financing or other factors that negatively impact our customers' financial condition could result in our customers seeking to preserve capital by reducing prices under existing contracts, cancelling contracts with us, determining not to renew contracts with us, cancelling or delaying scheduled maintenance of their existing natural gas compression and oil and natural gas processing and treating equipment, determining not to enter into contract operations agreements or not to purchase new compression, oil and natural gas processing and treating equipment or water treatment equipment, or determining to cancel or delay orders for our products and services. Any such action by our customers would reduce demand for our products and services which could adversely affect our business, financial condition, results of operations and cash flows. In addition, in the event of the financial failure of a customer, we could experience a loss on all or a portion of our outstanding accounts receivable associated with that customer.

Failure to timely and cost-effectively execute on larger projects could adversely affect our business.

Some of our projects have a relatively larger size and scope than the majority of our projects, which can translate into more technically challenging conditions or performance specifications for our products and services. Contracts with our customers for these projects typically specify delivery dates, performance criteria and penalties for our failure to perform. Any failure to estimate the cost of and execute these larger projects in a timely and cost effective manner could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may incur losses on fixed-price contracts, which constitute a significant portion of our business.

In connection with projects and services performed under fixed-price contracts, we generally bear the risk of cost over-runs, operating cost inflation, labor availability and productivity, and supplier and subcontractor pricing and performance, unless additional costs result from customer-requested change orders. Under both our fixed-price contracts and our cost-reimbursable contracts, we may rely on third parties for many support services, and we could be subject to liability for their failures. Any failure to accurately estimate our costs and the time required for a fixed-price project at the time we enter into a contract could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operations in international markets are subject to many risks.

The majority of our contract operations and aftermarket services businesses, and a portion of our product sales business, are conducted in countries outside the U.S. We currently operate in approximately 25 countries. With respect to any particular country in which we operate, the risks inherent in our activities may include the following, the occurrence of any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows:

- difficulties in managing international operations, including our ability to timely and cost effectively execute projects;
- unexpected changes in regulatory requirements, laws or policies by foreign agencies or governments;
- work stoppages;
- training and retaining qualified personnel in international markets;
- the burden of complying with multiple and potentially conflicting laws and regulations;
- tariffs and other trade barriers;
- actions by governments or national oil companies that result in the nullification or renegotiation on less than favorable terms of existing contracts, or otherwise result in the deprivation of contractual rights, and other difficulties in enforcing contractual obligations;
- governmental actions that: result in restricting the movement of property or that impede our ability to import or export parts or equipment; require a certain percentage of equipment to contain local or domestic content; or require certain local or domestic ownership, control or employee ratios in order to do business in or obtain special incentives or treatment in certain jurisdictions;
- potentially longer payment cycles;
- changes in political and economic conditions in the countries in which we operate, including general political unrest, the nationalization of energy related assets, civil uprisings, community protests, blockades, riots, kidnappings, violence associated with drug cartels and terrorist acts;
- potentially adverse tax consequences or tax law changes;
- currency controls or restrictions on repatriation of earnings;
- expropriation, confiscation or nationalization of property without fair compensation;
- the risk that our international customers may have reduced access to credit because of higher interest rates, reduced bank lending or a deterioration in our customers' or their lenders' financial condition;
- complications associated with installing, operating and repairing equipment in remote locations;
- limitations on insurance coverage;
- inflation;
- the geographic, time zone, language and cultural differences among personnel in different areas of the world; and
- difficulties in establishing new international offices and the risks inherent in establishing new relationships in foreign countries.

In addition, we may expand our business in international markets where we have not previously conducted business. The risks inherent in establishing new business ventures, especially in international markets where local customs, laws and business procedures present special challenges, may affect our ability to be successful in these ventures or avoid losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our contract operations segment is dependent on companies that are controlled by the government in which it operates.

The countries with our largest contract operations businesses include Argentina, Brazil and Mexico. We generate a significant portion of our revenue in these countries from national oil companies, including Yacimientos Petroliferos Fiscales in Argentina, Petrobras in Brazil and Petroleos Mexicanos in Mexico. Contracts with national oil companies may expose us to greater commercial, political and operational risks than we assume in other contracts. Our ability to resolve disputes or enforce contractual provisions may be negatively impacted by the significant bargaining leverage that national oil companies have over us. If our national oil company customers cancel some of our contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if a number of our contracts are renegotiated, it could adversely affect our business, financial position, results of operations or cash flows.

We are exposed to exchange rate fluctuations in the international markets in which we operate.

We operate in many international countries and anticipate that there will be instances in which costs and revenues will not be exactly matched with respect to currency denomination. Gains and losses from the remeasurement of assets and liabilities that are receivable or payable in currencies other than our subsidiaries' functional currency are included in our statements of operations. In addition, currency fluctuations cause the U.S. dollar value of our international results of operations and net assets to vary with exchange rate fluctuations. A decrease in the value of any of these currencies relative to the U.S. dollar could have a negative impact on our business, financial condition, results of operations or cash flows. As we expand geographically, we may experience economic loss and a negative impact on earnings or net assets solely as a result of foreign currency exchange rate fluctuations. In the future, we may utilize derivative instruments to manage the risk of fluctuations in foreign currency exchange rates that could potentially impact our future earnings and forecasted cash flows. However, the markets in which we operate could restrict the removal or conversion of the local or foreign currency, resulting in our inability to hedge against some or all of these risks and/or increase our cost of conversion of local currency to U.S. dollar.

See further discussion of foreign exchange risks under Item 7A "Quantitative and Qualitative Disclosures about Market Risk" included elsewhere in this Annual Report.

Natural disasters, public health crises, other catastrophic events or other events outside of our control may adversely affect our business or the business of third parties on which we depend.

Natural disasters, public health crises, other catastrophic events or other events outside of our control could disrupt operations, impair critical systems and adversely affect our business operations and the operations of our suppliers and customers. For example, in September 2017, Hurricane Harvey affected our corporate headquarters and two manufacturing facilities in Houston. While our facilities did not sustain any material damages, our manufacturing locations were closed for more than a week due to the catastrophic flooding in and around the Houston area. As a result, our operating results were negatively impacted by this natural disaster.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, resulting in modified operating hours and business closures in China. At the time of this filing, the outbreak has been largely concentrated in China, although cases have been confirmed in other countries. Although at the time of this filing, we have not been materially impacted, our reliance on suppliers or our suppliers' reliance on other parties that may be impacted by the business disruptions caused by this virus could result in the inability to secure products needed for our operations. Additionally, consumer spending could be negatively influenced which could adversely affect demand for oil and natural gas and therefore indirectly impact demand for our products and services and our operating results. These types of events are unpredictable and can materially affect our business, financial condition, results of operations and cash flows.

The termination of or any price reductions under certain of our contract operations services contracts could have a material impact on our business.

The termination of a contract or a demand by our customers to reduce prices for our contract operations services contracts may lead to a reduction in our revenues and net income, which could have a material adverse effect upon our business, financial condition, results of operations and cash flows. In addition, we may be unable to renew, or enter into new, contracts with customers on favorable commercial terms, if at all. To the extent we are unable to renew our existing contracts or enter into new contracts on terms that are favorable to us or to successfully manage our overall contract mix over time, our business, results of operations and cash flows may be adversely impacted.

Product sales backlog may be subject to unexpected adjustments and cancellations.

The expected future revenues reflected in our product sales backlog may not be realized or may not result in profits if realized. Due to potential project cancellations or changes in project scope and schedule, we cannot predict with certainty when or if backlog will be performed. In addition, even when a project proceeds as scheduled, it is possible that contracted parties may default and fail to pay amounts owed to us or poor project performance could increase the cost associated with a project. Delays, suspensions, cancellations, payment defaults, scope changes and poor project execution could materially reduce or eliminate revenues or profits that we actually realize from projects in backlog. We may be at greater risk of delays, suspensions and cancellations during periods of low oil and natural gas prices.

Reductions in our product sales backlog due to cancellation or modification by a customer or for other reasons may adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our backlog. Contracts in our product sales backlog provide for cancellation fees in the event customers cancel projects. These cancellation fees usually provide for reimbursement of our out-of-pocket costs, revenues for work performed prior to cancellation and a varying percentage of the profits we would have realized had the contract been completed. However, we typically have no contractual right upon cancellation to the total revenue reflected in our backlog. Projects may remain in our backlog for extended periods of time. If we experience significant project terminations, suspensions or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted.

From time to time, we are subject to various claims, litigation and other proceedings that could ultimately be resolved against us, requiring material future cash payments or charges, which could impair our financial condition or results of operations.

The size, nature and complexity of our business make us susceptible to various claims, both in litigation and binding arbitration proceedings. We are currently, and may in the future become, subject to various claims, which, if not resolved within amounts we have accrued, could have a material adverse effect on our financial position, results of operations or cash flows. Similarly, any claims, even if fully indemnified or insured, could negatively impact our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

We depend on particular suppliers and may be vulnerable to product shortages and price increases.

Some of the components used in our products are obtained from a single source or a limited group of suppliers. Our reliance on these suppliers involves several risks, including price increases, product quality and a potential inability to obtain an adequate supply of required components in a timely manner. Additionally, we occasionally experience long lead times from our sources for major components and may at times make purchases in anticipation of future business. We do not have long-term contracts with some of these sources, and the partial or complete loss of certain of these sources could have a negative impact on our results of operations and could damage our customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on our results of operations.

We face significant competitive pressures that may cause us to lose market share and harm our financial performance.

Our businesses face intense competition and have low barriers to entry. Our competitors may be able to adapt more quickly to technological changes within our industry, changes in economic and market conditions or more readily take advantage of acquisitions and other opportunities. Our ability to renew or replace existing contract operations services contracts with our customers at rates sufficient to maintain current revenue and cash flows could be adversely affected by the activities of our competitors. If our competitors substantially increase the resources they devote to the development and marketing of competitive products, equipment or services or substantially decrease the price at which they offer their products, equipment or services, we may not be able to compete effectively.

In addition, we could face significant competition from new entrants into the markets we serve. Some of our existing competitors or new entrants may expand or develop new processing, treating and compression equipment that would create additional competition for the products, equipment or services we provide to our customers.

We have continued to work toward our strategy to be a company that leverages technology and operational excellence to provide complete systems and process solutions in energy and industrial applications. Over the past several years, we have made significant progress in this journey by taking actions to protect our core business, develop important organizational capabilities, commercialize new products and services and implement new processes to position Exterran for success. We are focused on optimizing our portfolio of products and services to better serve our global customers while providing a more attractive investment option for our investors. As we continue on this path, we are also reviewing options for our U.S. compression fabrication business to be a positive contributor to our strategy. This business has performed well over the past year despite difficult market conditions as we worked to maximize margins and returns. We will fully explore our options and we are committed to supporting our customers, employees and other stakeholders throughout the process. If we decide to change our strategy with this business, we may incur additional costs or charges that could impact our results of operations.

Our ability to manage and grow our business effectively may be adversely affected if we lose management or operational personnel.

We believe that our ability to hire, train and retain qualified personnel will continue to be challenging and important. The supply of experienced operational and field personnel, in particular, decreases as other energy and manufacturing companies' needs for the same personnel increase. Our ability to grow and to continue our current level of service to our customers will be adversely impacted if we are unable to successfully hire, train and retain these important personnel.

Our employees work on projects that are inherently dangerous. If we fail to maintain safe work sites, we can be exposed to significant financial losses and reputational harm.

Safety is a leading focus of our business, and our safety record is critical to our reputation and is of paramount importance to our employees, customers and stockholders. However, we often work on large-scale and complex projects which can place our employees and others near large mechanized equipment, moving vehicles, dangerous processes and in challenging environments. Although we have a functional group whose primary purpose is to implement effective quality, health, safety, environmental and security procedures throughout our company, if we fail to implement effective safety procedures, our employees and others may become injured, disabled or lose their lives, our projects may be delayed or we may be exposed to litigation or investigations.

Unsafe conditions at project work sites also have the potential to increase employee turnover, increase project costs and raise our operating costs. Additionally, many of our customers require that we meet certain safety criteria to be eligible to bid for contracts and our failure to maintain adequate safety standards could result in reduced profitability, lost project awards or loss of customers. Any of the foregoing could result in financial losses or reputational harm, which could have a material adverse impact on our business, financial condition and results of operations.

Our operations entail inherent risks that may result in substantial liability. We do not insure against all potential losses and could be seriously harmed by unexpected liabilities.

Our operations entail inherent risks, including equipment defects, malfunctions and failures, environmental discharges and natural disasters, which could result in uncontrollable flows of natural gas or well fluids, fires and explosions. These risks may expose us, as an equipment operator and developer, to liability for personal injury, wrongful death, property damage, pollution or other environmental damage. The insurance we carry against many of these risks may not be adequate to cover our claims or losses. In addition, we are substantially self-insured for workers' compensation, employer's liability, property, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Further, insurance covering the risks we expect to face or in the amounts we desire may not be available in the future or, if available, the premiums may not be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur liability at a time when we are not able to obtain liability insurance, our business, financial condition and results of operations could be negatively impacted.

We may be subject to risks arising from changes in technology.

The supply chains in which we operate are subject to technological changes and changes in customer requirements. We may not successfully develop or implement new or modified types of products or technologies that may be required by our customers in the future. Further, the development of new technologies by competitors that may compete with our technologies could reduce demand for our products and affect our financial performance. Should we not be able to maintain or enhance the competitive values of our products or develop and introduce new products or technologies successfully, or if new products or technologies fail to generate sufficient revenues to offset research and development costs, our business, financial condition and operating results could be materially adversely affected.

Our information technology infrastructure could be subject to service interruptions, data corruption, cyber-based attacks or network security breaches, which could result in the disruption of operations or the loss of data confidentiality.

We rely on information technology networks and systems, including the internet and third-party service providers, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including procurement, manufacturing, distribution, invoicing, collection, communication with our employees, customers, suppliers, dealers and suppliers, business acquisitions and other corporate transactions, compliance with regulatory, legal and tax requirements, and research and development. These information technology networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, undetected errors or computer viruses. While we have business continuity plans and other safeguards in place, if these information technology systems suffer severe damage, disruption or shutdown and business continuity plans do not effectively resolve the issues in a timely manner, our business, financial condition, results of operations, and liquidity could be materially adversely affected. Further, we cannot ensure we have insurance coverages to cover these issues.

In addition, information technology security threats and sophisticated cyber-based attacks, including, but not limited to, denial-of-service attacks, hacking, worms, “phishing” attacks, computer viruses, ransomware, malware, employee or insider error, malfeasance, social engineering, or physical breaches, may cause deliberate or unintentional damage, destruction or misuse, manipulation, denial of access to or disclosure of confidential or important information by our employees, suppliers or third-party service providers. Additionally, advanced persistent attempts to gain unauthorized access to our systems and those of third-party service providers we rely on are increasing in sophistication and frequency. We have experienced attacks on our information technology systems and networks, and we expect to continue to confront attempts by hackers and other third parties to disrupt or gain unauthorized access to our information technology systems and networks. These attacks to date have not resulted in unauthorized access to confidential information regarding our customers, suppliers or employees and have not had a material impact on our business. However, we could in the future experience attacks that materially disrupt our business or result in access to such confidential information about our customers, suppliers and employees or material information about our operations that could have a material adverse effect on our business, financial condition, results of operations or liquidity.

We are continuously developing and enhancing our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage, or unauthorized access. This continued development and enhancement will require us to expend additional resources, including to investigate and remediate any information security vulnerabilities that may be detected. Despite our ongoing investments in security resources, talent, and business practices, we are unable to assure that these enhanced security measures will be effective.

We can provide no assurance that our efforts to actively manage technology risks potentially affecting our systems and networks will be successful in eliminating or mitigating risks to our systems, networks and data or in effectively resolving such risks when they materialize. A failure of or breach in information technology security of our own systems, or those of our third-party suppliers, could expose us and our employees, customers, dealers and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. Any of these events in turn could adversely affect our reputation, competitive position, including loss of customers and revenue, business, results of operations and liquidity. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as the costs and operational consequences of implementing further data protection measures.

To conduct our operations, we regularly move data across national and state borders, and consequently we are subject to a variety of continuously evolving and developing laws and regulations in the U.S. and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to us is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's General Data Protection Regulation, which greatly increases the jurisdictional reach of E.U. law and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, became effective in May 2018. Other countries have enacted or are enacting data localization laws that require data to stay within their borders and various states are enacting additional data laws that may impact us. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time.

We are subject to a variety of governmental regulations; failure to comply with these regulations may result in administrative, civil and criminal enforcement measures and changes in these regulations could increase our costs or liabilities.

We are subject to a variety of U.S. federal, state, local and international laws and regulations relating to, for example, export controls, currency exchange, labor and employment and taxation. Many of these laws and regulations are complex, change frequently, are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. From time to time, as part of our operations we may be subject to compliance audits by regulatory authorities in the various countries in which we operate. Our failure to comply with these laws and regulations may result in a variety of administrative, civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions as to future compliance, any of which may have a negative impact on our financial condition, profitability and results of operations.

Our international operations require us to comply with U.S. and international laws and regulations, including those involving anti-bribery and anti-corruption. For example, the U.S. Foreign Corrupt Practices Act and similar laws and regulations prohibit improper payments to foreign officials for the purpose of obtaining or retaining business or gaining any business advantage.

We operate in many parts of the world that experience high levels of corruption, and our business brings us in frequent contact with foreign officials. Our compliance policies and programs mandate compliance with all applicable anti-corruption laws but may not be completely effective in ensuring our compliance. Our training and compliance program and our internal control policies and procedures may not always protect us from violations committed by our employees or agents. If we undergo an investigation of potential violations of anti-corruption laws or if we fail to comply with these laws, we may incur significant legal expenses or be subject to criminal and civil penalties and other sanctions and remedial measures, which could have a material adverse impact on our reputation, business, financial condition, results of operations and liquidity.

We also are subject to other laws and regulations governing our operations, including regulations administered by the U.S. Department of Treasury's Office of Foreign Asset Control and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons and customs requirements. Trade control laws are complex and constantly changing. Our compliance policies and programs increase our cost of doing business and may not work effectively to ensure our compliance with trade control laws. If we undergo an investigation of potential violations of trade control laws by U.S. or foreign authorities or if we fail to comply with these laws, we may incur significant legal expenses or be subject to criminal and civil penalties and other sanctions and remedial measures, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Tax legislation and administrative initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We operate in locations throughout the U.S. and internationally and, as a result, we are subject to the tax laws and regulations of U.S. federal, state, local and foreign governments. From time to time, various legislative or administrative initiatives may be proposed that could adversely affect our tax positions. In addition, U.S. federal, state, local and foreign tax laws and regulations are extremely complex and subject to varying interpretations. Moreover, economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge. Changes to our tax positions resulting from tax legislation and administrative initiatives or challenges from taxing authorities could adversely affect our results of operations and financial condition.

U.S. federal, state, local and foreign legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells, and adversely affect demand for our products.

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil, from dense subsurface rock formations. We do not perform hydraulic fracturing, but many of our customers do. Hydraulic fracturing involves the injection of water, sand or alternative proppant and chemicals under pressure into target geological formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing is typically regulated by state agencies, but recently, there has been increased public concern regarding an alleged potential for hydraulic fracturing to adversely affect drinking water supplies, and proposals have been made to enact separate U.S. federal, state and local legislation that would increase the regulatory burden imposed on hydraulic fracturing.

For example, at the U.S. federal level, the U. S. Environmental Protection Agency (“EPA”) issued an Advance Notice of Proposed Rulemaking to collect data on chemicals used in hydraulic fracturing operations under Section 8 of the Toxic Substances Control Act, and proposed regulations under the CWA governing wastewater discharges from hydraulic fracturing and certain other natural gas operations. On March 26, 2015, the Bureau of Land Management (“BLM”) released a final rule that updates existing regulation of hydraulic fracturing activities on U.S. federal lands, including requirements for chemical disclosure, wellbore integrity and handling of flowback water. The final rule never went into effect due to pending litigation and on December 28, 2017, the BLM announced that it had rescinded the 2015 final rule, in part citing a review that found that each of the 32 states with federal oil and gas leases has regulations that already address hydraulic fracturing.

At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure, and well construction requirements on hydraulic fracturing activities. For example in May 2013, the Texas Railroad Commission adopted new rules governing well casing, cementing and other standards for ensuring that hydraulic fracturing operations do not contaminate nearby water resources. Local governments may also seek to adopt ordinances within their jurisdictions regulating the time, place and manner of, or prohibiting the performance of, drilling activities in general or hydraulic fracturing activities in particular. In addition, certain interest groups have also proposed ballot initiatives and constitutional amendments designed to restrict oil and natural-gas development generally and hydraulic fracturing in particular. For example, in 2018, Colorado voters ultimately rejected Proposition 112, a Colorado ballot initiative that would have drastically limited the use of hydraulic fracturing in Colorado. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where our natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development or production activities and perhaps even be precluded from drilling wells. In countries outside of the U.S., including provincial, regional, tribal or local jurisdictions therein where we conduct operations, there may exist similar governmental restrictions or controls on our customers’ hydraulic fracturing activities, which, if such restrictions or controls exist or are adopted in the future, our foreign customers may face the same challenges as our U.S. customers. Any such restrictions, domestically or foreign, could reduce demand for our products, and as a result could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our customers’ inability to acquire adequate supplies of water or dispose of or recycle the water used in operations, could result in operating restrictions or delays in the completion of oil and natural gas wells, and adversely affect demand for our products.

Oil and gas development activities require the use of water. For example, the hydraulic fracturing process to produce commercial quantities of oil and natural gas from many reservoirs requires the use and disposal of significant quantities of water. In certain areas, there may be a scarcity of water for drilling activities due to various factors, including insufficient local aquifer capacity or government regulations restricting the use of water. Our customers’ inability to secure sufficient amounts of water or dispose of or recycle the water used in operations, could adversely impact our or our customers’ operations in certain areas. The imposition of new environmental initiatives and regulations, could further restrict our customers’ ability to conduct certain operations disposal of waste, including, but not limited to, produced water, drilling fluids and other materials associated with the exploration, development or production of oil and natural gas. Any such restrictions could reduce demand for our products, and as a result could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to a variety of environmental, health and safety regulations. Failure to comply with these regulations may result in administrative, civil and criminal enforcement measures and changes in these regulations could increase our costs or liabilities.

We are subject to a variety of U.S. federal, state, local and international laws and regulations relating to the environment, and worker health and safety. These laws and regulations are complex, change frequently, are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. Failure to comply with these laws and regulations may result in administrative, civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions as to future compliance. Certain of these laws also may impose joint and several and strict liability for environmental contamination, which may render us liable for remediation costs, natural resource damages and other damages as a result of our conduct that may have been lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighboring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact our financial condition, profitability and results of operations.

We may need to apply for or amend facility permits or licenses from time to time with respect to storm water or wastewater discharges, waste handling, or air emissions relating to manufacturing activities or equipment operations, which subjects us to new or revised permitting conditions. These permits and authorizations may contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits, which may be onerous or costly to comply with. Given the large number of facilities in which we operate, and the numerous environmental permits and other authorizations that are applicable to our operations, we may occasionally identify or be notified of technical violations of certain requirements existing in various permits or other authorizations. Occasionally, we have been assessed penalties for our non-compliance, and we could be subject to such penalties in the future.

The modification or interpretation of existing environmental, health and safety laws or regulations, the more vigorous enforcement of existing laws or regulations, or the adoption of new laws or regulations may also negatively impact oil and natural gas exploration and production, gathering and pipeline companies, including our customers, which in turn could have a negative impact on us.

Global climate change is an increased international concern and could increase operating costs or reduce the demand for our products and services.

Continuing political and social attention to the issue of global climate change has resulted in both existing and pending international agreements and national, regional or local legislation and regulatory measures to limit greenhouse gas emissions, such as cap and trade regimes, carbon taxes, restrictive permitting, increased fuel efficiency standards and incentives or mandates for renewable energy. For example, in December 2015, the U.S. joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris that prepared an agreement requiring member countries to review and represent a progression in their intended greenhouse gas emission reduction goals every five years beginning in 2020. While the U.S. announced its intention to withdraw from the Paris Agreement, several U.S. state and local governments and major corporations headquartered in the U.S. announced an intent to honor the U.S.'s commitments. Several U.S. cities, counties and state governments have also filed lawsuits against certain oil and gas companies seeking compensatory damages and equitable relief to abate alleged climate change impacts. To date, none of these suits have been successful, and we are not a party to these proceedings. In the U.S., the EPA has also begun to regulate greenhouse gas emissions under the federal Clean Air Act and regulatory agencies and legislative bodies in other countries where we operate have adopted greenhouse gas emission reduction programs. The adoption of new or more stringent legislation or regulatory programs restricting greenhouse gas emissions in any of the jurisdictions where we or our customers operate could require us to incur higher operating costs or increase the cost of, and thus reduce the demand for, the hydrocarbon products of our customers. These increased costs or reduced demand could have an adverse effect on our business, profitability or results of operations.

Further, some scientists have concluded that increasing greenhouse gas concentrations in the atmosphere may produce physical effects, such as increased severity and frequency of storms, droughts, floods and other climate events. To the extent there are significant changes in the Earth's climate in the markets we serve or the areas where our assets reside, we could incur increased expenses, our operations could be materially impacted, and demand for our products and services could fall. Demand for our products and services may also be adversely affected by conservation plans and efforts undertaken in response to global climate change. Many governments also provide, or may in the future provide, tax advantages and other subsidies to support the use and development of alternative energy technologies. Our operations and the demand for our products and services or our customers' products could be materially impacted by the development and adoption of these technologies.

Recently, activists concerned about the potential effects of climate change have directed their attention at sources of funding for companies engaged in business involving fossil fuels, which has resulted in certain financial institutions, investment funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. This could make it more difficult for our customers to secure funding for exploration and production or midstream energy business activities.

Risks Related to Our Level of Indebtedness

Our outstanding debt obligations could limit our ability to fund future growth and operations and increase our exposure to risk during adverse economic conditions.

At December 31, 2019, we had a long-term debt balance of $443.6 million. Many factors, including factors beyond our control, may affect our ability to make payments on our outstanding indebtedness. These factors include those discussed elsewhere in these Risk Factors and those listed in the Disclosure Regarding Forward-Looking Statements section included in Part I of this Annual report.

Our debt and associated commitments could have important adverse consequences. For example, these commitments could:

- make it more difficult for us to satisfy our contractual obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, investments, acquisitions or other corporate requirements;
- increase our vulnerability to interest rate fluctuations because the interest payments on borrowings under our revolving credit facility are based upon variable interest rates and can adjust based upon certain financial covenant ratios;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors that have less debt or less restrictive covenants in such debt; and
- limit our ability to borrow additional funds in the future.

Covenants in our debt agreements may restrict our ability to operate our business.

Our credit agreement, consisting of a $700.0 million revolving credit facility expiring in October 2023, contains various covenants with which we, Exterran Energy Solutions, L.P. ("EESLP"), our wholly owned subsidiary, and our respective restricted subsidiaries must comply, including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. Additionally, we are required to maintain certain financial covenant ratios. If we fail to remain in compliance with these restrictions and financial covenants, we would be in default under our credit agreement. In addition, if we experience a material adverse effect on our assets, liabilities, financial condition, business or operations that, taken as a whole, impact our ability to perform our obligations under our credit agreement, this could lead to a default. A default under one of our debt agreements might trigger cross-default provisions under our other debt agreement, which would accelerate our obligation to repay our indebtedness under those agreements. If the repayment obligations on any of our indebtedness were to be accelerated, we may not be able to repay the debt or refinance the debt on acceptable terms, and our financial position would be materially adversely affected. As of December 31, 2019, we were in compliance with all financial covenants under our credit agreement.

As a result of a covenant restriction included in our credit agreement, $513.3 million of the $601.8 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of December 31, 2019.

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may adversely affect our results of operations.

LIBOR and certain other "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. In particular, on July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is unclear whether, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established. As of December 31, 2019, $74.0 million of the borrowings under our revolving credit facility had interest rate payments determined directly or indirectly based on LIBOR. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the performance of LIBOR relative to its historic values. If the methods of calculating LIBOR change from current methods for any reason, or if LIBOR ceases to perform as it has historically, our interest expense associated with our outstanding indebtedness or any future indebtedness we incur may increase. Further, if LIBOR ceases to exist, we may be forced to substitute an alternative reference rate under our revolving credit facility or rely on base rate borrowings in lieu of LIBOR-based borrowings. At this point, it is not clear what, if any, alternative reference rate may replace LIBOR, however, any such alternative reference rate may increase the interest expense associated with our existing or future indebtedness. Any of these occurrences could materially and adversely affect our borrowing costs, business and results of operations.

We may increase our debt or raise additional capital in the future, which could affect our financial condition, may decrease our profitability or could dilute our shareholders.

We may increase our debt or raise additional capital in the future, subject to restrictions in our debt agreements. If our cash flow from operations is less than we anticipate, or if our cash requirements are more than we expect, we may require more financing. However, debt or equity financing may not be available on terms acceptable to us, if at all. If we incur additional debt or raise equity through the issuance of preferred stock, the terms of the debt or preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, our shareholders' ownership in us would be diluted. If we are unable to raise additional capital when needed, it could affect our financial health, which could negatively affect our shareholders.

Risks Related to the Spin-off

We are subject to continuing contingent tax liabilities of Archrock.

Certain tax liabilities of Archrock may become our obligations. Pursuant to the U.S. Internal Revenue Code and the related rules and regulations, each corporation that was a member of the Archrock consolidated U.S. federal income tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the Spin-off is jointly and severally liable for the U.S. federal income tax liability of the entire Archrock consolidated tax reporting group for that taxable period. In connection with the Spin-off, we entered into a tax matters agreement with Archrock that allocates the responsibility for prior period taxes of the Archrock consolidated tax reporting group between us and Archrock. If Archrock is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes.

Our prior and continuing relationship with Archrock exposes us to risks attributable to businesses of Archrock.

Archrock is obligated to indemnify us for losses that third parties may seek to impose upon us or our affiliates for liabilities relating to the business of Archrock that are incurred through a breach of the separation and distribution agreement or any ancillary agreement by Archrock or its affiliates other than us, or losses that are attributable to Archrock in connection with the Spin-off or are not expressly assumed by us under our agreements with Archrock. Any claims made against us that are properly attributable to Archrock in accordance with these arrangements would require us to exercise our rights under our agreements with Archrock to obtain payment from Archrock. We are exposed to the risk that, in these circumstances, Archrock cannot, or will not, make the required payment.

In connection with our separation from Archrock, Archrock will indemnify us for certain liabilities, and we will indemnify Archrock for certain liabilities. If we are required to act on these indemnities to Archrock, we may need to divert cash to meet those obligations, and our financial results could be negatively impacted. In the case of Archrock's indemnity, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or as to Archrock's ability to satisfy its indemnification obligations.

Pursuant to the separation and distribution agreement and other agreements with Archrock, Archrock has agreed to indemnify us for certain liabilities, and we have agreed to indemnify Archrock for certain liabilities, in each case for uncapped amounts. Under the separation and distribution agreement, we and Archrock will generally release the other party from all claims arising prior to the Spin-off that relate to the other party's business, subject to certain exceptions. Also pursuant to the separation and distribution agreement, we have agreed to use our commercially reasonable efforts to remove Archrock as a party to certain of our contracts with third parties. In the event that Archrock remains as a party, we expect to indemnify Archrock for any liabilities relating to such contracts. Indemnities that we may be required to provide Archrock will not be subject to any cap, may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the Spin-off.

With respect to Archrock's agreement to indemnify us, there can be no assurance that the indemnity from Archrock will be sufficient to protect us against the full amount of such liabilities, or that Archrock will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Archrock any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, cash flows, results of operations and financial condition.

Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile.

The market price of our stock may be influenced by many factors, some of which are beyond our control, including the following:

- the inability to meet the financial estimates of analysts who follow our common stock;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- variations in our quarterly operating results and those of our competitors;
- general economic and stock market conditions;
- risks relating to our business and our industry, including those discussed above;
- changes in conditions or trends in our industry, markets or customers;
- cyber-attacks, terrorist acts or armed hostilities;
- future sales of our common stock or other securities;
- material weaknesses in our internal control over financial reporting; and
- investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives.

These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternate forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provision. This forum selection provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable or cost-effective for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The following table describes the material facilities we owned or leased as of December 31, 2019:

Location	Status	Square Feet	Uses
Houston, Texas	Leased	58,857	Corporate office
Port Harcourt, Nigeria	Leased	47,333	Contract operations and aftermarket services
Neuquen, Argentina	Owned	43,233	Contract operations and aftermarket services
Reynosa, Mexico	Owned	28,912	Contract operations and aftermarket services
Veracruz, Mexico	Leased	25,833	Contract operations and aftermarket services
Santa Cruz, Bolivia	Leased	22,017	Contract operations and aftermarket services
Camacari, Brazil	Owned	86,112	Contract operations
Bangkok, Thailand	Leased	51,667	Aftermarket services
Houston, Texas	Owned	261,609	Product sales
Hamriyah Free Zone, UAE	Leased	212,742	Product sales
Broken Arrow, Oklahoma	Owned	145,755	Product sales
Singapore, Singapore	Leased	111,693	Product sales

Item 3. *Legal Proceedings*

In the ordinary course of business, we are involved in various pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these actions will not have a material adverse effect on our financial position, results of operations or cash flows. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our financial position, results of operations or cash flows.

Contemporaneously with filing the Form 8-K on April 26, 2016, we self-reported the errors and possible irregularities at Belleli EPC to the SEC. On April 8, 2019, the SEC provided written notice to us stating that based on the information they have as of this date, they have concluded their investigation and do not intend to recommend enforcement action against us in connection with this matter.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

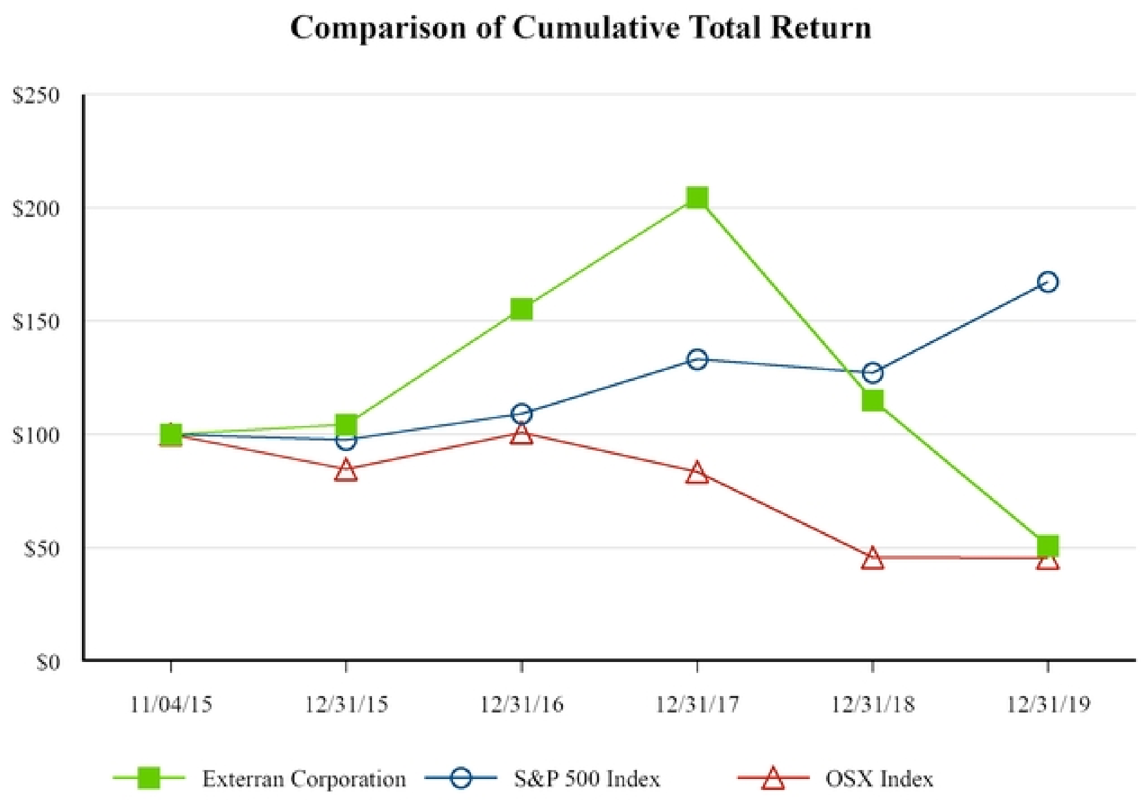
Our common stock is listed and traded on the New York Stock Exchange under the stock symbol "EXTN." As of February 20, 2020, there were approximately 950 holders of record of our common stock.

We have not paid, and we do not currently anticipate paying cash dividends on our common stock. Instead, we intend to retain our future earnings to support the growth and development of our business. The declaration of any future cash dividends and, if declared, the amount of any such dividends, will be subject to our financial condition, earnings, capital requirements, financial covenants, applicable law and other factors our board of directors deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future.

For disclosures regarding securities authorized for issuance under our equity compensation plans, see Part III, Item 12 ("Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters") of this report.

Comparison of Cumulative Total Return

The performance graph below shows the cumulative total stockholder return on our common stock, compared with the S&P 500 Composite Stock Price Index (the "S&P 500 Index") and the Oilfield Service Index (the "OSX Index") over the period from November 4, 2015, the first day of trading volume, to December 31, 2019. The results are based on an investment of $100 in each of our common stock, the S&P 500 Index and the OSX Index. The graph assumes the reinvestment of dividends and adjusts all closing prices and dividends for stock splits.



The performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under those Acts.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Repurchase of Equity Securities

The following table summarizes our repurchases of equity securities during the three months ended December 31, 2019:

Period	Total Number of Shares Repurchased [(1)]	Average Price Paid Per Unit	Total Number of Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares that may yet to be Purchased Under the Publicly Announced Program
October 1, 2019 - October 31, 2019	—	$ —	—	$ 61,061,250
November 1, 2019 - November 30, 2019	350,640	8.14	342,021	58,282,207
December 1, 2019 - December 31, 2019	99,089	5.61	99,089	57,726,011
Total	449,729	$ 7.58	441,110	$ 57,726,011

(1) Total number of shares repurchased includes 8,619 shares withheld to satisfy employees’ tax withholding obligations in connection with vesting of restricted stock awards during the period.

Share Repurchase Program

On February 20, 2019, our board of directors approved a share repurchase program, under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The share repurchase program may be effected through a variety of methods, including open-market purchases and Rule 10b5-1 trading plans among others. The amount and timing of any repurchases will depend on general market conditions, among other factors, and may be discontinued at any time.

Item 6. ***Selected Financial Data***

The table below presents certain selected historical consolidated and combined financial information as of and for each of the years in the five-year period ended December 31, 2019. The selected historical consolidated financial data as of December 31, 2019 and 2018 and the selected historical consolidated financial data for the years ended December 31, 2019, 2018 and 2017 has been derived from our audited Financial Statements included elsewhere in this report. The selected historical consolidated and combined financial data as of December 31, 2017, 2016 and 2015 and for the years ended December 31, 2016 and 2015 has been derived from our financial statements not included in this report.

Our Spin-off from Archrock was completed on November 3, 2015. Selected financial data for periods prior to the Spin-off represent the combined results of Archrock's international services and product sales businesses. The combined financial data may not be indicative of our future performance and does not necessarily reflect the financial condition and results of operations we would have realized had we operated as a separate, stand-alone entity during the periods presented, including changes in our operations as a result of our Spin-off from Archrock. The results from continuing operations for all periods presented exclude the results of our Venezuelan contract operations business, Belleli CPE business (the manufacture of critical process equipment for refinery and petrochemical facilities) and Belleli EPC business (the manufacture of tanks for tank farms and the manufacture of evaporators and brine heaters for desalination plants). Those results are reflected in discontinued operations for all periods presented. The selected financial data presented below should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements contained in this report.

(in thousands, except per share data)	Years Ended December 31, 2019	2018	2017	2016	2015
Statement of Operations Data:					
Revenues	$ 1,317,440	$ 1,360,856	$ 1,215,294	$ 905,397	$ 1,687,264
Cost of sales (excluding depreciation and amortization expense)	954,218	977,428	868,154	596,406	1,189,361
Selling, general and administrative	164,314	178,401	176,318	157,485	210,483
Depreciation and amortization	162,557	123,922	107,824	132,886	146,318
Impairments	74,373	3,858	5,700	14,495	20,788
Restatement related charges (recoveries), net	48	(276)	3,419	18,879	—
Restructuring and other charges	8,712	1,997	3,189	22,038	31,315
Interest expense	38,620	29,217	34,826	34,181	7,272
Equity in income of non-consolidated affiliates	—	—	—	(10,403)	(15,152)
Other (income) expense, net	(1,829)	6,484	(975)	(13,046)	35,516
Income (loss) before income taxes	(83,573)	39,825	16,839	(47,524)	61,363
Provision for income taxes	25,290	39,433	22,695	124,242	39,438
Income (loss) from continuing operations	(108,863)	392	(5,856)	(171,766)	21,925
Income (loss) from discontinued operations, net of tax	6,486	24,462	39,736	(56,171)	4,723
Net income (loss)	(102,377)	24,854	33,880	(227,937)	26,648
Income (loss) from continuing operations per common share: (1)					
Basic	$ (3.18)	$ 0.01	$ (0.17)	$ (4.97)	$ 0.64
Diluted	(3.18)	0.01	(0.17)	(4.97)	0.64
Weighted average common shares outstanding used in income (loss) from continuing operations per common share: (1)					
Basic	34,283	35,433	34,959	34,568	34,288
Diluted	34,283	35,489	34,959	34,568	34,304
Other Financial Data:					
Total gross margin (2)	$ 363,222	$ 383,428	$ 347,140	$ 308,991	$ 497,903
EBITDA, as adjusted (2)	200,657	205,498	173,155	155,993	282,031
Capital expenditures:					
Contract Operations Equipment:					
Growth (3)	$ 163,731	$ 186,240	$ 104,909	$ 53,005	$ 105,169
Maintenance (4)	8,753	6,616	15,691	14,440	27,282
Other	20,790	22,252	11,073	6,225	22,893
Balance Sheet Data:					
Cash and cash equivalents	$ 16,683	$ 19,300	$ 49,145	$ 35,678	$ 29,032
Working capital (5) (6)	109,278	108,746	134,048	177,824	408,488
Property, plant and equipment, net	844,410	901,577	822,279	790,922	846,977
Total assets (6)	1,418,004	1,567,054	1,460,807	1,374,778	1,788,396
Long-term debt (7)	443,587	403,810	368,472	348,970	525,593
Total stockholders' equity (6) (7)	409,538	552,821	554,786	556,771	805,936

(1) For the periods prior to November 3, 2015, the average number of common shares outstanding used to calculate basic and diluted net income (loss) from

continuing operations per common share was based on 34,286,267 shares of our common stock that were distributed by Archrock in the Spin-off on November 3, 2015.

(2) Total gross margin and EBITDA, as adjusted, are non-GAAP financial measures. Total gross margin and EBITDA, as adjusted, are defined, reconciled to income (loss) before income taxes and net income (loss), respectively, and discussed further below under "Non-GAAP Financial Measures."

(3) Growth capital expenditures are made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue generating capabilities of existing or new assets, whether through construction, acquisition or modification. The majority of our growth capital expenditures are related to contract operations projects including acquisition costs of new compressor units and processing and treating equipment and installation costs for projects that we add to our contract operations business. In addition, growth capital expenditures can include the upgrading of major components on an existing compressor unit where the current configuration of the compressor unit is no longer in demand and the compressor unit is not likely to return to an operating status without the capital expenditures. These latter expenditures substantially modify the operating parameters of the compressor unit such that it can be used in applications for which it previously was not suited.

(4) Maintenance capital expenditures are made to maintain the existing operating capacity of our assets and related cash flows further extending the useful lives of the assets. Maintenance capital expenditures are related to major overhauls of significant components of a compressor unit, such as the engine, compressor and cooler, that return the components to a "like new" condition, but do not modify the applications for which the compressor unit was designed.

(5) Working capital is defined as current assets minus current liabilities.

(6) Amounts include balance sheet data for discontinued operations.

(7) Pursuant to the separation and distribution agreement with Archrock and certain of our and Archrock's respective affiliates, on November 3, 2015, we transferred $532.6 million of net proceeds from borrowings under our credit facility to Archrock to allow it to repay a portion of its indebtedness in connection with the Spin-off.

Non-GAAP Financial Measures

We define gross margin as total revenue less cost of sales (excluding depreciation and amortization expense). We evaluate the performance of each of our segments based on gross margin. Total gross margin is included as a supplemental disclosure because it is a primary measure used by our management to evaluate the results of revenue and cost of sales (excluding depreciation and amortization expense), which are key components of our operations. We believe gross margin is important because it focuses on the current operating performance of our operations and excludes the impact of the prior historical costs of the assets acquired or constructed that are utilized in those operations, the indirect costs associated with our selling, general and administrative ("SG&A") activities, the impact of our financing methods and income taxes. Depreciation and amortization expense may not accurately reflect the costs required to maintain and replenish the operational usage of our assets and therefore may not portray the costs from current operating activity. As an indicator of our operating performance, total gross margin should not be considered an alternative to, or more meaningful than, income (loss) before income taxes as determined in accordance with generally accepted accounting principles in the U.S. ("GAAP"). Our gross margin may not be comparable to a similarly titled measure of another company because other entities may not calculate gross margin in the same manner.

Total gross margin has certain material limitations associated with its use as compared to income (loss) before income taxes. These limitations are primarily due to the exclusion of interest expense, depreciation and amortization expense, SG&A expense, impairments and restructuring and other charges. Each of these excluded expenses is material to our statements of operations. Because we intend to finance a portion of our operations through borrowings, interest expense is a necessary element of our costs and our ability to generate revenue. Additionally, because we use capital assets, depreciation expense is a necessary element of our costs and our ability to generate revenue, and SG&A expenses are necessary to support our operations and required corporate activities. To compensate for these limitations, management uses total gross margin, a non-GAAP measure, as a supplemental measure to other GAAP results to provide a more complete understanding of our performance.

The following table reconciles our net income (loss) before income taxes to total gross margin (in thousands):

	Years Ended December 31,				
	2019	2018	2017	2016	2015
Income (loss) before income taxes	$ (83,573)	$ 39,825	$ 16,839	$ (47,524)	$ 61,363
Selling, general and administrative	164,314	178,401	176,318	157,485	210,483
Depreciation and amortization	162,557	123,922	107,824	132,886	146,318
Impairments	74,373	3,858	5,700	14,495	20,788
Restatement related charges (recoveries), net	48	(276)	3,419	18,879	—
Restructuring and other charges	8,712	1,997	3,189	22,038	31,315
Interest expense	38,620	29,217	34,826	34,181	7,272
Equity in income of non-consolidated affiliates	—	—	—	(10,403)	(15,152)
Other (income) expense, net	(1,829)	6,484	(975)	(13,046)	35,516
Total gross margin	$ 363,222	$ 383,428	$ 347,140	$ 308,991	$ 497,903

We define EBITDA, as adjusted, as net income (loss) excluding income (loss) from discontinued operations (net of tax), cumulative effect of accounting changes (net of tax), income taxes, interest expense (including debt extinguishment costs), depreciation and amortization expense, impairment charges, restructuring and other charges, non-cash gains or losses from foreign currency exchange rate changes recorded on intercompany obligations, expensed acquisition costs and other items. We believe EBITDA, as adjusted, is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of our capital structure (interest expense from our outstanding debt), asset base (depreciation and amortization), our subsidiaries’ capital structure (non-cash gains or losses from foreign currency exchange rate changes on intercompany obligations), tax consequences, impairment charges, restructuring and other charges, expensed acquisition costs and other items. Management uses EBITDA, as adjusted, as a supplemental measure to review current period operating performance, comparability measures and performance measures for period to period comparisons. In addition, the compensation committee has used EBITDA, as adjusted, in evaluating the performance of the Company and management and in evaluating certain components of executive compensation, including performance-based annual incentive programs. Our EBITDA, as adjusted, may not be comparable to a similarly titled measure of another company because other entities may not calculate EBITDA in the same manner.

EBITDA, as adjusted, is not a measure of financial performance under GAAP and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities or any other measure determined in accordance with GAAP. Items excluded from EBITDA, as adjusted, are significant and necessary components to the operation of our business and therefore, EBITDA, as adjusted, should only be used as a supplemental measure of our operating performance.

The following table reconciles our net income (loss) to EBITDA, as adjusted (in thousands):

	Years Ended December 31,				
	2019	2018	2017	2016	2015
Net income (loss)	$ (102,377)	$ 24,854	$ 33,880	$ (227,937)	$ 26,648
(Income) loss from discontinued operations, net of tax	(6,486)	(24,462)	(39,736)	56,171	(4,723)
Depreciation and amortization	162,557	123,922	107,824	132,886	146,318
Impairments	74,373	3,858	5,700	14,495	20,788
Restatement related charges (recoveries), net	48	(276)	3,419	18,879	—
Restructuring and other charges	8,712	1,997	3,189	22,038	31,315
Investment in non-consolidated affiliates impairment	—	—	—	—	33
Proceeds from sale of joint venture assets	—	—	—	(10,403)	(15,185)
Interest expense	38,620	29,217	34,826	34,181	7,272
(Gain) loss on currency exchange rate remeasurement of intercompany balances	(80)	5,241	(516)	(8,559)	30,127
Loss on sale of businesses	—	1,714	111	—	—
Penalties from Brazilian tax programs	—	—	1,763	—	—
Provision for income taxes	25,290	39,433	22,695	124,242	39,438
EBITDA, as adjusted	$ 200,657	$ 205,498	$ 173,155	$ 155,993	$ 282,031

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Financial Statements, the notes thereto, and the other financial information appearing elsewhere in this report. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See Part I ("Disclosure Regarding Forward-Looking Statements") and Part I, Item 1A ("Risk Factors") in this report.

This section of the Form 10-K discusses the results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018. The results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017 that are not included in this Form 10-K are included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Overview

We are a global systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment and compression products and services providing critical midstream infrastructure solutions to customers throughout the world. We provide our products and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. We operate in three primary business lines: contract operations, aftermarket services and product sales. The nature and inherent interactions between and among our business lines provide us with opportunities to cross-sell and offer integrated product and service solutions to our customers. In our contract operations business line, we provide compression, processing, treating and water treatment services through the operation of our natural gas compression equipment, crude oil and natural gas production and process equipment and water treatment equipment for our customers. In our aftermarket services business line, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales business line, we design, engineer, manufacture, install and sell natural gas compression packages as well as equipment used in the treating and processing of crude oil, natural gas and water to our customers throughout the world and for use in our contract operations business line. We also offer our customers, on either a contract operations basis or a sale basis, the engineering, design, project management, procurement and construction services necessary to incorporate our products into production, processing and compression facilities, which we refer to as integrated projects.

Our chief operating decision maker manages business operations, evaluates performance and allocates resources based on the Company's three primary business lines, which are also referred to as our segments. In order to more efficiently and effectively identify and serve our customer needs, we classify our worldwide operations into four geographic regions. The North America region is primarily comprised of our operations in Mexico and the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia and Brazil. The Middle East and Africa region is primarily comprised of our operations in Bahrain, Iraq, Oman, Nigeria and the United Arab Emirates. The Asia Pacific region is primarily comprised of our operations in China, Indonesia, Thailand and Singapore.

Industry Conditions and Trends

Our business environment and corresponding operating results are affected by the level of energy industry spending for the exploration, development and production of oil and natural gas reserves. Spending by oil and natural gas exploration and production companies is dependent upon these companies' forecasts regarding the expected future supply, demand and pricing of oil and natural gas products as well as their estimates of risk-adjusted costs to find, develop and produce reserves. Although we believe our contract operations business, and to a lesser extent our product sales business, is typically less impacted by short-term commodity prices than certain other energy products and service providers, changes in oil and natural gas exploration and production spending normally result in changes in demand for our products and services.

From a long-term perspective, industry observers anticipate strong continued global demand for hydrocarbons, including demand for liquefied natural gas. However, customer cash flows and returns on capital could drive customer investment priorities. Industry observers believe shareholders are encouraging management teams of energy companies to focus operational and compensation strategies on returns and free cash flow generation rather than solely on growth. To accomplish these strategies, energy companies may need to better prioritize or reduce capital spending, which could impact resource allocation and production, ultimately constraining the amount of new projects by our customers.

Our Performance Trends and Outlook

Our revenue, earnings and financial position are affected by, among other things, market conditions that impact demand and pricing for natural gas compression, oil and natural gas production and processing and produced water treatment solutions along with our customers' decisions to use our products and services, use our competitors' products and services or own and operate the equipment themselves.

We have continued to work toward our strategy to be a company that leverages technology and operational excellence to provide complete systems and process solutions in energy and industrial applications. Over the past several years, we have made significant progress in this journey by taking actions to protect our core business, develop important organizational capabilities, commercialize new products and services and implement new processes to position Exterran for success. We are focused on optimizing our portfolio of products and services to better serve our global customers while providing a more attractive investment option for our investors. As we continue on this path, we are also reviewing options for our U.S. compression fabrication business to be a positive contributor to our strategy. This business has performed well over the past year despite difficult market conditions as we worked to maximize margins and returns. We will fully explore our options and we are committed to supporting our customers, employees and other stakeholders throughout the process.

Historically, oil, natural gas and natural gas liquids and the level of drilling and exploration activity in North America have been volatile. The Henry Hub spot price for natural gas was $2.09 per MMBtu at December 31, 2019, which was 36% and 43% lower than prices at December 31, 2018 and 2017, respectively, and the U.S. natural gas liquid composite price was $5.63 per MMBtu for the month of November 2019, which was 12% and 28% lower than prices for the month of December 2018 and for the month of December 31, 2017, respectively. In addition, the West Texas Intermediate crude oil spot price as of December 31, 2019 was 35% and 1% higher than prices at December 31, 2018 and 2017, respectively. Volatility in commodity prices and an industry trend towards disciplined capital spending and improving returns have caused timing uncertainties in demand recently. These uncertainties have caused delays in the timing of new equipment orders and lower bookings in our product sales segment. Booking activity levels for our product sales segment in North America during the year ended December 31, 2019 were $228.6 million, which represents decreases of 75% and 72% compared to the years ended December 31, 2018 and 2017, respectively, and our North America product sales backlog as of December 31, 2019 was $146.1 million, which represents decreases of 73% and 65% compared to December 31, 2018 and 2017, respectively.

Longer-term fundamentals in our international markets partially depend on international oil and gas infrastructure projects, many of which are based on the longer-term plans of our customers that can be driven by their local market demand and local pricing for natural gas. As a result, we believe our international customers make decisions based on longer-term fundamentals that may be less tied to near term commodity prices than our North American customers. Over the long term, we believe the demand for our products and services in international markets will continue, and we expect to have opportunities to grow our international businesses. Booking activity levels for our manufactured products in international markets during the year ended December 31, 2019 were $163.7 million, which represents a decrease of 25% and an increase of 182% compared to the years ended December 31, 2018 and 2017, respectively, and our international product sales backlog as of December 31, 2019 was $131.9 million, which represents a decrease of 19% and an increase of 232% compared to December 31, 2018 and 2017, respectively.

Aggregate booking activity levels for our product sales segment in North America and international markets during the year ended December 31, 2019 was approximately $392.3 million, which represents decreases of 65% and 56% compared to the years ended December 31, 2018 and 2017, respectively. Fluctuations in the size and timing of customers' requests for bid proposals and awards of new contracts tend to create variability in booking activity levels from period to period.

The timing of any change in activity levels by our customers is difficult to predict. As a result, our ability to project the anticipated activity level for our business, and particularly our product sales segment, is limited. Given the volatility of the global energy markets and industry capital spending activity levels, we plan to monitor and continue to control our expense levels necessary to protect our profitability. Additionally, volatility in commodity prices could delay investments by our customers in significant projects, which could result in a material adverse effect on our business, financial condition, results of operations and cash flows.

Our level of capital spending largely depends on the demand for our contract operations services and the equipment required to provide such services to our customers. Based on our current backlog of contracts, we currently expect to invest less capital in our contract operations business in 2020 than we did in 2019.

A decline in demand for oil and natural gas or prices for those commodities, or instability and rationalization of capital funding in the global energy markets could cause a reduction in demand for our products and services. We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, including the removal of compressor units from our active fleet, indicate that the carrying amount of an asset may not be recoverable.

Certain Key Challenges and Uncertainties

Market conditions and competition in the oil and natural gas industry and the risks inherent in international markets continue to represent key challenges and uncertainties. In addition to these challenges, we believe the following represent some of the key challenges and uncertainties we will face in the future:

Global Energy Markets and Oil and Natural Gas Pricing. Our results of operations depend upon the level of activity in the global energy markets, including oil and natural gas development, production, processing and transportation. Oil and natural gas prices and the level of drilling and exploration activity can be volatile. If oil and natural gas exploration and development activity and the number of well completions decline due to the reduction in oil and natural gas prices or significant instability in energy markets, we would anticipate a decrease in demand and pricing for our natural gas compression and oil and natural gas production and processing equipment and services. For example, unfavorable market conditions or financial difficulties experienced by our customers may result in cancellation of contracts or the delay or abandonment of projects, which could cause our cash flows generated by our product sales and services to decline and have a material adverse effect on our results of operations and financial condition.

Execution on Larger Contract Operations and Product Sales Projects. Some of our projects are significant in size and scope, which can translate into more technically challenging conditions or performance specifications for our products and services. Contracts with our customers generally specify delivery dates, performance criteria and penalties for our failure to perform. Any failure to execute such larger projects in a timely and cost effective manner could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Personnel, Hiring, Training and Retention. We believe our ability to grow may be challenged by our ability to hire, train and retain qualified personnel. Although we have been able to satisfy our personnel needs thus far, retaining employees in our industry continues to be a challenge. Our ability to continue our growth will depend in part on our success in hiring, training and retaining these employees.

Summary of Results

Revenue. Revenue during the years ended December 31, 2019, 2018 and 2017 was $1,317.4 million, $1,360.9 million and $1,215.3 million, respectively. The decrease in revenue during the year ended December 31, 2019 compared to the year ended December 31, 2018 was due to a revenue decrease in our product sales segment, partially offset by increases in revenue in our aftermarket services and contract operations segments. The increase in revenue during the year ended December 31, 2018 compared to the year ended December 31, 2017 was due to revenue increases in our product sales and aftermarket services segments, partially offset by a decrease in revenue in our contract operations segment.

Net income (loss). We generated net loss of $102.4 million during the year ended December 31, 2019 and net income of $24.9 million and $33.9 million during the years ended December 31, 2018 and 2017, respectively. The decrease in net income during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to an increase in impairment charges, an increase in depreciation and amortization expense and a decrease in gross margin for our product sales segments, partially offset by decreases in income taxes and selling, general and administrative (“SG&A”) expense. Net loss during the year ended December 31, 2019 included income from discontinued operations, net of tax, of $6.5 million and net income during the year ended December 31, 2018 included income from discontinued operations, net of tax, of $24.5 million. The decrease in net income during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to an increase in income taxes, an increase in depreciation and amortization expense, a decrease in income from discontinued operations, net of tax, and an increase in foreign currency losses of $7.8 million. These activities were partially offset by an increase in gross margin for our product sales segment and a decrease in interest expense. Net income during the years ended December 31, 2018 and 2017 included income from discontinued operations, net of tax, of $24.5 million and $39.7 million, respectively. Income for discontinued operations, net of tax, was positively impacted by installment payments received of $19.8 million and $19.7 million associated with our Venezuelan subsidiary’s sale of its previously nationalized assets during the years ended December 31, 2018 and 2017, respectively, and recoveries from liquidated damages releases and customer approved change orders related to Belleli EPC during the year ended December 31, 2017.

EBITDA, as adjusted. Our EBITDA, as adjusted, was $200.7 million, $205.5 million and $173.2 million during the years ended December 31, 2019, 2018 and 2017, respectively. EBITDA, as adjusted, during the year ended December 31, 2019 compared to the year ended December 31, 2018 decreased primarily due to a decrease in gross margin for our product sales segment, partially offset by a decrease in SG&A and increases in gross margin for our aftermarket services and contract operations segments. EBITDA, as adjusted, during the year ended December 31, 2018 compared to the year ended December 31, 2017 increased primarily due to an increase in gross margin for our product sales segment.

EBITDA, as adjusted, is a non-GAAP financial measure. For a reconciliation of EBITDA, as adjusted, to net income (loss), its most directly comparable financial measure calculated and presented in accordance with GAAP, please read Part II, Item 6 ("Selected Financial Data — Non-GAAP Financial Measures") of this report.

As discussed in Note 5 to the Financial Statements, the results from continuing operations for all periods presented exclude the results of our Venezuelan contract operations and Belleli EPC business. Those results are reflected in discontinued operations for all periods presented.

Results by Business Segment. The following table summarizes revenue, gross margin and gross margin percentages for each of our business segments (dollars in thousands):

	Years Ended December 31,		
	2019	2018	2017
Revenue:			
Contract Operations	$ 368,126	$ 360,973	$ 375,269
Aftermarket Services	129,217	120,676	107,063
Product Sales	820,097	879,207	732,962
	$ 1,317,440	$ 1,360,856	$ 1,215,294
Gross Margin: (1)			
Contract Operations	$ 239,963	$ 238,835	$ 241,889
Aftermarket Services	33,610	31,010	28,842
Product Sales	89,649	113,583	76,409
	$ 363,222	$ 383,428	$ 347,140
Gross Margin Percentage: (2)			
Contract Operations	65%	66%	64%
Aftermarket Services	26%	26%	27%
Product Sales	11%	13%	10%

(1) Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense). We evaluate the performance of each of our segments based on gross margin.

(2) Gross margin percentage is defined as gross margin divided by revenue.

Operating Highlights

The following table summarizes the expected timing of revenue recognition from our contract operations backlog (in thousands):

	December 31, 2019
Contract Operations Backlog: [1]	
2020	$ 268,082
2021	232,057
2022	181,759
2023	152,503
2024	118,465
Thereafter	299,135
Total contract operations backlog	$ 1,252,001

[1] As of December 31, 2019, the total value of our contract operations backlog accounted for as operating leases was approximately $185 million, of which $35 million is expected to be recognized in 2020, $45 million is expected to be recognized in 2021, $44 million is expected to be recognized in 2022, $44 million is expected to be recognized in 2023 and $17 million is expected to be recognized in 2024. Contract operations revenues recognized as operating leases for the year ended December 31, 2019 was approximately $54 million.

The following table summarizes our product sales backlog (in thousands):

	December 31,		
	2019	2018	2017
Product Sales Backlog: [1]			
Compression equipment	$ 160,946	$ 471,827	$ 254,745
Processing and treating equipment	69,912	229,258	178,814
Production equipment [2]	593	2,438	14,138
Other product sales	46,501	2,246	13,349
Total product sales backlog	$ 277,952	$ 705,769	$ 461,046

[1] We expect that approximately $266 million of our product sales backlog as of December 31, 2019 will be recognized as revenue before December 31, 2020.

[2] In June 2018, we completed the sale of our North America production equipment assets (“PEQ assets”), which included $12.0 million in backlog.

Results of Operations

The Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

Contract Operations
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Revenue	$ 368,126	$ 360,973	$ 7,153	2 %
Cost of sales (excluding depreciation and amortization expense)	128,163	122,138	6,025	5 %
Gross margin	$ 239,963	$ 238,835	$ 1,128	— %
Gross margin percentage	65%	66%	(1)%	(2)%

The increase in revenue during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to increases in revenue of $27.7 million and $4.2 million in the Middle East and Africa region and the North America region, respectively, partially offset by decreases in revenue of $17.6 million and $7.1 million in the Latin America region and Asia Pacific region, respectively. The revenue increase in the Middle East and Africa region was primarily due to the start-up of a project that commenced in June 2019 and the start-up of another project that commenced August 2018. The increase of revenue in the North America region was primarily due to a renegotiation of a contract in the fourth quarter of 2018 that resulted in higher revenue in the current year period. The revenue decrease in the Latin America region was primarily driven by a decrease of $14.0 million in Argentina largely resulting from projects that terminated operations in 2018 and the current year impact of the devaluation of the Argentine Peso, an $11.6 million decrease in Brazil primarily driven by projects that terminated in 2018 and 2019 and the impact of foreign currency exchange rates in Brazil. These revenue decreases in the Latin America region were partially offset by an increase of $8.4 million due to the start-up of a project that was not operating in the prior year period. The revenue decrease in the Asia Pacific region was primarily driven by a $2.8 million recovery of an early termination fee in the first quarter of 2018 for a contract that terminated in January 2016 and projects that terminated in the fourth quarter of 2018. Gross margin and gross margin percentage remained relatively flat during the year ended December 31, 2019 compared to the year ended December 31, 2018.

Aftermarket Services
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Revenue	$ 129,217	$ 120,676	$ 8,541	7%
Cost of sales (excluding depreciation and amortization expense)	95,607	89,666	5,941	7%
Gross margin	$ 33,610	$ 31,010	$ 2,600	8%
Gross margin percentage	26%	26%	—%	—%

The increase in revenue during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to increases in installation services and part sales, partially offset by a decrease in operation and maintenance services. Gross margin increased during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the revenue increase explained above. Gross margin percentage during the year ended December 31, 2019 compared to the year ended December 31, 2018 remained flat.

Product Sales
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Revenue	$ 820,097	$ 879,207	$ (59,110)	(7)%
Cost of sales (excluding depreciation and amortization expense)	730,448	765,624	(35,176)	(5)%
Gross margin	$ 89,649	$ 113,583	$ (23,934)	(21)%
Gross margin percentage	11%	13%	(2)%	(15)%

The decrease in revenue during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to decreases in revenue of $158.7 million, $13.7 million and $6.8 million in the North America, Asia Pacific and Latin America regions, partially offset by an increase in revenue of $120.1 million in the Middle East and Africa region. The decrease in revenue in the North America region was primarily due to decreases of $213.5 million and $12.5 million in processing and treating equipment revenue and production equipment revenue, respectively, partially offset by an increase of $67.3 million in compression equipment revenue. In June 2018, we completed the sale of our PEQ assets. The decrease in revenue in the Asia Pacific region was primarily due to a decrease of $9.8 million in compression equipment revenue and the decrease in the Latin America region was primarily due to a decrease of $4.0 million in production equipment. The increase in revenue in the Middle East and Africa region was primarily due to increases of $102.4 million and $7.8 million in processing and treating equipment revenue and compression equipment revenue, respectively. Gross margin decreased during the year ended December 31, 2019 compared to the year ended December 31, 2018 due to the revenue decrease explained above and higher expenses on a specific project in the North America region. Gross margin percentage decreased during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the higher expenses discussed above and a shift in product mix in the North America region during the current year period.

Costs and Expenses
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Selling, general and administrative	$ 164,314	$ 178,401	$ (14,087)	(8)%
Depreciation and amortization	162,557	123,922	38,635	31 %
Impairments	74,373	3,858	70,515	1,828 %
Restatement related charges (recoveries), net	48	(276)	324	(117)%
Restructuring and other charges	8,712	1,997	6,715	336 %
Interest expense	38,620	29,217	9,403	32 %
Other (income) expense, net	(1,829)	6,484	(8,313)	(128)%

Selling, general and administrative
SG&A expense decreased during the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to a decrease in compensation and associated costs and a decrease in third-party professional expenses. During the years ended December 31, 2019 and 2018, SG&A expense as a percentage of revenue was 12% and 13%, respectively.

Depreciation and amortization
Depreciation and amortization expense during the year ended December 31, 2019 compared to the year ended December 31, 2018 increased primarily due to an increase in depreciation expense of $22.8 million in the current year period as a result of an amendment to a contract operations contract in the fourth quarter of 2018 that decreased the useful life of certain assets. Additionally, depreciation expense increased by $10.8 million primarily due to additional depreciation on projects that were not operating in the prior year period.

Impairments
During the year ended December 31, 2019, in an effort to generate cash from idle assets and reduce holding costs, we reviewed the future deployment of our idle assets used in our contract operations segment for units that were not of the type, configuration, condition, make or model that are cost efficient to maintain and operate. Based on this review, we determined that certain idle compressor units and other assets would be retired from future service. The retirement of these units from the active fleet triggered a review of these assets for impairment. As a result, we recorded a $52.6 million asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit was estimated based on either the expected net sale proceeds compared to other fleet units we recently sold and/or a review of other units recently offered for sale by third parties, or the estimated component value or scrap value of each compressor unit.

In addition, in connection with our review of options for our U.S. compression sales business within our product sales segment, we reviewed the assets in this business compared to our estimate of future cash flows and recorded a $21.1 million impairment charge to adjust the carrying value to our estimate of fair market value.

In the fourth quarter of 2019, we also evaluated other assets for impairment and recorded an impairment of $0.7 million on these assets.

During the year ended December 31, 2018, we evaluated for impairment idle units that had been previously culled from our fleet and were available for sale. Based upon that review, we reduced the expected proceeds from disposition for certain units. This resulted in an additional impairment of $2.1 million to reduce the book value of each unit to its estimated fair value during the year ended December 31, 2018.

In the fourth quarter of 2017, we classified our PEQ assets primarily related to inventory and property, plant and equipment, net, within our product sales business as assets held for sale in our balance sheets. In June 2018, we completed the sale of our PEQ assets. During the year ended December 31, 2018, we recorded an impairment of $1.8 million to reduce these assets to their approximate fair values based on the expected net proceeds. For further details, see Note 13 to the financial statements.

Restatement related charges
As discussed in Note 14 to the Financial Statements, during the first quarter of 2016, our senior management identified errors relating to the application of percentage-of-completion accounting principles to specific Belleli EPC product sales projects. During the years ended December 31, 2019 and 2018, we incurred $0.1 million and $0.9 million, respectively, of external costs associated with an SEC investigation and remediation activities related to the restatement of our financial statements. During the year ended December 31, 2018, we recorded recoveries from Archrock pursuant to the separation and distribution agreement of $1.2 million for previously incurred restatement related costs.

Restructuring and other charges
The energy industry’s focus on capital discipline and improving returns has caused delays in the timing of new equipment orders. As a result, in the second quarter of 2019, we began the consolidation of two of our manufacturing facilities located in Houston, Texas into one facility and announced a cost reduction plan primarily focused on workforce reductions. We incurred restructuring and other charges associated with these activities of $8.4 million for the year ended December 31, 2019.

In the second quarter of 2018, we initiated a relocation plan in the North America region to better align our contract operations business with our customers. As a result of this plan, during the years ended December 31, 2019 and 2018, we incurred restructuring and other charges of $0.3 million and $2.0 million, respectively, primarily related to relocation costs and employee termination benefits. See Note 15 to the Financial Statements for further discussion of these charges.

Interest expense
The increase in interest expense during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to a decrease in capitalized interest and a higher average balance of long-term debt. During the years ended December 31, 2019 and 2018, the average daily outstanding borrowings of long-term debt were $511.3 million and $428.6 million, respectively.

Other (income) expense, net
The change in other (income) expense, net, was primarily due to foreign currency losses of $3.8 million and $8.5 million during the years ended December 31, 2019 and 2018, respectively. Foreign currency losses included translation gains of $0.3 million and translation losses of $5.2 million during the years ended December 31, 2019 and 2018, respectively, related to the currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations. The change in other (income) expense, net, also included an increase of $1.2 million in gains on sale of property, plant and equipment, a gain of $1.4 million on the sale of a manufacturing facility in the current year period, a loss of $1.7 million on the sale of our PEQ assets in the prior year period and $0.8 million of losses on foreign currency exchange contracts in the current year period. For further discussion on the sale of our PEQ assets, see Note 13 to the Financial Statements.

Income Taxes
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Provision for income taxes	$ 25,290	$ 39,433	$ (14,143)	(36)%
Effective tax rate	(30.3)%	99.0%	(129.3)%	(130.6)%

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn, or losses we incur, in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective tax rate is also affected by valuation allowances recorded against loss carryforwards in the U.S. and certain other jurisdictions, foreign withholding taxes and changes in foreign currency exchange rates.

For the year ended December 31, 2019:

- A $13.8 million increase (16.5% decrease) resulting from negative impacts of foreign currency devaluations primarily from Argentina.
- A $14.0 million increase (16.7% decrease) resulting from the addition of valuation allowances primarily recorded against U.S. federal net operating losses and certain net operating losses of our foreign subsidiaries.
- A $5.5 million increase (6.6% decrease) resulting from foreign withholding taxes primarily against U.S. income, net of U.S. tax benefits.
- A $9.4 million decrease (11.2% increase) resulting from differences in income tax rates for international operations as compared to U.S. taxes at 21%.

For the year ended December 31, 2018:

- A $14.8 million increase (37.3% increase) resulting from negative impacts of foreign currency devaluations primarily from Argentina.
- A $19.0 million decrease (47.6% decrease) resulting from the release of valuation allowances primarily recorded against U.S. federal net operating losses and certain deferred tax assets of our foreign subsidiaries.
- A $14.8 million increase (37.2% increase) resulting from foreign withholding taxes primarily against U.S. income, net of U.S. tax benefits.
- A $9.5 million increase (23.8% increase) related to unrecognized tax benefits recorded in 2018.

Discontinued Operations
(dollars in thousands)

	Years Ended December 31,			
	2019	2018	Change	% change
Income from discontinued operations, net of tax	$ 6,486	$ 24,462	$ (17,976)	(73)%

Income from discontinued operations, net of tax, includes our Venezuelan subsidiary's operations that were expropriated in June 2009 and our Belleli EPC business.

Income from discontinued operations, net of tax, during the year ended December 31, 2019 compared to the year ended December 31, 2018 decreased primarily due to a $19.9 million decrease in income from our Venezuelan subsidiary. The decrease in income from our Venezuelan subsidiary was primarily related to an installment payment, including an annual charge, of $19.8 million received from PDVSA Gas, S.A. (“PDVSA Gas”) in the prior year period associated with our Venezuelan subsidiary’s sale of its previously nationalized assets. As of December 31, 2018, we have received all payments from PDVSA Gas.

For further details on our discontinued operations, see Note 5 to the Financial Statements.

Liquidity and Capital Resources

Our unrestricted cash balance was $16.7 million at December 31, 2019 compared to $19.3 million at December 31, 2018. Working capital increased to $109.3 million at December 31, 2019 from $108.7 million at December 31, 2018. The increase in working capital was primarily due to decreases in contract liabilities and accounts payable, partially offset by decreases in accounts receivable and contract assets. The decrease in contract liabilities was primarily due to the timing of milestone billings and overall progression on product sales projects in the Middle East and Africa region and in North America. The decrease in accounts payable was largely caused by the timing of purchases and payments to suppliers during the current year period. The decrease in accounts receivable was primarily due to lower product sales activity in North America and the decrease in contract assets was primarily driven by the timing of milestone billings on product sales projects in North America.

Our cash flows from operating, investing and financing activities, as reflected in the statements of cash flows, are summarized in the following table (in thousands):

	Years Ended December 31,	
	2019	2018
Net cash provided by (used in) continuing operations:		
Operating activities	$ 176,198	$ 153,296
Investing activities	(174,406)	(207,578)
Financing activities	(6,038)	6,897
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,058)	(3,841)
Discontinued operations	2,528	21,013
Net change in cash, cash equivalents and restricted cash	$ (2,776)	$ (30,213)

Operating Activities. The increase in net cash provided by operating activities during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily attributable to better collections of in-period billings during the current year period and an increase in cash received from upfront billings on contract operations projects, partially offset by a decrease in gross margin in our product sales segment and an increase in income taxes paid in the current year period. Working capital cash changes during the year ended December 31, 2019 included a decrease of $50.7 million in accounts receivables, a decrease of $41.1 million in accounts payable and other liabilities and a decrease of $28.4 million in contract assets. Working capital cash changes during the year ended December 31, 2018 included an increase of $62.9 million in contract liabilities, an increase of $59.7 million in inventory and an increase of $34.6 million in contract assets.

Investing Activities. The decrease in net cash used in investing activities during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily attributable to a $21.8 million decrease in capital expenditures and an increase of $17.1 million in proceeds from the sale of property, plant and equipment.

Financing Activities. The increase in net cash used in financing activities during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily attributable to an increase of $40.4 million in purchases of treasury stock, partially offset by an increase in net borrowings of $4.0 million on our long-term debt and a decrease of $19.2 million in cash transferred to Archrock pursuant to the separation and distribution agreement. The transfer of cash to Archrock during the year ended December 31, 2018 was required under the separation and distribution agreement upon our receipt of payments from PDVSA Gas relating to the sale of our previously nationalized assets.

Discontinued Operations. The decrease in net cash provided by discontinued operations during the year ended December 31, 2019 compared to year ended December 31, 2018 was primarily attributable to a $19.8 million decrease in proceeds received from the sale of our Venezuelan subsidiary’s assets to PDVSA Gas.

Capital Requirements. Our contract operations business is capital intensive, requiring significant investment to maintain and upgrade existing operations. Our capital spending is primarily dependent on the demand for our contract operations services and the availability of the type of equipment required for us to render those contract operations services to our customers. Our capital requirements have consisted primarily of, and we anticipate will continue to consist of, the following:

- growth capital expenditures, which are made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue generating capabilities of existing or new assets, whether through construction, acquisition or modification; and
- maintenance capital expenditures, which are made to maintain the existing operating capacity of our assets and related cash flows further extending the useful lives of the assets.

The majority of our growth capital expenditures are related to installation costs on contract operations services projects and acquisition costs of new compressor units and processing and treating equipment that we add to our contract operations fleet. In addition, growth capital expenditures can include the upgrading of major components on an existing compressor unit where the current configuration of the compressor unit is no longer in demand and the compressor unit is not likely to return to an operating status without the capital expenditures. These latter expenditures substantially modify the operating parameters of the compressor unit such that it can be used in applications for which it previously was not suited. Maintenance capital expenditures are related to major overhauls of significant components of a compressor unit, such as the engine, compressor and cooler, that return the components to a “like new” condition, but do not modify the applications for which the compressor unit was designed.

Growth capital expenditures were $163.7 million, $186.2 million and $104.9 million during the years ended December 31, 2019, 2018 and 2017, respectively. The decrease in growth capital expenditures during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to a decrease in installation expenditures in Oman. The increase in growth capital expenditures during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to an increase in installation expenditures on a contract operations services project in Oman and an increase in compression expenditures on a contract operations services contract in Bolivia during 2018.

Maintenance capital expenditures were $8.8 million, $6.6 million and $15.7 million during the years ended December 31, 2019, 2018 and 2017, respectively. The increase in maintenance capital expenditures during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily driven by increased overhaul activities as a result of delayed discretionary spending in 2018. The decrease in maintenance capital expenditures during the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to decreased overhaul activities as a result of the delayed discretionary spending noted above. We intend to grow our business both organically and through third-party acquisitions. If we are successful in growing our business in the future, we would expect our maintenance capital expenditures to increase over the long term.

We generally invest funds necessary to manufacture contract operations fleet additions when our idle equipment cannot be reconfigured to economically fulfill a project’s requirements and the new equipment expenditure is expected to generate economic returns over its expected useful life that exceeds our targeted return on capital. We currently plan to spend approximately $80 million to $100 million in capital expenditures during 2020, including (1) approximately $60 million to $70 million on contract operations growth capital expenditures and (2) approximately $20 million to $30 million on equipment maintenance capital related to our contract operations business and other capital expenditures.

Long-Term Debt. We and our wholly owned subsidiary, EESLP, are parties to an amended and restated Credit Agreement (the “Amended Credit Agreement”) consisting of a $700.0 million revolving credit facility expiring in October 2023.

During the years ended December 31, 2019 and 2018, the average daily borrowings of long-term debt were $511.3 million and $428.6 million respectively. The weighted average annual interest rate on outstanding borrowings under our revolving credit facility at December 31, 2019 and 2018 was 4.6% and 4.3%, respectively. LIBOR and certain other “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. In particular, on July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is unclear whether, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established. Central banks and regulators in a number of major jurisdictions (for example, U.S., United Kingdom, European Union, Switzerland, and Japan) have convened working groups to find and implement the transition to suitable replacement benchmarks. We are in the beginning stages of creating a program that focuses on identifying, evaluating, and monitoring financial and non-financial risks that may result if LIBOR rates are no longer published after 2021.

As of December 31, 2019, we had $24.2 million in outstanding letters of credit under our revolving credit facility and, taking into account guarantees through outstanding letters of credit, we had undrawn capacity of $601.8 million under our revolving credit facility. Our Amended Credit Agreement limits our senior secured leverage ratio (as defined in the Amended Credit Agreement) on the last day of the fiscal quarter to no greater than 2.75 to 1.0. As a result of this limitation, $513.3 million of the $601.8 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of December 31, 2019.

The Amended Credit Agreement contains various covenants with which we, EESLP and our respective restricted subsidiaries must comply, including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, making distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. We are required to maintain, on a consolidated basis, a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Amended Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Amended Credit Agreement) of 2.75 to 1.00. As of December 31, 2019, Exterran Corporation maintained a 6.3 to 1.0 interest coverage ratio, a 2.1 to 1.0 total leverage ratio and a 0.3 to 1.0 senior secured leverage ratio. As of December 31, 2019, we were in compliance with all financial covenants under the Amended Credit Agreement.

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. issued the 2017 Notes, which consists of $375.0 million aggregate principal amount of senior unsecured notes. The 2017 Notes are guaranteed by us on a senior unsecured basis.

Prior to May 1, 2020, we may redeem all or a portion of the 2017 Notes at a redemption price equal to the sum of (i) the principal amount thereof, and (ii) a make-whole premium at the redemption date, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes prior to May 1, 2020 with the net proceeds of one or more equity offerings at a redemption price of 108.125% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest to the date of redemption, if at least 65% of the aggregate principal amount of the 2017 Notes issued under the indenture remains outstanding after such redemption and the redemption occurs within 180 days of the date of the closing of such equity offering. On or after May 1, 2020, we may redeem all or a portion of the 2017 Notes at redemption prices (expressed as percentages of principal amount) equal to 106.094% for the twelve-month period beginning on May 1, 2020, 104.063% for the twelve-month period beginning on May 1, 2021, 102.031% for the twelve-month period beginning on May 1, 2022 and 100.000% for the twelve-month period beginning on May 1, 2023 and at any time thereafter, plus accrued and unpaid interest, if any, to the applicable redemption date of the 2017 Notes.

We may from time to time seek to retire, extend or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such extensions, repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Historically, we have financed capital expenditures with a combination of net cash provided by operating and financing activities. Our ability to access the capital markets may be restricted at the time when we would like, or need, to do so, which could have an adverse impact on our ability to maintain our operations and to grow. If any of our lenders become unable to perform their obligations under the Amended Credit Agreement, our borrowing capacity under our revolving credit facility could be reduced. Inability to borrow additional amounts under our revolving credit facility could limit our ability to fund our future growth and operations. Based on current market conditions, we expect that net cash provided by operating activities and borrowings under our revolving credit facility will be sufficient to finance our operating expenditures, capital expenditures and other contractual cash obligations, including our debt obligations. However, if net cash provided by operating activities and borrowings under our revolving credit facility are not sufficient, we may seek additional debt or equity financing.

Unrestricted Cash. Of our $16.7 million unrestricted cash balance at December 31, 2019, $16.2 million was held by our non-U.S. subsidiaries. In the event of a distribution of earnings to the U.S. in the form of dividends, we may be subject to foreign withholding taxes. We do not believe that the cash held by our non-U.S. subsidiaries has an adverse impact on our liquidity because we expect that the cash we generate in the U.S., the available borrowing capacity under our revolving credit facility and the repayment of intercompany liabilities from our non-U.S. subsidiaries will be sufficient to fund the cash needs of our U.S. operations for the foreseeable future.

Share Repurchase Program. On February 20, 2019, our board of directors approved a share repurchase program under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The timing and method of any repurchases under the program will depend on a variety of factors, including prevailing market conditions among others. Purchases under the program may be suspended or discontinued at any time and we have no obligation to repurchase any amount of our common shares under the program. Shares of common stock acquired through the repurchase program are held in treasury at cost. During the year ended December 31, 2019, we repurchased 3,495,448 shares of our common stock for $42.3 million in connection with our share repurchase program. As of December 31, 2019, the remaining authorized repurchase amount under the share repurchase program was $57.7 million.

Dividends. We do not currently anticipate paying cash dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The declaration of any future cash dividends and, if declared, the amount of any such dividends, will be subject to our financial condition, earnings, capital requirements, financial covenants, applicable law and other factors our board of directors deems relevant.

Contractual Obligations. The following table summarizes our cash contractual obligations as of December 31, 2019 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Total	2020	2021-2022	2023-2024	Thereafter
Debt:[1]					
Revolving credit facility due October 2023	$ 74,000	$ —	$ —	$ 74,000	$ —
8.125% senior notes due May 2025 [2]	375,000	—	—	—	375,000
Other	237	237	—	—	—
Total debt	449,237	237	—	74,000	375,000
Interest on debt	185,638	35,953	71,906	65,174	12,605
Purchase commitments	178,849	171,448	7,401	—	—
Facilities and other operating leases	51,609	7,154	12,876	9,649	21,930
Total contractual obligations	$ 865,333	$ 214,792	$ 92,183	$ 148,823	$ 409,535

(1) For more information on our debt, see Note 11 to the Financial Statements.

(2) Amounts represent the full face value of the 2017 Notes and do not include unamortized debt financing costs of $5.4 million as of December 31, 2019.

As of December 31, 2019, $23.3 million of unrecognized tax benefits (including discontinued operations) have been recorded as liabilities in accordance with the accounting standard for income taxes related to uncertain tax positions, and we are uncertain as to if or when such amounts may be settled. Related to these unrecognized tax benefits, we have also recorded a liability for potential penalties and interest (including discontinued operations) of $2.3 million.

Indemnifications. In conjunction with, and effective as of the completion of, the Spin-off, we entered into the separation and distribution agreement with Archrock, which governs, among other things, the treatment between Archrock and us relating to certain aspects of indemnification, insurance, confidentiality and cooperation. Generally, the separation and distribution agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Archrock's business with Archrock. Pursuant to the agreement, we and Archrock will generally release the other party from all claims arising prior to the Spin-off that relate to the other party's business, subject to certain exceptions. Additionally, in conjunction with, and effective as of the completion of, the Spin-off, we entered into the tax matters agreement with Archrock. Under the tax matters agreement and subject to certain exceptions, we are generally liable for, and indemnify Archrock against, taxes attributable to our business, and Archrock is generally liable for, and indemnify us against, all taxes attributable to its business. We are generally liable for, and indemnify Archrock against, 50% of certain taxes that are not clearly attributable to our business or Archrock's business. Any payment made by us to Archrock, or by Archrock to us, is treated by all parties for tax purposes as a nontaxable distribution or capital contribution, respectively, made immediately prior to the Spin-off.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Effects of Inflation

Our revenues and results of operations have not been materially impacted by inflation in the past three fiscal years.

Critical Accounting Policies, Practices and Estimates

This discussion and analysis of our financial condition and results of operations is based upon the Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and accounting policies, including those related to bad debt, inventories, accrued demobilization costs, fixed assets, intangible assets, income taxes, revenue recognition, contingencies and litigation. We base our estimates on historical experience and on other assumptions that we believe are reasonable under the circumstances. The results of this process form the basis of our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and these differences can be material to our financial condition, results of operations and liquidity. See Note 2 to our Financial Statement for a summary of significant accounting policies.

Allowances and Reserves

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The determination of the collectability of amounts due from our customers requires us to use estimates and make judgments regarding future events and trends, including monitoring our customers' payment history and current creditworthiness to determine that collectibility is reasonably assured, as well as consideration of the overall business climate in which our customers operate. Inherently, these uncertainties require us to make judgments and estimates regarding our customers' ability to pay amounts due to us in order to determine the appropriate amount of valuation allowances required for doubtful accounts. We review the adequacy of our allowance for doubtful accounts quarterly. We determine the allowance needed based on historical write-off experience and by evaluating significant balances aged greater than 90 days individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. During the years ended December 31, 2019, 2018 and 2017, we recorded bad debt expense of $0.1 million, $0.1 million and $0.9 million, respectively. Our allowance for doubtful accounts was approximately 3% and 2% of our gross accounts receivable balance at December 31, 2019 and 2018, respectively.

Inventory is a significant component of current assets and is stated at the lower of cost and net realizable value. This requires us to record provisions and maintain reserves for obsolete and slow moving inventory. To determine these reserve amounts, we regularly review inventory quantities on hand and compare them to historical demand and management estimates of market conditions and production requirements. These estimates and forecasts inherently include uncertainties and require us to make judgments regarding potential outcomes. During 2019, 2018 and 2017, we recorded $1.7 million, $0.1 million and $1.3 million, respectively, in inventory write-downs and reserves for inventory which was obsolete or slow moving. Significant or unanticipated changes to our estimates and forecasts could impact the amount and timing of any additional provisions for obsolete or slow moving inventory that may be required. Our reserve for obsolete and slow moving inventory was approximately 10% of our gross raw materials inventory balance at December 31, 2019 and 2018.

Accrued Demobilization Costs

The majority of our contract operations services contracts contain contractual requirements for us to perform demobilization activities at the end of the contract, with the scope of those activities varying by contract. Demobilization activities typically include, among other requirements, civil work and the removal of our equipment and installation from the customer's site. Demobilization activities represent costs to fulfill obligations under our contracts and are not considered distinct within the context of our contract operations services contracts. Accrued demobilization costs are recorded, if applicable, at the time we become contractually obligated to perform these activities, which generally occurs upon our completion of the installation and commissioning of our equipment at the customer's site. We record accrued demobilization costs as a liability and an equivalent demobilization asset as a capitalized fulfillment cost. As of December 31, 2019, we had current and long-term accrued demobilization costs liability balances of $13.3 million and $30.3 million, respectively. Accrued demobilization costs are subsequently increased by interest accretion throughout the expected term of the contract. As of December 31, 2019, we had capitalized fulfillment costs relating to demobilization assets of $13.9 million. Demobilization assets are amortized on a straight-line basis over the expected term of the contract. Any difference between the actual costs realized for the demobilization activities and the estimated liability established are recognized in our statement of operations.

Accrued demobilization costs recorded represent the fair value of the estimated cost for future demobilization activities. The initial obligation is measured at its estimated fair value using various judgments and assumptions. Fair value is calculated using an expected present value technique that is based on assumptions of market participants and estimated demobilization costs in current period dollars that are inflated to the anticipated demobilization date and then discounted back to the date the demobilization obligations are expected to be incurred. Changes in assumptions and estimates included within the calculations of the value of the accrued demobilization costs could result in significantly different results than those identified and recorded in our financial statements. In future periods, we may also make adjustments to accrued demobilization costs as a result of the availability of new information, contract amendments, technology changes, changes in labor costs and other factors.

Accrued demobilization costs are based on a number of assumptions requiring professional judgment. These include estimates for: (1) expected future cash flows related to contractual obligations; (2) anticipated timing of the expected cash flows; (3) our credit-adjusted risk free rate that considers our estimated credit rating; (4) the market risk premiums; and (5) relevant inflation factors. If the expected future cash flows relating to our estimated accrued demobilization costs had been higher or lower by 10% in 2019, accrued demobilization costs would have decreased or increased by approximately $3.0 million at December 31, 2019. We are unable to predict the type of revisions to these assumptions that will be required in future periods due to the availability of additional information, contract amendments, technology changes, the price of labor costs and other factors.

Depreciation

Property, plant and equipment is carried at cost. Depreciation for financial reporting purposes is computed on a straight-line basis using estimated useful lives and salvage values, including idle assets in our active fleet. The assumptions and judgments we use in determining the estimated useful lives and salvage values of our property, plant and equipment reflect both historical experience and expectations regarding future use of our assets. We periodically analyze our estimates of useful lives of our property, plant and equipment to determine if the depreciable periods and salvage values continue to be appropriate. The use of different estimates, assumptions and judgments in the establishment of property, plant and equipment accounting policies, especially those involving their useful lives, would likely result in significantly different net book values of our assets and results of operations.

Long-Lived Assets

We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, including the removal of compressor units from active service, indicate that the carrying amount of an asset may not be recoverable. Compressor units in our active fleet that were idle as of December 31, 2019 comprise a net book value of approximately $27.7 million. The determination that the carrying amount of an asset may not be recoverable requires us to make judgments regarding long-term forecasts of future revenue and costs related to the assets subject to review. For idle compression units that are removed from the active fleet and that will be sold to third parties as working compression units, significant assumptions include forecasted sale prices based on future market conditions and demand, forecasted costs to maintain the assets until sold and the forecasted length of time necessary to sell the assets. These forecasts are uncertain as they require significant assumptions about future market conditions. Significant and unanticipated changes to these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and specific times, it is not possible to reasonably quantify the impact of changes in these assumptions. An impairment loss may exist when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When necessary, an impairment loss is recognized and represents the excess of the asset’s carrying value as compared to its estimated fair value and is charged to the period in which the impairment occurred.

Income Taxes

Our income tax provision, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management’s best assessment of estimated current and future taxes to be paid. We operate in approximately 25 countries and, as a result, we and our subsidiaries file consolidated and separate income tax returns in the U.S. federal jurisdiction and in numerous state and foreign jurisdictions. In addition, certain of our operations were historically included in Archrock’s consolidated income tax returns in the U.S. federal and state jurisdictions. Our tax provision for periods prior to the Spin-off was determined on a separate return, stand-alone basis. Differences between the separate return method utilized and Archrock’s U.S. income tax returns and cash flows attributable to income taxes for our U.S. operations were recognized as distributions to, or contributions from, parent within parent equity. Significant judgments and estimates are required in determining our consolidated income tax provision.

Deferred income taxes arise from temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future U.S. federal, state and foreign pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

The accounting standard for income taxes provides that a tax benefit from an uncertain tax position is only recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. In addition, guidance is provided on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We adjust reserves for unrecognized tax benefits when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax provision in the period in which new information is available.

We consider the earnings of many of our subsidiaries to be indefinitely reinvested, and accordingly, we have not provided for taxes on the unremitted earnings of these subsidiaries. If we were to make a distribution from the unremitted earnings of these subsidiaries, we could be subject to taxes payable to various jurisdictions. If our expectations were to change regarding future tax consequences, we may be required to record additional deferred taxes that could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Revenue Recognition — Product Sales Recognized Over Time

In our product sales segment, we recognize revenue from the sale of compression equipment and processing and treating equipment over time based on the proportion of labor hours expended to the total labor hours expected to complete the contract performance obligation when the applicable criteria are met. During the year ended December 31, 2019, approximately 99% of our total product sales revenues were recognized over time. This calculation requires management to estimate the number of total labor hours required for each project and to estimate the profit expected on the project. The recognition of revenue over time based on the proportion of labor hours expended to the total labor hours expected to complete depends largely on our ability to make reasonable dependable estimates related to the extent of progress toward completion of the contract, contract revenues and contract costs. Recognized revenues and profits are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known using the cumulative catch-up method. Due to the nature of some of our contracts, developing the estimates of costs often requires significant judgment.

Factors that must be considered in estimating the work to be completed and ultimate profit include labor productivity and availability, the nature and complexity of work to be performed, the impact of change orders, availability of raw materials and the impact of delayed performance. Although we continually strive to accurately estimate our progress toward completion and profitability, adjustments to overall contract revenue and contract costs could be significant in future periods due to several factors including but not limited to, settlement of claims against customers, supplier claims by or against us, customer change orders, changes in cost estimates, changes in project contingencies and settlement of customer claims against us, such as liquidated damage claims. If the aggregate combined cost estimates for uncompleted contracts that are recognized over time based on the proportion of labor hours expended to the total labor hours expected to complete in our product sales business had been higher or lower by 5% in 2019, our income before income taxes would have decreased or increased by approximately $16.6 million.

Contingencies and Litigation

We are substantially self-insured for workers’ compensation, employer’s liability, property, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Losses up to deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages. We review these estimates quarterly and believe such accruals to be adequate. However, insurance liabilities are difficult to estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the timeliness of reporting of occurrences, ongoing treatment or loss mitigation, general trends in litigation recovery outcomes and the effectiveness of safety and risk management programs. Therefore, if our actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and would be recorded in the period in which the difference becomes known. As of December 31, 2019 and 2018, we had recorded approximately $0.9 million and $1.1 million, respectively, in insurance claim reserves.

In the ordinary course of business, we are involved in various pending or threatened legal actions. While we are unable to predict the ultimate outcome of these actions, the accounting standard for contingencies requires management to make judgments about future events that are inherently uncertain. We are required to record (and have recorded) a loss during any period in which we believe a loss contingency is probable and can be reasonably estimated. In making determinations of likely outcomes of pending or threatened legal matters, we consider the evaluation of counsel knowledgeable about each matter.

We regularly assess and, if required, establish accruals for income tax as well as non-income-based tax contingencies pursuant to the applicable accounting standards that could result from assessments of additional tax by taxing jurisdictions in countries where we operate. Tax contingencies are subject to a significant amount of judgment and are reviewed and adjusted on a quarterly basis in light of changing facts and circumstances considering the outcome expected by management. As of December 31, 2019 and 2018, we had recorded approximately $29.1 million and $37.6 million, respectively, of accruals for tax contingencies (including penalties and interest and discontinued operations). Of these amounts, $25.4 million and $32.5 million are accrued for income taxes as of December 31, 2019 and 2018, respectively, and $3.7 million and $5.1 million are accrued for non-income-based taxes as of December 31, 2019 and 2018, respectively. Furthermore, as of December 31, 2019 and 2018, we had an indemnification receivable from Archrock related to non-income-based taxes of $1.5 million and $2.8 million, respectively. If our actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and would be recorded in the period in which the difference becomes known.

Recent Accounting Pronouncements

See Note 2 to the Financial Statements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to market risks associated with changes in foreign currency exchange rates due to our significant international operations. While the majority of our revenue contracts are denominated in the U.S. dollar, certain contracts or portions of certain contracts, most notably within our contract operations segment, are exposed to foreign currency fluctuations. Approximately 20% of revenues in our contract operations segment are denominated in a currency other than the U.S. dollar. The currencies for which we have our largest exchange rate exposures are related to changes in the Argentine Peso and the Brazilian Real. During the year ended December 31, 2019, a devaluation of the Argentine Peso and Brazilian Real of approximately 37% and 4%, respectively, resulted in a decrease in revenue in our contract operations segment of approximately $5 million and $3 million, respectively. The impact of foreign currency risk on income for these contracts is generally mitigated by matching costs with revenues in the same currency.

Additionally, the net assets and liabilities of these operations are exposed to changes in foreign currency exchange rates. These operations may have net assets and liabilities not denominated in their functional currency, which exposes us to changes in foreign currency exchange rates that impact income. We recorded foreign currency losses of $3.8 million, $8.5 million and $0.7 million in our statements of operations during the years ended December 31, 2019, 2018 and 2017, respectively. Our foreign currency losses are primarily due to exchange rate fluctuations related to monetary asset and liability balances denominated in currencies other than the functional currency, including foreign currency exchange rate changes recorded on intercompany obligations. Our material exchange rate exposure relates to intercompany loans to subsidiaries whose functional currency is the Brazilian Real or Canadian Dollar, which loans carried U.S. dollars balances of $12.2 million and $23.1 million, respectively, as of December 31, 2019. Foreign currency losses during the years ended December 31, 2019, 2018 and 2017 included translation gains of $0.3 million, translation losses $5.2 million and translation gains of $0.5 million respectively, related to the functional currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations. During the year ended December 31, 2019, we entered into forward currency exchange contracts to mitigate exposures in U.S. dollars related to the Argentine Peso, Brazilian Real and Indonesian Rupiah. As a result of entering into these contracts, we recognized losses of $0.8 million during the year ended December 31, 2019. Changes in exchange rates may create gains or losses in future periods to the extent we maintain net assets and liabilities not denominated in the functional currency.

We also have exposure to foreign currency exchange risk from the translation of certain international operating units from the local currency into the U.S. dollar. Our comprehensive income for the years ended December 31, 2019, 2018 and 2017 included foreign currency translation adjustment losses of $2.9 million, $7.5 million and $1.8 million, respectively. A 10% increase in the value of the U.S. dollar relative to foreign currencies would have increased our foreign currency translation adjustment loss by approximately $2.0 million for the year ended December 31, 2019. This sensitivity analysis is inherently limited as it assumes that rates of multiple foreign currencies will always move in the same direction relative to the value of the U.S. dollar.

As of December 31, 2019, we do not have any derivative financial instruments outstanding to mitigate foreign currency risk. In the future, we may utilize derivative instruments to manage the risk of fluctuations in foreign currency exchange rates that could potentially impact our future earnings and forecasted cash flows.

Item 8. *Financial Statements and Supplementary Data*

The consolidated financial statements and supplementary information specified by this Item are presented in Part IV, Item 15 ("Exhibits and Financial Statement Schedules") of this report.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

This Item 9A includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") required by Rule 13a-14 of the Exchange Act included in this Annual Report as Exhibits 31.1 and 31.2.

Management's Evaluation of Disclosure Controls and Procedures

The CEO and CFO have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal year for which this annual report on Form 10-K is filed. Based on that evaluation, the CEO and CFO have concluded that the disclosure controls and procedures were effective as of December 31, 2019 to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Management, including our CEO (principal executive officer) and CFO (principal financial officer), believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Management's Annual Report on Internal Control over Financial Reporting

Management, under the supervision of our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP, and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework* (2013 framework). Based on this assessment, management determined that our internal control over financial reporting was effective as of December 31, 2019.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2019, which is included on page F-1.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

On February 26, 2020, the Company amended and restated its existing severance benefit agreements and change of control agreements with each of its executive officers. These amendments were intended to harmonize the agreements in line with recent market and Company practices. Changes to the existing severance benefit agreements and change of control agreements include, among others: (1) increasing the notice period during which the Company may give notice of non-renewal of the change of control agreements from 90 days to 365 days and reducing the term from 2 years to 1 year, (2) for the officers other than the Chief Executive Officer, increasing the notice period during which the Company may give notice of non-renewal of the severance benefit agreements from 90 days to 365 days; (3) updating the definition of "cause" to include termination for violation of the Company's Code of Business Conduct, (4) for the officers other than the Chief Executive Officer, updating the definition of "good reason" to include any requirement to move more than 50 miles from the Company's primary office location, (5) for the officers other than the Chief Executive Officer, in the case of the change of control agreements, requiring that notice of good reason be given within 90 days following first occurrence or within 12 months of a change of control, (6) in the case of the Chief Executive Officer, conforming his severance benefit agreement to provide the same medical severance benefits that other executives receive (i.e., lump sum payment equal to 18 months of COBRA premiums), and reducing his change of control benefit by deleting his right to 12 months' of employer retirement plan contributions, (7) clarifying that unsettled equity will vest pro rata based on the percentage of time elapsed in the grant, with performance awards determined at target if actual performance results are not determined at the employee's separation date, (8) clarifying that any severance payable under each agreement is reduced by any other severance payments, (9) for the officers other than the Chief Executive Officer, in the case of the change of control agreements, requiring any successor to expressly assume the agreement, and (10) updating and, as applicable, adding non-solicitation and non-competition covenants consistent with market precedent and recent law.

The description of each of the amended and restated agreements is qualified in its entirety by reference to the amended and restated forms of agreement, each of which is attached as an exhibit to this report and incorporated by reference.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required in Part III, Item 10 of this report is incorporated by reference to the sections entitled "Election of Directors," "Corporate Governance," "Executive Officers" and "Beneficial Ownership of Common Stock" in our definitive proxy statement, to be filed with the SEC within 120 days of the end of our fiscal year.

We have adopted a Code of Business Conduct, which is available on our website at http://www.exterran.com under the "Investors — Governance Highlights" section. Any amendments to, or waivers of, the Code of Business Conduct will be disclosed on our website promptly following the date of such amendment or waiver.

Item 11. ***Executive Compensation***

The information required in Part III, Item 11 of this report is incorporated by reference to the sections entitled "Compensation Discussion and Analysis" and "Information Regarding Executive Compensation" in our definitive proxy statement, to be filed with the SEC within 120 days of the end of our fiscal year.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

See the table below for securities authorized for issuance under our equity compensation plans. Other information required in Part III, Item 12 of this report are incorporated by reference to the section entitled "Beneficial Ownership of Common Stock" in our definitive proxy statement, to be filed with the SEC within 120 days of the end of our fiscal year.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2019, with respect to the Exterran Corporation compensation plans under which our common stock is authorized for issuance, aggregated as follows:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (#)
Equity compensation plans approved by security holders [1]	68,632	$ 25.33	857,514
Equity compensation plans not approved by security holders	—	—	—
Total	68,632		857,514

(1) Comprised of (i) the Exterran Corporation 2015 Stock Incentive Plan, the ("2015 Plan") and (ii) the Exterran Corporation 2015 Directors' Stock and Deferral Plan. The 2015 Plan also governs awards originally granted by Archrock under the Archrock, Inc. 2013 Stock Incentive Plan. In addition to the outstanding options, as of December 31, 2019, there were 320,229 restricted stock units outstanding, payable in common stock upon vesting, under the 2015 Plan.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information required in Part III, Item 13 of this report is incorporated by reference to the sections entitled "Certain Relationships and Related Transactions" and "Corporate Governance" in our definitive proxy statement, to be filed with the SEC within 120 days of the end of our fiscal year.

Item 14. ***Principal Accounting Fees and Services***

The information required in Part III, Item 14 of this report is incorporated by reference to the section entitled "Ratification of the Appointment of Independent Registered Public Accounting Firm" in our definitive proxy statement, to be filed with the SEC within 120 days of the end of our fiscal year.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) Documents filed as a part of this report.

1. Financial Statements. The following financial statements are filed as a part of this report.

2. Financial Statement Schedule

All other schedules have been omitted because they are not required under the relevant instructions.

3. Exhibits

Exhibit No.	Description
2.1	Separation and Distribution Agreement, dated as of November 3, 2015, by and among Exterran Holdings, Inc., Exterran General Holdings LLC, Exterran Energy Solutions, L.P., Exterran Corporation, AROC Corp., EESLP LP LLC, AROC Services GP LLC, AROC Services LP LLC and Archrock Services, L.P., incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on November 5, 2015
2.2	First Amendment to Separation and Distribution Agreement, dated as of December 15, 2015, by and among Archrock, Inc., Exterran General Holdings LLC, Exterran Energy Solutions, L.P., Exterran Corporation, AROC Corp., EESLP LP LLC, AROC Services GP LLC, AROC Services LP LLC and Archrock Services, L.P., incorporated by reference to Exhibit 2.2 to the Registrant's Original Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 26, 2016
3.1	Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on From 8-K filed on April 30, 2018
3.2	Amended and Restated Bylaws of Exterran Corporation, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on November 5, 2015
4.1	Indenture, dated as of April 4, 2017, by and among Exterran Energy Solutions, L.P., EES Finance Corp., Exterran Corporation, as parent, the subsidiary guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 4, 2017
4.2	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934
10.1	Tax Matters Agreement, dated as of November 3, 2015, by and between Exterran Holdings, Inc. and Exterran Corporation, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 5, 2015
10.2	Form of Indemnification Agreement, incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on November 5, 2015
10.3	Amended and Restated Credit Agreement, dated as of October 5, 2015, by and among Exterran Holdings, Inc., Exterran Energy Solutions, L.P., the lenders signatory thereto and Wells Fargo Bank, National Association, as administrative agent, incorporated by reference to Exhibit 4.2 to Amendment No. 5 to the Company's Registration Statement on Form 10-12B, as filed on October 6, 2015
10.4†	Exterran Corporation 2015 Stock Incentive Plan, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, as filed on November 2, 2015
10.5†	Form of Award Notice and Agreement for Incentive Stock Options pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed on November 5, 2015

Exhibit No.	Description
10.6†	Form of Award Notice and Agreement for Nonqualified Stock Options pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.9 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.7†	Form of Award Notice and Agreement for Performance Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.10 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.8†	Form of Award Notice and Agreement for Restricted Stock pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.11 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.9†	Form of Award Notice and Agreement for Cash-Settled Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.12 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.10†	Form of Award Notice and Agreement for Stock-Settled Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.13 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.11†	Form of Award Notice and Agreement for Common Stock Award for Non-Employee Directors pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.14 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.12†	Exterran Corporation Directors’ Stock and Deferral Plan, incorporated by reference to Exhibit 99.2 to the Company’s Registration Statement on Form S-8, as filed on November 2, 2015
10.13†	Form of Employment Letter, incorporated by reference to Exhibit 10.16 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.14†	Form of Severance Benefit Agreement, incorporated by reference to Exhibit 10.11 to Amendment No. 4 to the Company’s Registration Statement on Form 10-12B, as filed on August 5, 2015
10.15†	Form of Change of Control Agreement, incorporated by reference to Exhibit 10.10 to Amendment No. 4 to the Company’s Registration Statement on Form 10-12B, as filed on August 5, 2015
10.16†	Exterran Corporation Deferred Compensation Plan, incorporated by reference to Exhibit 10.19 to the Registrant’s Current Report on Form 8-K filed on November 5, 2015
10.17†	Exterran Corporation Amended and Restated Directors’ Stock and Deferral Plan, incorporated by reference to Exhibit 10.20 to the Registrant’s Original Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 26, 2016
10.18†	First Amendment, Exterran Corporation Deferred Compensation Plan, incorporated by reference to Exhibit 10.3 of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 filed on January 4, 2017
10.19†	2016 Form of Severance Benefit Agreement, incorporated by reference to Exhibit 10.4 of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 filed on January 4, 2017
10.20†	2016 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.5 of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 filed on January 4, 2017
10.21†	Form of Award Notice and Agreement for Performance Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.29 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017
10.22†	Form of Award Notice and Agreement for Restricted Stock pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.30 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017
10.23†	Form of Award Notice and Agreement for Cash-Settled Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.31 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017
10.24†	Form of Award Notice and Agreement for Stock-Settled Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.32 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017
10.25†	Form of Award Notice and Agreement for Common Stock Award for Non-Employee Directors pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.33 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017

Exhibit No.	Description
10.26†	Form of Award Notice and Agreement for Performance Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on May 3, 2018
10.27†	Form of Award Notice and Agreement for Restricted Stock pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on May 3, 2018
10.28†	Form of Award Notice and Agreement for Stock-Settled Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on May 3, 2018
10.29†	Form of Award Notice and Agreement for Cliff-Vested Restricted Stock pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on May 3, 2018
10.30	Second Amended and Restated Credit Agreement, dated as of October 9, 2018, by and among Exterran Corporation, Exterran Energy Solutions, L.P., the lenders signatory thereto and Wells Fargo Bank, National Association, as administrative agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 9, 2018
10.31†	Form of Award Notice and Agreement for Performance Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 2, 2019
10.32†	Form of Award Notice and Agreement for Time-Vested Restricted Stock pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 2, 2019
10.33†	Form of Award Notice and Agreement for Time-Vested Restricted Stock Units pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 2, 2019
10.34†	Form of Award Notice and Agreement for Common Stock Award for Non-Employee Directors pursuant to the 2015 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 2, 2019
10.35†*	Form of Amended and Restated Severance Benefit Agreement
10.36†*	Form of Amended and Restated Executive Change of Control Agreement
10.37†*	Form of Amended and Restated Chief Executive Officer Change of Control Agreement
16.1	Letter from Deloitte & Touche LLP to the Securities and Exchange Commission dated March 4, 2019, incorporated by reference to Exhibit 16.1 to the Registrant's Current Report on Form 8-K filed on March 5, 2019
21.1*	List of Subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Deloitte & Touche LLP
24.1*	Powers of Attorney (included on the signature page to this Report)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit No.	Description
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management contract or compensatory plan or arrangement.
* Filed herewith.
** Furnished, not filed.

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Exterran Corporation

/s/ ANDREW J. WAY

Name: Andrew J. Way

Title: President and Chief Executive Officer

Date: February 28, 2020

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew J. Way, David A. Barta and Valerie L. Banner, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2020.

Signature	Title
/s/ ANDREW J. WAY Andrew J. Way	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ DAVID A. BARTA David A. Barta	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ WILLIAM M. GOODYEAR William M. Goodyear	Director
/s/ JOHN P. RYAN John P. Ryan	Director
/s/ CHRISTOPHER T. SEAVER Christopher T. Seaver	Director
/s/ IEDA GOMES YELL Ieda Gomes Yell	Director
/s/ HATEM SOLIMAN Hatem Soliman	Director
/s/ JAMES C. GOUIN James C. Gouin	Director
/s/ MARK R. SOTIR Mark R. Sotir	Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Exterran Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Exterran Corporation and its subsidiaries (the "Company") as of December 31, 2019, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year then ended, including the related notes and schedule of valuation and qualifying accounts as of and for the year ended December 31, 2019 appearing on page S-1 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - *Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
February 28, 2020

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Exterran Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Exterran Corporation and subsidiaries (the "Company") as of December 31, 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2019

We began serving as the Company's auditor in 2014. In 2019, we became the predecessor auditor.

EXTERRAN CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)

	December 31,	
	2019	**2018**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,683	$ 19,300
Restricted cash	19	178
Accounts receivable, net of allowance of $6,019 and $5,474, respectively	202,337	248,467
Inventory, net (Note 6)	143,538	150,689
Contract assets (Note 3)	46,537	91,602
Other current assets	22,477	44,234
Current assets associated with discontinued operations (Note 5)	4,332	11,605
Total current assets	435,923	566,075
Property, plant and equipment, net (Note 7)	844,410	901,577
Operating lease right-of-use assets (Note 4)	26,783	—
Deferred income taxes (Note 16)	13,994	11,370
Intangible and other assets, net (Note 8)	93,300	86,371
Long-term assets held for sale (Note 13)	624	—
Long-term assets associated with discontinued operations (Note 5)	2,970	1,661
Total assets	$ 1,418,004	$ 1,567,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, trade	$ 123,444	$ 165,744
Accrued liabilities (Note 10)	104,081	123,335
Contract liabilities (Note 3)	82,854	153,483
Current operating lease liabilities (Note 4)	6,268	—
Current liabilities associated with discontinued operations (Note 5)	9,998	14,767
Total current liabilities	326,645	457,329
Long-term debt (Note 11)	443,587	403,810
Deferred income taxes (Note 16)	993	6,005
Long-term contract liabilities (Note 3)	156,262	101,363
Long-term operating lease liabilities (Note 4)	30,958	—
Other long-term liabilities	49,263	39,812
Long-term liabilities associated with discontinued operations (Note 5)	758	5,914
Total liabilities	1,008,466	1,014,233
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; 50,000,000 shares authorized; zero issued	—	—
Common stock, $0.01 par value per share; 250,000,000 shares authorized; 37,508,286 and 36,868,066 shares issued, respectively	375	369
Additional paid-in capital	747,622	734,458
Accumulated deficit	(317,238)	(208,677)
Treasury stock — 4,467,600 and 721,280 common shares, at cost, respectively	(56,567)	(11,560)
Accumulated other comprehensive income	35,346	38,231
Total stockholders' equity (Note 17)	409,538	552,821
Total liabilities and stockholders' equity	$ 1,418,004	$ 1,567,054

The accompanying notes are an integral part of these consolidated financial statements.

EXTERRAN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended December 31, 2019	2018	2017
Revenues (Note 3):			
Contract operations	$ 368,126	$ 360,973	$ 375,269
Aftermarket services	129,217	120,676	107,063
Product sales	820,097	879,207	732,962
	1,317,440	1,360,856	1,215,294
Costs and expenses:			
Cost of sales (excluding depreciation and amortization expense):			
Contract operations	128,163	122,138	133,380
Aftermarket services	95,607	89,666	78,221
Product sales	730,448	765,624	656,553
Selling, general and administrative	164,314	178,401	176,318
Depreciation and amortization	162,557	123,922	107,824
Impairments (Note 13)	74,373	3,858	5,700
Restatement related charges (recoveries), net (Note 14)	48	(276)	3,419
Restructuring and other charges (Note 15)	8,712	1,997	3,189
Interest expense	38,620	29,217	34,826
Other (income) expense, net	(1,829)	6,484	(975)
	1,401,013	1,321,031	1,198,455
Income (loss) before income taxes	(83,573)	39,825	16,839
Provision for income taxes (Note 16)	25,290	39,433	22,695
Income (loss) from continuing operations	(108,863)	392	(5,856)
Income from discontinued operations, net of tax (Note 5)	6,486	24,462	39,736
Net income (loss)	$ (102,377)	$ 24,854	$ 33,880
Basic net income (loss) per common share (Note 19):			
Income (loss) from continuing operations per common share	$ (3.18)	$ 0.01	$ (0.17)
Income from discontinued operations per common share	0.19	0.67	1.14
Net income (loss) per common share	$ (2.99)	$ 0.68	$ 0.97
Diluted net income (loss) per common share (Note 19):			
Income (loss) from continuing operations per common share	$ (3.18)	$ 0.01	$ (0.17)
Income from discontinued operations per common share	0.19	0.67	1.14
Net income (loss) per common share	$ (2.99)	$ 0.68	$ 0.97
Weighted average common shares outstanding used in net income (loss) per common share (Note 19):			
Basic	34,283	35,433	34,959
Diluted	34,283	35,489	34,959

The accompanying notes are an integral part of these consolidated financial statements.

EXTERRAN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Years Ended December 31,		
	2019	2018	2017
Net income (loss)	$ (102,377)	$ 24,854	$ 33,880
Other comprehensive loss:			
Foreign currency translation adjustment	(2,885)	(7,476)	(1,801)
Comprehensive income (loss)	$ (105,262)	$ 17,378	$ 32,079

The accompanying notes are an integral part of these consolidated financial statements.

EXTERRAN CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income	Total
	Shares	Amount			Shares	Amount		
Balance at January 1, 2017	35,641,113	$ 356	$ 768,304	$ (257,252)	(202,430)	$ (2,145)	$ 47,508	$ 556,771
Cumulative-effect adjustment from adoption of ASU 2016-09			138	(138)				—
Net income				33,880				33,880
Options exercised	69,122	1	683					684
Foreign currency translation adjustment							(1,801)	(1,801)
Transfer to Archrock, Inc. (Note 17)			(44,720)					(44,720)
Treasury stock purchased					(250,748)	(4,792)		(4,792)
Stock-based compensation, net of forfeitures	483,695	5	14,759					14,764
Balance at December 31, 2017	36,193,930	$ 362	$ 739,164	$ (223,510)	(453,178)	$ (6,937)	$ 45,707	$ 554,786
Cumulative-effect adjustment from adoption of ASC 606 (Note 2)				(10,021)				(10,021)
Net income				24,854				24,854
Options exercised	136,847	1	547					548
Foreign currency translation adjustment							(7,476)	(7,476)
Transfer to Archrock, Inc. (Note 17)			(19,814)					(19,814)
Treasury stock purchased					(268,102)	(4,623)		(4,623)
Stock-based compensation, net of forfeitures	537,289	6	14,561					14,567
Balance at December 31, 2018	36,868,066	$ 369	$ 734,458	$ (208,677)	(721,280)	$ (11,560)	$ 38,231	$ 552,821
Cumulative-effect adjustment from adoption of ASC 842 (Note 2)				(6,184)				(6,184)
Net loss				(102,377)				(102,377)
Foreign currency translation adjustment							(2,885)	(2,885)
Transfer from Archrock, Inc. (Note 17)			420					420
Treasury stock purchased					(3,746,320)	(45,007)		(45,007)
Stock-based compensation, net of forfeitures	640,220	6	12,744					12,750
Balance at December 31, 2019	37,508,286	$ 375	$ 747,622	$ (317,238)	(4,467,600)	$ (56,567)	$ 35,346	$ 409,538

The accompanying notes are an integral part of these consolidated financial statements.

EXTERRAN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities:			
Net income (loss)	$ (102,377)	$ 24,854	$ 33,880
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	162,557	123,922	107,824
Impairments	74,373	3,858	5,700
Amortization of deferred financing costs	2,512	3,347	4,714
Income from discontinued operations, net of tax	(6,486)	(24,462)	(39,736)
Provision for doubtful accounts	32	86	863
Gain on sale of property, plant and equipment	(3,187)	(629)	(2,517)
(Gain) loss on remeasurement of intercompany balances	(287)	5,241	(516)
Loss on foreign currency derivatives	794	—	—
Loss on sale of businesses	—	1,714	111
Stock-based compensation expense	12,750	14,567	14,764
Deferred income tax provision (benefit)	(10,007)	1,537	(3,193)
Changes in assets and liabilities:			
Accounts receivable and notes	50,730	8,669	(65,311)
Inventory	(8,369)	(59,676)	20,594
Costs and estimated earnings versus billings on uncompleted contracts	—	—	40,949
Contract assets	28,352	(34,571)	—
Other current assets	20,312	5,045	(1,541)
Accounts payable and other liabilities	(41,092)	13,801	62,029
Deferred revenue	—	—	(13,711)
Contract liabilities	(8,263)	62,934	—
Other	3,854	3,059	(14,483)
Net cash provided by continuing operations	176,198	153,296	150,420
Net cash provided by (used in) discontinued operations	2,528	4,004	(1,794)
Net cash provided by operating activities	178,726	157,300	148,626
Cash flows from investing activities:			
Capital expenditures	(193,274)	(215,108)	(131,673)
Proceeds from sale of property, plant and equipment	19,662	2,530	8,866
Proceeds from sale of businesses	—	5,000	894
Settlement of foreign currency derivatives	(794)	—	—
Net cash used in continuing operations	(174,406)	(207,578)	(121,913)
Net cash provided by discontinued operations	—	17,009	19,575
Net cash used in investing activities	(174,406)	(190,569)	(102,338)
Cash flows from financing activities:			
Proceeds from borrowings of debt	642,500	585,014	501,088
Repayments of debt	(603,951)	(550,497)	(476,503)
Cash transfer from (to) Archrock, Inc. (Note 17)	420	(18,744)	(44,720)
Payments for debt issuance costs	—	(4,801)	(7,911)
Proceeds from stock options exercised	—	548	684
Purchases of treasury stock	(45,007)	(4,623)	(4,792)
Net cash provided by (used in) financing activities	(6,038)	6,897	(32,154)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,058)	(3,841)	(792)
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,776)	(30,213)	13,342
Cash, cash equivalents and restricted cash at beginning of period	19,478	49,691	36,349
Cash, cash equivalents and restricted cash at end of period	$ 16,702	$ 19,478	$ 49,691
Supplemental disclosure of cash flow information:			
Income taxes paid, net	$ 30,436	$ 11,601	$ 47,403
Interest paid, net of capitalized amounts	$ 35,891	$ 26,278	$ 28,178

Supplemental disclosure of non-cash transactions:						
Accrued capital expenditures	$	5,711	$	21,479	$	16,735
Non-cash proceeds from sale of business	$	—	$	14,573	$	—

The accompanying notes are an integral part of these consolidated financial statements.

EXTERRAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Basis of Presentation

Description of Business

Exterran Corporation (together with its subsidiaries, “Exterran Corporation,” the “Company,” “our,” “we” or “us”), a Delaware corporation formed in March 2015, is a global systems and process company offering solutions in the oil, gas, water and power markets. We are a leader in natural gas processing and treatment and compression products and services, providing critical midstream infrastructure solutions to customers throughout the world. We provide our products and services to a global customer base consisting of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent oil and natural gas producers and oil and natural gas processors, gatherers and pipeline operators. Our manufacturing facilities are located in the United States of America (“U.S.”), Singapore and the United Arab Emirates. We operate in three primary business lines: contract operations, aftermarket services and product sales. In our contract operations business line, we provide compression, processing, treating and water treatment services through the operation of our natural gas compression equipment, crude oil and natural gas production and process equipment and water treatment equipment for our customers. In our aftermarket services business line, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales business line, we design, engineer, manufacture, install and sell natural gas compression packages as well as equipment used in the treating and processing of crude oil, natural gas and water to our customers throughout the world and for use in our contract operations business line. We also offer our customers, on either a contract operations basis or a sale basis, the engineering, design, project management, procurement and construction services necessary to incorporate our products into production, processing and compression facilities, which we refer to as integrated projects.

On November 3, 2015, Archrock, Inc. (named Exterran Holdings, Inc. prior to November 3, 2015) (“Archrock”) completed the spin-off (the ‘‘Spin-off”) of its international contract operations, international aftermarket services and global fabrication businesses into an independent, publicly traded company named Exterran Corporation. Following the completion of the Spin-off, we and Archrock became and continue to be independent, publicly traded companies with separate boards of directors and management.

Basis of Presentation

The accompanying consolidated financial statements of Exterran Corporation included herein have been prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”).

We refer to the consolidated financial statements collectively as “financial statements,” and individually as “balance sheets,” “statements of operations,” “statements of comprehensive income (loss),” “statements of stockholders’ equity” and “statements of cash flows” herein.

Note 2. Significant Accounting Policies

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, as well as the disclosures of contingent assets and liabilities. Because of the inherent uncertainties in this process, actual future results could differ from those expected at the reporting date. Significant estimates are required for contracts within our product sales segments that are accounted for based largely on our estimates on the extent of progress toward completion of the contracts, contract revenues and contract costs. As of December 31, 2019, we have made these significant estimates on all of our ongoing contracts. However, it is possible that current estimates could change due to unforeseen events, which could result in adjustments to our estimates. Variations from estimated contract performance could result in material adjustments to operating results. Management believes that the estimates and assumptions used are reasonable.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash as of December 31, 2019 and 2018 consists of cash that contractually is not available for immediate use. Restricted cash is presented separately from cash and cash equivalents in our balance sheets.

Revenue Recognition

Revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. See Note 3 for further discussion on revenue recognition.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. We believe that the credit risk in temporary cash investments is limited because our cash is held in accounts with multiple financial institutions. We record trade accounts receivable at the amount we invoice our customers, net of allowance for doubtful accounts. Trade accounts receivable are due from companies of varying sizes engaged principally in oil and natural gas activities throughout the world. We review the financial condition of customers prior to extending credit and generally do not obtain collateral for trade receivables. Payment terms are on a short-term basis and in accordance with industry practice. We consider this credit risk to be limited due to these companies' financial resources, the nature of products and services we provide and the terms of our contract operations customer service agreements.

We maintain allowances for doubtful accounts for estimated losses resulting from our customers' inability to make required payments. The determination of the collectibility of amounts due from our customers requires us to use estimates and make judgments regarding future events and trends, including monitoring our customers' payment history and current creditworthiness to determine that collectibility is reasonably assured, as well as consideration of the overall business climate in which our customers operate. Inherently, these uncertainties require us to make judgments and estimates regarding our customers' ability to pay amounts due to us in order to determine the appropriate amount of valuation allowances required for doubtful accounts. We review the adequacy of our allowance for doubtful accounts quarterly. We determine the allowance needed based on historical write-off experience and by evaluating significant balances aged greater than 90 days individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. During the years ended December 31, 2019, 2018 and 2017, we recorded bad debt expense of $0.1 million, $0.1 million and $0.9 million, respectively.

Inventory

Inventory consists of parts used for manufacturing or maintenance of natural gas compression equipment, production equipment, processing and treating equipment and facilities and parts held for sale. Inventory is stated at the lower of cost and net realizable value using the average cost method. A reserve is recorded against inventory balances for estimated obsolete and slow moving items based on specific identification, historical experience and management estimates of market conditions and production requirements.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost and depreciated using the straight-line method over their estimated useful lives as follows:

Compression equipment, processing facilities and other contract operations assets	3 to 23 years
Buildings	20 to 35 years
Transportation, shop equipment and other	3 to 10 years

Installation costs capitalized on contract operations projects are generally depreciated over the life of the underlying contract. Major improvements that extend the useful life of an asset are capitalized. Repairs and maintenance are expensed as incurred. When property, plant and equipment is sold, or otherwise disposed of, the gain or loss is recorded in other (income) expense, net. Interest is capitalized during the construction period on equipment and facilities that are constructed for use in our operations. The capitalized interest is included as part of the cost of the asset to which it relates and is amortized over the asset's estimated useful life.

Computer Software

Certain costs related to the development or purchase of internal-use software are capitalized and amortized over the estimated useful life of the software, which ranges from three to five years. Costs related to the preliminary project stage and the post-implementation/operation stage of an internal-use computer software development project are expensed as incurred. Capitalized software costs are included in property, plant and equipment, net, in our balance sheets.

Long-Lived Assets

We review long-lived assets such as property, plant and equipment and identifiable intangibles subject to amortization for impairment whenever events or changes in circumstances, including the removal of compressor units from active service, indicate that the carrying amount of an asset may not be recoverable. An impairment loss may exist when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When necessary, the excess of the asset's carrying value as compared to its estimated fair value is recognized as an impairment in the period in which the impairment occurred. Identifiable intangibles are amortized over the assets' estimated useful lives.

Demobilization

The majority of our contract operations services contracts contain contractual requirements for us to perform demobilization activities at the end of the contract, with the scope of those activities varying by contract. Demobilization activities typically include, among other requirements, civil work and the removal of our equipment and installation from the customer's site. Demobilization activities represent costs to fulfill obligations under our contracts and are not considered distinct within the context of our contract operations services contracts. Accrued demobilization costs are recorded, if applicable, at the time we become contractually obligated to perform these activities, which generally occurs upon our completion of the installation and commissioning of our equipment at the customer's site. We record accrued demobilization costs as a liability and an equivalent demobilization asset as a capitalized fulfillment cost. Accrued demobilization costs are subsequently increased by interest accretion throughout the expected term of the contract. During the years ended December 31, 2019 and 2018, we recorded $2.2 million and $2.6 million, respectively, in accretion expense, which is reflected in depreciation and amortization expense in our statements of operations. Demobilization assets are amortized on a straight-line basis over the expected term of the contract. Any difference between the actual costs realized for the demobilization activities and the estimated liability established are recognized in cost of sales in our statement of operations.

Other (Income) Expense, Net

Other (income) expense, net, is primarily comprised of gains and losses from the remeasurement of our international subsidiaries' net assets exposed to changes in foreign currency rates, short-term investments and the sale of used assets.

Income Taxes

Our operations are subject to U.S. federal, state and local and foreign income taxes. We and our subsidiaries file consolidated and separate income tax returns in the U.S. federal jurisdiction and in numerous state and foreign jurisdictions.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more-likely-than-not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with the accounting standard on income taxes under a two-step process whereby (1) we determine whether it is more-likely-than-not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Foreign Currency Translation

The financial statements of our subsidiaries outside the U.S., except those for which we have determined that the U.S. dollar is the functional currency, are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at the balance sheet date. Income and expense items are translated at average monthly exchange rates. The resulting gains and losses from the translation of accounts into U.S. dollars are included in accumulated other comprehensive income in our balance sheets. For all subsidiaries, gains and losses from remeasuring foreign currency accounts into the functional currency are included in other (income) expense, net, in our statements of operations. We recorded foreign currency losses of $3.8 million, $8.5 million and $0.7 million during the years ended December 31, 2019, 2018 and 2017, respectively. Included in our foreign currency losses were non-cash gains of $0.3 million, non-cash losses of $5.2 million and non-cash gains of $0.5 million during the years ended December 31, 2019, 2018 and 2017, respectively, from foreign currency exchange rate changes recorded on intercompany obligations.

During the first quarter of 2019, we entered into forward currency exchange contracts with a total notional value of $26.0 million that expired over varying dates through June 28, 2019. We entered into these foreign currency derivatives to mitigate exposures in U.S. dollars related to the Argentine Peso, Brazilian Real and Indonesian Rupiah. We did not designate these forward currency exchange contracts as hedge transactions. Changes in fair value and gains and losses on settlement on these forward currency exchange contracts were recognized in other (income) expense, net, in our statements of operations. During the year ended December 31, 2019, we recognized a loss of $0.8 million on forward currency exchange contracts. All of the forward currency exchange contracts that we entered into were settled prior to December 31, 2019.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standard Updates (“ASUs”). ASUs not listed below were assessed and determined to be not applicable.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASC 842”). The update requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases. Leases are now classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. The update also requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. On January 1, 2019, we adopted the standard using the transition method that allows us to initially apply ASC 842 as of January 1, 2019 and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Additionally, we elected certain practical expedients permitted by ASC 842 in applying the lease standard upon adoption. Upon implementation of the new lease standard, we did not reassess whether a contract is or contains a lease at the date of initial application. For contracts entered into before the transition date, we used the lease classification under the accounting standards in effect prior to adoption. We also excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application. As a result of this adoption, as a lessee, we recorded operating lease assets and lease liabilities of $21.2 million and $26.5 million, respectively, as of January 1, 2019. The difference between the lease assets and lease liabilities, including prepayments, was recorded as an adjustment to retained earnings. The adoption of this standard did not have a material effect on our statements of operations and cash flows. See Note 4 for the required disclosures related to the impact of adopting this standard.

As a result of the adoption of the new lease guidance, the following adjustments were made to the balance sheet as of January 1, 2019 (in thousands):

	Impact of Changes in Accounting Policies		
	December 31, 2018	Adjustments	January 1, 2019
ASSETS			
Other current assets	$ 44,234	$ (506)	$ 43,728
Operating lease right-of-use assets	—	21,181	21,181
Intangible and other assets, net	86,371	(353)	86,018
Total assets	$ 1,567,054	$ 20,322	$ 1,587,376
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current operating lease liabilities	$ —	$ 6,769	$ 6,769
Long-term operating lease liabilities	—	19,737	19,737
Total liabilities	1,014,233	26,506	1,040,739
Accumulated deficit	(208,677)	(6,184)	(214,861)
Total stockholders' equity	552,821	(6,184)	546,637
Total liabilities and stockholders' equity	$ 1,567,054	$ 20,322	$ 1,587,376

From a lessor perspective, new customer contracts entered into or modified on or after January 1, 2019 have been assessed in accordance with ASC 842 and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), as applicable and will be assessed accordingly in future periods. Additionally, for contracts determined to have both a lease component, representing the revenue from the use of the underlying assets, and a nonlease component, representing revenue from providing operation and maintenance services, we have elected to apply the practical expedient to not separate the components and account for those components as a single component, if the applicable conditions are met. Furthermore, for contracts where the nonlease component is determined to be the predominant component, revenue will continue to be recognized in accordance with ASC 606.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The update changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. This update is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. On January 1, 2020, we will adopt this update using a modified retrospective approach. We do not expect the adoption of this update to be material to our financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The update modifies the disclosure requirements on fair value measurements by removing, modifying and adding certain disclosure requirements. This update is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures upon issuance of the guidance and delayed adoption of the additional required disclosures is permitted until the effective date. On January 1, 2020, we will adopt this update. We do not expect the adoption of this update to be material to our financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The update simplifies the accounting for income taxes and is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the potential impact of the update on our financial statements.

Note 3. Revenue

On January 1, 2018, we adopted ASC 606 applying the modified retrospective method to all contracts that were not completed as of the date of adoption. For contracts that were modified before the effective date, we reflected the aggregate effect of all modifications when identifying performance obligations and allocating transaction price in accordance with an ASC 606 practical expedient. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported under the accounting standards in effect for the prior period. We recorded a net increase to accumulated deficit of $10.0 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606.

Disaggregation of Revenue

The following tables present disaggregated revenue by product and service lines and by geographical regions for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,	
Revenue by Products and Services	**2019**	**2018**
Contract Operations Segment:		
Contract operations services [1]	$ 368,126	$ 360,973
Aftermarket Services Segment:		
Operation and maintenance services [1]	$ 53,944	$ 57,123
Part sales [2]	49,721	43,928
Other services [1]	25,552	19,625
Total aftermarket services	$ 129,217	$ 120,676
Product Sales Segment:		
Compression equipment [1]	$ 539,897	$ 476,480
Processing and treating equipment [1]	257,477	368,137
Production equipment [2]	2,458	18,932
Other product sales [1] [2]	20,265	15,658
Total product sales revenues	$ 820,097	$ 879,207
Total revenues	$ 1,317,440	$ 1,360,856

(1) Revenue recognized over time.
(2) Revenue recognized at a point in time.

	Year Ended December 31,	
Revenue by Geographical Regions	**2019**	**2018**
North America	$ 705,484	$ 858,934
Latin America	246,290	274,414
Middle East and Africa	319,866	163,093
Asia Pacific	45,800	64,415
Total revenues	$ 1,317,440	$ 1,360,856

The North America region is primarily comprised of our operations in Mexico and the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia and Brazil. The Middle East and Africa region is primarily comprised of our operations in Bahrain, Iraq, Oman, Nigeria and the United Arab Emirates. The Asia Pacific region is primarily comprised of our operations in China, Indonesia, Thailand and Singapore.

Revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. The following is a description of principal activities from which we generate revenue.

Contract Operations Segment

In our contract operations business, we provide compression and processing and treating services through the operation of our natural gas compression equipment and crude oil and natural gas production and process equipment for our customers. In addition to these services, we also offer water treatment and power solutions to our customers on a stand-alone basis or integrated into our natural gas compression or crude oil production and processing solutions. Our services include the provision of personnel, equipment, tools, materials and supplies to meet our customers’ natural gas compression, oil and natural gas production and processing service needs and water treatment service needs. Activities we may perform in meeting our customers’ needs include engineering, designing, sourcing, constructing, installing, operating, servicing, repairing, maintaining and demobilizing equipment owned by us necessary to provide these services. Contract operations services represent a series of distinct monthly services that are substantially the same, with the same pattern of transfer to the customer. Because our customers benefit equally throughout the service period and our efforts in providing contract operations services are incurred relatively evenly over the period of performance, revenue is recognized over time using a time based measure as we provide our services to the customer. Our contracts generally require customers to pay a monthly service fee, which may contain variable consideration such as production or volume based fees, guaranteed run rates, performance bonuses or penalties, liquidated damages and standby fees. Variable considerations included in our contracts are typically resolved on a monthly basis, and as such, variable considerations included in our contracts are generally allocated to each distinct month in the series within the contract. In addition, our contracts may include billings prior to or after the performance of our contract operations services that are not considered distinct within the context of our contracts, such as mobilization and demobilization revenue. Consideration that does not relate to a distinct good or service are allocated to the contract operations services performance obligation and recognized as revenue on a straight-line basis over the contract term.

We generally enter into contracts with our contract operations customers with initial terms ranging between three to 12 years. In many instances, we are able to renew those contracts prior to the expiration of the initial term and in other instances, we may sell the underlying assets to our customers pursuant to purchase options or negotiated sale agreements. As of December 31, 2019, we had contract operations services contracts with unsatisfied performance obligations (commonly referred to as backlog) extending through the year 2029. The total aggregate transaction price allocated to the unsatisfied performance obligations as of December 31, 2019 was approximately $1.3 billion, of which approximately $268 million is expected to be recognized in 2020, $232 million is expected to be recognized in 2021, $182 million is expected to be recognized in 2022, $153 million is expected to be recognized in 2023 and $118 million is expected to be recognized in 2024. These amounts do not include anticipated contract renewals. Additionally, contracts that currently contain month-to-month terms are represented in our backlog as one month of unsatisfied performance obligations. Our contracts are subject to cancellation or modification at the election of the customer; however, due to the level of capital deployed by our customers on underlying projects, we have not been materially adversely affected by contract cancellations or modifications in the past.

If the primary component of our contract operations contracts is the lease component, the contracts are accounted for as operating leases. For these contracts, revenues are recognized on a straight-line basis. As of December 31, 2019, the total value of our contract operations backlog accounted for as operating leases was approximately $185 million, of which $35 million is expected to be recognized in 2020, $45 million is expected to be recognized in 2021, $44 million is expected to be recognized in 2022, $44 million is expected to be recognized in 2023 and $17 million is expected to be recognized in 2024. Contract operations revenues recognized as operating leases for the year ended December 31, 2019 was approximately $54 million.

Aftermarket Services Segment

In our aftermarket services business, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. Our services range from routine maintenance services and parts sales done on a transactional basis to the full operation and maintenance of customer-owned equipment under long-term agreements.

Operations and maintenance services: Operation and maintenance services include personnel to run the equipment and monitor the outputs of the equipment, along with performing preventative or scheduled maintenance on customer-owned equipment. Operation and maintenance services represent a series of distinct monthly services that are substantially the same, with the same pattern of transfer to the customer. Because our customers benefit equally throughout the service period and our efforts in providing operation and maintenance services are incurred relatively evenly over the period of performance, revenue is recognized over time using a time based measure as we provide our services to the customer. Our contracts generally require customers to pay a monthly service fee, which may contain variable consideration such as production or volume based fees and performance bonuses or penalties. Variable considerations included in our contracts are typically resolved on a monthly basis, and as such, variable considerations included in our contracts are generally allocated to each distinct month in the series within the contract. We generally enter into contracts with our operation and maintenance customers with initial terms ranging between one to four years, and in some cases, in excess of five years. In many instances, we are able to renew those contracts prior to the expiration of the initial term.

Parts sales: We offer our customers a full range of parts needed for the maintenance, repair and overhaul of oil and natural gas equipment, including natural gas compressors, industrial engines and production and processing equipment. We recognize revenue from parts sales at a point in time following the transfer of control of such parts to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract. Our contracts require customers to pay a fixed fee upon shipment or delivery of the parts.

Other services: Within our aftermarket services segment we also provide a wide variety of other services such as overhaul, commissioning, upgrade and reconfiguration services on customer-owned equipment. Overhaul services provided to customers are intended to return the major components to a “like new” condition without significantly modifying the applications for which the units were designed. Commissioning services that we provide to our customers generally include supervision and the introduction of fluids or gases into the systems to test vibrations, pressures and temperatures to ensure that customer-owned equipment is operating properly and is ready for start-up. Upgrade and reconfiguration services modify the operating parameters of customer-owned equipment such that the equipment can be used in applications for which it previously was not suited. Generally, the wide array of other services provided within the aftermarket services segment are expected to be completed within a six month period. Individually these services are generally distinct within the context of the contract and are not highly interdependent or interrelated with other service offerings. We recognize revenue from these services over time based on the proportion of labor hours expended to the total labor hours expected to complete the contract performance obligation. Our contracts generally require customers to pay a service fee that is either fixed or on a time and materials basis, which may include progress billings.

Our aftermarket services contracts are subject to cancellation or modification at the election of the customer.

Product Sales Segment

In our product sales segment, we design, engineer, manufacture, install and sell natural gas compression packages as well as equipment used in the treating and processing of crude oil, natural gas and water primarily to major and independent oil and natural gas producers as well as national oil and natural gas companies around the world.

Compression equipment: We design, engineer, manufacture and sell skid-mounted natural gas compression equipment to meet standard or unique customer specifications. We recognize revenue from the sale of compression equipment over time based on the proportion of labor hours expended to the total labor hours expected to complete the contract performance obligation. Compression equipment manufactured for our customers are specifically designed and engineered to our customers’ specification and do not have an alternative use to us. Our contracts include a fixed fee and require our customers to make progress payments based on completion of contractual milestones during the life cycle of the manufacturing process. Our contracts provide us with an enforceable right to payment for work performed to date. Components of variable considerations exist in certain of our contracts and may include unpriced change orders, liquidated damages and performance bonuses or penalties. Typically, we expect the manufacturing of our compressor equipment to be completed within a three to 12 month period.

Processing and treating equipment: Processing and treating equipment sold to our customers consists of custom-engineered processing and treating plants, such as refrigeration, amine, cryogenic and natural gas processing plants. The manufacturing of processing and treating equipment generally represents a single performance obligation within the context of the contract. We recognize revenue from the sale of processing and treating equipment over time based on the proportion of labor hours expended to the total labor hours expected to complete the contract performance obligation. Processing and treating equipment manufactured for our customers are specifically designed and engineered to our customers' specification and do not have an alternative use to us. Our contracts include a fixed fee and require our customers to make progress payments based on our completion of contractual milestones during the life cycle of the manufacturing process. Our contracts provide us with an enforceable right to payment for work performed to date. Components of variable considerations exist in certain of our contracts and may include unpriced change orders, liquidated damages and performance bonuses or penalties. Typically, we expect the manufacturing of our processing and treating equipment to be completed within a six to 24 month period.

Production equipment: In June 2018, we completed the sale of our North America production equipment assets ("PEQ assets"), which included $12.0 million in unsatisfied performance obligations. See Note 13 for further details on the sale of our PEQ assets. In North America, we previously manufactured standard production equipment used for processing wellhead production from onshore or shallow-water offshore platform production. The manufacturing of production equipment generally represented a single performance obligation within the context of the contract. We recognized revenue from the sale of production equipment at a point in time following the transfer of control of the equipment to the customer, which typically occurred upon completion of the manufactured equipment, depending on the terms of the underlying contract. Our contracts generally required customers to pay a fixed fee upon completion.

Other product sales: Within our product sales segment we also provide for the sale of standard and custom water treatment equipment and floating production storage and offloading equipment and supervisor site work services. We recognize revenue from the sale of standard water treatment equipment at a point in time following the transfer of control of such equipment to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract. We recognize revenue from the sale of custom water treatment equipment over time based on the proportion of costs expended to the total costs expected to complete the contract performance obligation. We recognize revenue from the sale of floating production storage and offloading equipment and supervisor site work services over time based on the proportion of labor costs expended to the total labor costs expected to complete the contract performance obligation.

Product sales contracts that include engineering, design, project management, procurement, construction and installation services necessary to incorporate our products into production, processing and compression facilities are treated as a single performance obligation due to the services that significantly integrate each piece of equipment into the combined output contracted by the customer.

We provide assurance-type warranties on certain equipment in our product sales contracts. These warranties generally do not constitute a separate performance obligation. Product warranty reserves are established in the same period that revenue from the sale of the related products is recognized, or in the period that a specific issue arises as to the functionality of a product. The determination of such reserves requires that we make estimates of expected costs to repair or to replace the products under warranty. The amounts of the reserves are based on established terms and our best estimate of the amounts necessary to settle future and existing claims on product sales as of the balance sheet date. If actual repair and replacement costs differ significantly from estimates, adjustments to recognize additional cost of sales may be required in future periods.

As of December 31, 2019, the total aggregate transaction price allocated to the unsatisfied performance obligations for product sales contracts was approximately $278 million, of which approximately $266 million is expected to be recognized in 2020 and approximately $12 million is expected to be recognized in 2021. Our contracts are subject to cancellation or modification at the election of the customer; however, due to our enforceable right to payment for work performed, we have not been materially adversely affected by contract cancellations or modifications in the past.

Significant Estimates

The recognition of revenue over time based on the proportion of labor hours expended to the total labor hours expected to complete depends largely on our ability to make reasonable dependable estimates related to the extent of progress toward completion of the contract, contract revenues and contract costs. Recognized revenues and profits are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known using the cumulative catch-up method. Due to the nature of some of our contracts, developing the estimates of costs often requires significant judgment. To calculate the proportion of labor hours expended to the total labor hours expected to complete the contract performance obligation, management uses significant judgment to estimate the number of total hours and profit expected for each project.

Variable Consideration

The nature of our contracts gives rise to several types of variable consideration. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Additionally, we include in our contract estimates additional revenue for unapproved change orders or claims against customers when we believe we have an enforceable right to the modification or claim, the amount can be estimated reliably and its realization is probable. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and historical, current and forecasted information that is reasonably available to us.

Contracts with Multiple Performance Obligations

Some of our contracts have multiple performance obligations. For instance, some of our product sales contracts include commissioning services or the supply of spare parts. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

Contract Assets and Contract Liabilities

The following table provides information about accounts receivables, net, contract assets and contract liabilities from contracts with customers (in thousands):

	December 31,	
	2019	**2018**
Accounts receivables, net	$ 202,337	$ 248,467
Contract assets and contract liabilities:		
Current contract assets	46,537	91,602
Long-term contract assets	16,280	5,430
Current contract liabilities	82,854	153,483
Long-term contract liabilities	156,262	101,363

Accounts receivables are recorded when the right to consideration becomes unconditional. Our contract assets include amounts related to revenue that has been recognized in advance of billing the customer. The contract assets in our balance sheets include costs and estimated earnings in excess of billings and unbilled receivables. When we receive consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of the contract, we record a contract liability. Our contract liabilities include payments received in advance of performance under the contract. The contract liabilities in our balance sheets include billings in excess of costs and estimated earnings and deferred revenue. Billings in excess of costs and estimated earnings primarily relate to billings that have not been recognized as revenue on product sales jobs where the transfer of control to the customer occurs over time. Deferred revenue is primarily comprised of upfront billings on contract operations jobs and billings related to product sales jobs that have not begun where revenue is recognized over time. Upfront payments received from customers on contract operations jobs are generally deferred and amortized over the contract term as we perform our services and the customer receives and consumes the benefits of the services we provide. Contract assets and liabilities are reported in our balance sheets on a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

During the year ended December 31, 2019, revenue recognized from contract operations services included $25.0 million of revenue deferred in previous periods. Revenue recognized during the year ended December 31, 2019 from product sales performance obligations partially satisfied in previous periods was $544.1 million, of which $104.1 million was included in billings in excess of costs at the beginning of the period. The decreases in current contract assets and current contract liabilities during the year ended December 31, 2019 were primarily driven by the progression of product sales projects and the timing of milestone billings in the Middle East and Africa region and in the North America region. The increase in long-term contract liabilities during the year ended December 31, 2019 was primarily driven by advanced billings to contract operations customers in the Latin America region.

Costs to Fulfill a Contract

We capitalize costs incurred to fulfill our revenue contracts that (i) relate directly to the contract (ii) are expected to generate resources that will be used to satisfy the performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. As of December 31, 2019 and 2018, we had capitalized fulfillment costs of $13.9 million and $6.6 million, respectively, related to contractual obligations incurred at the completion of the commissioning phase and prior to providing services on contracts within our contract operations segment. Contract fulfillment costs are expensed to cost of sales as we satisfy our performance obligations by transferring contract operations services to the customer. Capitalized fulfillment costs are included in intangible and other assets, net, in the balance sheets.

Costs to Obtain a Contract

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain commissions paid to internal sales representatives and third party agents meet the requirements to be capitalized. The amount capitalized for incremental costs to obtain contracts as of December 31, 2019 and 2018 was $4.9 million and $6.7 million, respectively. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Capitalized costs to obtain a contract are included in intangible and other assets, net, in the balance sheets and are amortized to selling, general and administrative expense over the expected period of benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. During the years ended December 31, 2019 and 2018, we recorded amortization expense for capitalized costs to obtain a contract of $0.9 million and $1.4 million, respectively.

Practical Expedients and Exemptions

We have elected the following practical expedients:

- We do not adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less.
- We treat shipping and handling activities that occur after the transfer of control as costs to fulfill a contract rather than a separate performance obligation.
- We record taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from our customers on a net basis, and thus, such taxes are excluded from the measurement of a performance obligation’s transaction price.
- We expense sales commissions as incurred when we expect that the amortization period of such costs will be one year or less.

Note 4. Leases

As discussed in Note 2, on January 1, 2019, we adopted ASC 842 retrospectively through a cumulative-effect adjustment as permitted under the specific transitional provisions in ASC 842. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts have not been adjusted and continue to be reported under the accounting standards in effect for the prior period.

We primarily lease various offices, warehouses, equipment and vehicles. A right-of-use asset represents our right to use an underlying asset for the lease term and a lease liability represents our obligation to make lease payments arising from the lease. Our operating lease right-of-use assets and lease liabilities are recognized at the present value of lease payments over the lease term at the time of lease commencement, adjusted to include the impact of any lease incentives. Leases with initial terms of 12 months or less are not recorded on our balance sheets and leases that contain non-lease components are combined with the lease components and accounted for as a single lease component.

Our lease agreements are negotiated on an individual basis and contain a variety of different terms and conditions. They generally do not contain any material residual value guarantees or material restrictive covenants. Certain lease agreements include rental payments adjusted periodically for inflation. Additionally, some of our leases include one or more options to renew, with renewal terms that can extend the lease term from one month to 10 years. Options to renew our lease terms are included in determining the right-of-use asset and lease liability when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. During the year ended December 31, 2019, we recorded expenses of $9.0 million for our operating leases, of which $1.0 million of expenses related to operating leases with initial terms of 12 months or less. We do not have any material leases, individually or in the aggregate, classified as a finance leasing arrangement.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. We used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date. As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate applied for our operating leases were nine years and 7%, respectively.

As of December 31, 2019, our lease assets and lease liabilities consisted of the following (in thousands):

Leases	Classification	December 31, 2019
Assets		
Operating lease assets	Operating lease right-of-use assets	$ 26,783
Liabilities		
Operating - current	Current operating lease liabilities	$ 6,268
Operating - noncurrent	Long-term operating lease liabilities	30,958
Total lease liabilities		$ 37,226

As of December 31, 2019, maturities of our operating lease liabilities consisted of the following (in thousands):

Maturity of Operating Lease Liabilities	December 31, 2019
2020	$ 7,154
2021	6,945
2022	5,931
2023	5,147
2024	4,502
Thereafter	21,930
Total lease payments	51,609
Less: Imputed interest	(14,383)
Present value of lease liabilities	$ 37,226

As of December 31, 2018, commitments for future minimum rental payments with terms in excess of one year were as follows (in thousands):

Future Minimum Rental Payments	December 31, 2018
2019	$ 6,076
2020	5,929
2021	4,583
2022	3,756
2023	3,038
Thereafter	11,615
Total lease payments	$ 34,997

The following table provides supplemental cash flow information related to leases for the year ended December 31, 2019 (in thousands):

Cash Flow Information	Classification	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	Net cash provided by operating activities	$ 2,134
Leased assets obtained in exchange for new operating lease liabilities	Non-cash	12,507

Note 5. Discontinued Operations

In June 2009, Petroleos de Venezuela S.A. ("PDVSA") commenced taking possession of our assets and operations in a number of our locations in Venezuela, and by the end of the second quarter of 2009, PDVSA had assumed control over substantially all of our assets and operations in Venezuela. In March 2010, our Spanish subsidiary filed a request for the institution of an arbitration proceeding against Venezuela with the International Centre for Settlement of Investment Disputes ("ICSID") related to the seized assets and investments under the agreement between Spain and Venezuela for the Reciprocal Promotion and Protection of Investments and under Venezuelan law. The arbitration hearing occurred in July 2012.

In August 2012, our Venezuelan subsidiary sold its previously nationalized assets to PDVSA Gas, S.A. ("PDVSA Gas") for a purchase price of approximately $441.7 million. We received an initial payment of $176.7 million in cash at closing, of which we remitted $50.0 million to repay the amount we collected in January 2010 under the terms of an insurance policy we maintained for the risk of expropriation. We received installment payments, including an annual charge, totaling $19.8 million and $19.7 million during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2019, we have received all payments from PDVSA Gas. We recognized payments received as income from discontinued operations in the periods such payments were received. The proceeds from the sale of the assets were not subject to Venezuelan national taxes due to an exemption allowed under the Venezuelan Reserve Law applicable to expropriation settlements.

In accordance with the separation and distribution agreement from the Spin-off, a subsidiary of Archrock has the right to receive payments from our wholly owned subsidiary, Exterran Energy Solutions, L.P. ("EESLP"), based on a notional amount corresponding to payments received by our subsidiaries from PDVSA Gas in respect of the sale of our previously nationalized assets promptly after such amounts are collected by our subsidiaries. Pursuant to the separation and distribution agreement, we transferred cash of $18.7 million and $19.7 million to Archrock during the years ended December 31, 2018 and 2017, respectively. The transfers of cash were recognized as reductions to additional paid-in capital in our financial statements.

In the first quarter of 2016, we began executing the exit of our Belleli EPC business that has historically been comprised of engineering, procurement and construction for the manufacture of tanks for tank farms and the manufacture of evaporators and brine heaters for desalination plants in the Middle East (referred to as "Belleli EPC" or the "Belleli EPC business" herein) by ceasing the bookings of new orders. As of the fourth quarter of 2017, we had substantially exited our Belleli EPC business and, in accordance with GAAP, it is reflected as discontinued operations in our financial statements for all periods presented. Although we have reached mechanical completion on all remaining Belleli EPC contracts, we are still subject to risks and uncertainties potentially resulting from warranty obligations, customer or suppliers claims against us, settlement of claims against customers, completion of demobilization activities and litigation developments. The facility previously utilized to manufacture products for our Belleli EPC business has been repurposed to manufacture product sales equipment. As such, certain personnel, buildings, equipment and other assets that were previously related to our Belleli EPC business remain a part of our continuing operations. As a result, activities associated with our ongoing operations at our repurposed facility are included in continuing operations.

The following table summarizes the operating results of discontinued operations (in thousands):

	Years Ended December 31,								
	2019			2018			2017		
	Venezuela	Belleli EPC	Total	Venezuela	Belleli EPC	Total	Venezuela	Belleli EPC	Total
Revenue	$ —	$ 394	$ 394	$ —	$ 16,274	$ 16,274	$ —	$ 72,693	$ 72,693
Cost of sales (excluding depreciation and amortization expense)	—	(1,073)	(1,073)	—	10,271	10,271	—	41,329	41,329
Selling, general and administrative	188	1,176	1,364	131	1,652	1,783	131	5,262	5,393
Depreciation and amortization	—	—	—	—	480	480	—	5,653	5,653
Recovery attributable to expropriation	—	—	—	(16,564)	—	(16,564)	(16,514)	—	(16,514)
Restructuring related recoveries, net	—	—	—	—	—	—	—	(439)	(439)
Other (income) expense, net	1	(353)	(352)	(3,249)	(1,342)	(4,591)	(3,157)	539	(2,618)
Provision for (benefit from) income taxes	—	(6,031)	(6,031)	—	433	433	—	153	153
Income (loss) from discontinued operations, net of tax	$ (189)	$ 6,675	$ 6,486	$ 19,682	$ 4,780	$ 24,462	$ 19,540	$ 20,196	$ 39,736

The following table summarizes the balance sheet data for discontinued operations (in thousands):

	December 31, 2019	December 31, 2018		
	Belleli EPC	Venezuela	Belleli EPC	Total
Cash	$ —	$ 3	$ —	$ 3
Accounts receivable	3,990	—	11,509	11,509
Contract assets	46	—	—	—
Other current assets	296	7	86	93
Total current assets associated with discontinued operations	4,332	10	11,595	11,605
Property, plant and equipment, net	—	—	28	28
Intangible and other assets, net	2,970	—	1,633	1,633
Total assets associated with discontinued operations	$ 7,302	$ 10	$ 13,256	$ 13,266
Accounts payable	$ 1,503	$ —	$ 4,382	$ 4,382
Accrued liabilities	5,959	12	7,831	7,843
Contract liabilities	2,536	—	2,542	2,542
Total current liabilities associated with discontinued operations	9,998	12	14,755	14,767
Other long-term liabilities	758	—	5,914	5,914
Total liabilities associated with discontinued operations	$ 10,756	$ 12	$ 20,669	$ 20,681

Note 6. Inventory, Net

Inventory, net of reserves, consisted of the following amounts (in thousands):

	December 31,	
	2019	2018
Parts and supplies	$ 92,005	$ 92,016
Work in progress	44,565	49,547
Finished goods	6,968	9,126
Inventory, net	$ 143,538	$ 150,689

During the years ended December 31, 2019, 2018 and 2017, we recorded $1.7 million, $0.1 million and $1.3 million, respectively, in inventory write-downs and reserves for obsolete or slow moving inventory. As of December 31, 2019 and 2018, we had inventory reserves of $10.1 million and $10.0 million, respectively.

Note 7. Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following (in thousands):

	December 31, 2019	December 31, 2018
Compression equipment, processing facilities and other contract operations assets	$ 1,607,769	$ 1,713,153
Land and buildings	67,187	101,571
Transportation and shop equipment	59,693	82,960
Computer software	51,663	54,572
Other	38,111	47,210
	1,824,423	1,999,466
Accumulated depreciation	(980,013)	(1,097,889)
Property, plant and equipment, net	$ 844,410	$ 901,577

Depreciation expense was $156.4 million, $118.9 million and $105.0 million during the years ended December 31, 2019, 2018 and 2017, respectively. Assets under construction of $86.1 million and $237.7 million as of December 31, 2019 and 2018, respectively, were primarily related to our contract operations business. During the years ended December 31, 2019, 2018 and 2017, we capitalized $2.7 million, $9.9 million and $3.4 million of interest related to construction in process, respectively.

Note 8. Intangible and Other Assets, Net

Intangible and other assets, net, consisted of the following (in thousands):

	December 31, 2019	December 31, 2018
Intangible assets, net	$ 5,643	$ 8,174
Deferred financing costs	5,740	7,237
Long-term non-income tax receivable	8,532	8,621
Long-term income tax credits	1,994	2,412
Long-term notes receivable	16,145	20,399
Long-term deposits	14,560	13,492
Long-term contract assets	16,280	5,430
Contract fulfillment costs	13,907	6,580
Contract obtainment costs	4,865	6,739
Other	5,634	7,287
Intangibles and other assets, net	$ 93,300	$ 86,371

Intangible assets and deferred financing costs consisted of the following (in thousands):

	December 31, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Deferred financing costs [(1)]	$ 13,164	$ (7,424)	$ 13,164	$ (5,927)
Marketing related (20 year life)	566	(566)	542	(542)
Customer related (17-20 year life)	40,608	(35,934)	75,331	(68,423)
Technology based (20 year life)	3,291	(3,291)	3,153	(3,153)
Contract based (2-11 year life)	45,092	(44,123)	45,059	(43,793)
Intangible assets and deferred financing costs	$ 102,721	$ (91,338)	$ 137,249	$ (121,838)

(1) Represents debt issuance costs relating to our revolving credit facility. See Note 11 for further discussion regarding our revolving credit facility.

Amortization of deferred financing costs related to our revolving credit facility totaled $1.5 million, $2.3 million and $1.7 million during the years ended December 31, 2019, 2018 and 2017, respectively, and was recorded to interest expense in our statements of operations. Amortization of intangible assets totaled $2.0 million, $2.4 million and $2.8 million during the years ended December 31, 2019, 2018 and 2017, respectively.

Estimated future intangible amortization expense is as follows (in thousands):

2020	$	1,615
2021		1,320
2022		952
2023		805
2024		682
Thereafter		269
Total	$	5,643

Note 9. Investments in Non-Consolidated Affiliates

Investments in affiliates that are not controlled by us where we have the ability to exercise significant influence over the operations are accounted for using the equity method.

We own a 30.0% interest in WilPro Energy Services (PIGAP II) Limited and 33.3% interest in WilPro Energy Services (El Furrial) Limited, which are joint ventures that provided natural gas compression and injection services in Venezuela. In May 2009, PDVSA assumed control over the assets of our Venezuelan joint ventures and transitioned the operations, including the hiring of their employees, to PDVSA. In March 2011, our Venezuelan joint ventures, together with the Netherlands' parent company of our joint venture partners, filed a request for the institution of an arbitration proceeding against Venezuela with ICSID related to the seized assets and investments.

In March 2012, our Venezuelan joint ventures sold their assets to PDVSA Gas. We received an initial payment of $37.6 million in March 2012. As of December 31, 2019, the remaining principal amount due to us was approximately $4 million. We have not recognized amounts payable to us by PDVSA Gas as a receivable and will therefore recognize payments received in the future as equity in income of non-consolidated affiliates in our statements of operations in the periods such payments are received. In connection with the sale of our Venezuelan joint ventures' assets, the joint ventures and our joint venture partners agreed to suspend their previously filed arbitration proceeding against Venezuela pending payment in full by PDVSA Gas of the purchase price for the assets. The arbitration proceeding has since been dismissed, and the principal amount due to us remains outstanding.

In accordance with the separation and distribution agreement, a subsidiary of Archrock has the right to receive payments from EESLP based on a notional amount corresponding to payments received by our subsidiaries from PDVSA Gas in respect of the sale of our joint ventures' previously nationalized assets promptly after such amounts are collected by our subsidiaries.

Note 10. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 31,	
	2019	2018
Accrued salaries and other benefits	$ 39,786	$ 46,836
Accrued income and other taxes	23,803	31,862
Accrued demobilization costs	13,348	14,839
Accrued warranty expense	2,731	2,191
Accrued interest	5,857	5,778
Accrued other liabilities	18,556	21,829
Accrued liabilities	$ 104,081	$ 123,335

Our warranty expense was $3.0 million, $1.9 million and $1.9 million during the years ended December 31, 2019, 2018 and 2017, respectively.

Note 11. Debt

Debt consisted of the following (in thousands):

	December 31,	
	2019	2018
Revolving credit facility due October 2023	$ 74,000	$ 35,000
8.125% senior notes due May 2025	375,000	375,000
Other debt	237	687
Unamortized deferred financing costs of 8.125% senior notes	(5,413)	(6,428)
Total debt	443,824	404,259
Less: Amounts due within one year [1]	(237)	(449)
Long- term debt	$ 443,587	$ 403,810

[1] Short-term debt and the current portion of long-term debt are included in accrued liabilities in our balance sheets.

Revolving Credit Facility

On July 10, 2015, we and our wholly owned subsidiary, EESLP, entered into a $750.0 million credit agreement (the “Credit Agreement”) with Wells Fargo, as the administrative agent, and various financial institutions as lenders. On October 5, 2015, the parties amended and restated the Credit Agreement to provide for a $925.0 million credit facility, consisting of a $680.0 million revolving credit facility and a $245.0 million term loan facility. In April 2017, we paid the remaining principal amount of $232.8 million due under the term loan facility with proceeds from the 2017 Notes (as defined below) issuance. As a result of the repayment of the term loan facility, we expensed $1.7 million of unamortized deferred financing costs during the year ended December 31, 2017, which is reflected in interest expense in our statements of operations.

On October 9, 2018, we and EESLP entered into a Second Amended and Restated Credit Agreement (the “Amended Credit Agreement”), which among other things, increased the borrowing capacity under our revolving credit facility from $680.0 million to $700.0 million. The Amended Credit Agreement also extended the maturity date of our revolving credit facility to October 9, 2023. As a result of the Amended Credit Agreement, we expensed $0.7 million of unamortized deferred financing costs during the year ended December 31, 2018, which is reflected in interest expense in our statements of operations.

As of December 31, 2019, we had $74.0 million in outstanding borrowings and $24.2 million in outstanding letters of credit under our revolving credit facility. At December 31, 2019, taking into account guarantees through outstanding letters of credit, we had undrawn capacity of $601.8 million under our revolving credit facility. Our Amended Credit Agreement limits our senior secured leverage ratio (as defined in the Amended Credit Agreement) on the last day of the fiscal quarter to no greater than 2.75 to 1.0. As a result of this limitation, $513.3 million of the $601.8 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of December 31, 2019.

Revolving borrowings under the Amended Credit Agreement bear interest at a rate equal to, at our option, either the Base Rate or LIBOR (or EURIBOR, in the case of Euro-denominated borrowings) plus the applicable margin. “Base Rate” means the greatest of (a) the prime rate, (b) the federal funds effective rate plus 0.50% and (c) one-month LIBOR plus 1.00%. The applicable margin for revolving borrowings varies (i) in the case of LIBOR and EURIBOR loans, from 1.75% to 2.75% and (ii) in the case of Base Rate loans, from 0.75% to 1.75%, and in each case will be determined based on a total leverage ratio pricing grid. The weighted average annual interest rate on outstanding borrowings under the revolving credit facility at December 31, 2019 was 4.6%.

We guarantee EESLP’s obligations under the revolving credit facility. In addition, EESLP’s obligations under the revolving credit facility are secured by (1) substantially all of our assets and the assets of EESLP and our Significant Domestic Subsidiaries (as defined in the Amended Credit Agreement), including certain real property, and (2) all of the equity interests of our U.S. restricted subsidiaries (other than certain excluded subsidiaries) (as defined in the Amended Credit Agreement) and 65% of the voting equity interests in certain of our first-tier foreign subsidiaries.

8.125% Senior Notes Due May 2025

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. issued $375.0 million aggregate principal amount of 8.125% senior unsecured notes due 2025 (the “2017 Notes”). The 2017 Notes are guaranteed by us on a senior unsecured basis. The net proceeds of $367.1 million from the 2017 Notes issuance were used to repay all of the borrowings outstanding under the term loan facility and revolving credit facility and for general corporate purposes. Additionally, pursuant to the separation and distribution agreement from the Spin-off, EESLP used proceeds from the issuance of the 2017 Notes to pay a subsidiary of Archrock $25.0 million in satisfaction of EESLP’s obligation to pay that sum following the occurrence of a qualified capital raise. The transfer of cash to Archrock’s subsidiary was recognized as a reduction to additional paid-in capital in the second quarter of 2017.

Prior to May 1, 2020, we may redeem all or a portion of the 2017 Notes at a redemption price equal to the sum of (i) the principal amount thereof, and (ii) a make-whole premium at the redemption date, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes prior to May 1, 2020 with the net proceeds of one or more equity offerings at a redemption price of 108.125% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest to the date of redemption, if at least 65% of the aggregate principal amount of the 2017 Notes issued under the indenture remains outstanding after such redemption and the redemption occurs within 180 days of the date of the closing of such equity offering. On or after May 1, 2020, we may redeem all or a portion of the 2017 Notes at redemption prices (expressed as percentages of principal amount) equal to 106.094% for the twelve-month period beginning on May 1, 2020, 104.063% for the twelve-month period beginning on May 1, 2021, 102.031% for the twelve-month period beginning on May 1, 2022 and 100.000% for the twelve-month period beginning on May 1, 2023 and at any time thereafter, plus accrued and unpaid interest, if any, to the applicable redemption date of the 2017 Notes.

Unamortized Debt Financing Costs

In connection with the issuance of the 2017 Notes, we incurred transaction costs of $7.9 million related to the issuance of the 2017 Notes. These costs are presented as a direct deduction from the carrying value of the 2017 Notes and are being amortized over the term of the 2017 Notes. Amortization of deferred financing costs relating to the 2017 Notes totaled $1.0 million, $1.0 million and $0.7 million during the years ended December 31, 2019, 2018 and 2017, respectively, and was recorded to interest expense in our statements of operations. Amortization of deferred financing costs relating to the term loan facility totaled $2.4 million during the year ended December 31, 2017 and was recorded to interest expense in our statements of operations. During the year ended December 31, 2018, we incurred transaction costs of approximately $4.8 million related to our revolving credit facility. Debt issuance costs relating to our revolving credit facility are included in intangible and other assets, net, and are being amortized over the term of the facility. See Note 8 for further discussion regarding the amortization of deferred financing costs related to our revolving credit facility.

Debt Compliance

The Amended Credit Agreement contains various covenants with which we, EESLP and our respective restricted subsidiaries must comply including, but not limited to, limitations on the incurrence of indebtedness, investments, liens on assets, repurchasing equity, distributions, transactions with affiliates, mergers, consolidations, dispositions of assets and other provisions customary in similar types of agreements. We are required to maintain, on a consolidated basis, a minimum interest coverage ratio (as defined in the Amended Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Amended Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Amended Credit Agreement) of 2.75 to 1.00. As of December 31, 2019, we were in compliance with all financial covenants under the Amended Credit Agreement.

Debt Maturity Schedule

Contractual maturities of debt (excluding interest to be accrued thereon) at December 31, 2019 are as follows (in thousands):

	December 31, 2019
2020	$ 237
2021	—
2022	—
2023	74,000
2024	—
Thereafter	375,000
Total debt [(1)]	$ 449,237

(1) This amount includes the full face value of the 2017 Notes and does not include unamortized debt financing costs of $5.4 million as of December 31, 2019.

Note 12. Fair Value Measurements

The accounting standard for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three categories:

- *Level 1* — Quoted unadjusted prices for identical instruments in active markets to which we have access at the date of measurement.
- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or prices vary substantially over time or among brokered market makers.
- *Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect our own assumptions regarding how market participants would price the asset or liability based on the best available information.

Nonrecurring Fair Value Measurements

The following table presents our assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019			December 31, 2018		
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Impaired long-lived assets [(1)]	$ —	$ —	$ 21,565	$ —	$ —	$ 550
Impaired assets—assets held for sale [(2)]	—	—	624	—	—	—
Long-term note receivable [(3)]	—	—	15,312	—	—	14,573

(1) Our estimate of the fair value of the impaired long-lived assets as of December 31, 2019 and 2018 were primarily based on the expected net sale proceeds compared to other fleet units we sold and/or our estimate of fair value based on offers to purchase such assets.
(2) Our estimate of the fair value of the impaired assets, which were classified as held for sale as of December 31, 2019, was based on the expected net proceeds from the sale of the assets.
(3) Our estimate of the fair value of a note receivable was discounted based on a settlement period of eight years and a discount rate of 5.2%.

Financial Instruments

Our financial instruments consist of cash, restricted cash, receivables, payables and debt. At December 31, 2019 and 2018, the estimated fair values of cash, restricted cash, receivables and payables approximated their carrying amounts as reflected in our balance sheets due to the short-term nature of these financial instruments.

The fair value of the 2017 Notes was estimated based on model derived calculations using market yields observed in active markets, which are Level 2 inputs. As of December 31, 2019 and 2018, the carrying amount of the 2017 Notes, excluding unamortized deferred financing costs, of $375.0 million was estimated to have a fair value of $371.0 million and $362.0 million, respectively. Due to the variable rate nature of our revolving credit facility, the carrying value as of December 31, 2019 approximated the fair value as the rate was comparable to the then-current market rate at which debt with similar terms could have been obtained.

Note 13. Impairments

We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, including the removal of compressor units from our active fleet, indicate that the carrying amount of an asset may not be recoverable.

During the year ended December 31, 2019, in an effort to generate cash from idle assets and reduce holding costs, we reviewed the future deployment of our idle assets used in our contract operations segment for units that were not of the type, configuration, condition, make or model that are cost efficient to maintain and operate. Based on this review, we determined that certain idle compressor units and other assets would be retired from future service. The retirement of these units from the active fleet triggered a review of these assets for impairment. As a result, we recorded a $52.6 million asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit was estimated based on either the expected net sale proceeds compared to other fleet units we recently sold and/or a review of other units recently offered for sale by third parties, or the estimated component value or scrap value of each compressor unit. As of December 31, 2019, $0.6 million related to these units was included in assets held for sale on our consolidated balance sheet.

In addition, in connection with our review of options for our U.S. compression fabrication business within our product sales segment, we reviewed the assets in this business compared to our estimate of future cash flows and recorded a $21.1 million impairment charge to adjust the carrying value to our estimate of fair market value.

In the fourth quarter of 2019, we also evaluated other assets for impairment and recorded an impairment of $0.7 million on these assets.

During the year ended December 31, 2018, we evaluated for impairment idle units that had been previously culled from our fleet and are available for sale. Based upon that review, we reduced the expected proceeds from disposition for certain units. This resulted in an additional impairment of $2.1 million to reduce the book value of each unit to its estimated fair value during the year ended December 31, 2018. During the year ended December 31, 2017, we determined that one idle compressor unit would be retired from the active fleet. The retirement of this unit from the active fleet triggered a review of the active fleet for impairment, and as a result, we recorded an impairment of $0.6 million to reduce the book value of the unit to its estimated fair value. The fair value of each unit was estimated based on either the expected net sale proceeds compared to other fleet units we sold and/or a review of other units offered for sale by third parties during that time or the estimated component value of the equipment on each compressor unit that we planned to use at that time.

In the fourth quarter of 2017, we classified our PEQ assets primarily related to inventory and property, plant and equipment, net, within our product sales business as assets held for sale in our balance sheets. In June 2018, we completed the sale of our PEQ assets. During the years ended December 31, 2018 and 2017, we recorded impairments of $1.8 million and $2.1 million, respectively, to reduce these assets to their approximate fair values based on the expected net proceeds. Additionally, in the fourth quarter of 2017, we determined that certain other assets within our product sales business were assessed to have no future benefit to our ongoing operations. In conjunction with the assessment of these other assets, we recorded an impairment charge of $3.0 million to write-down these assets.

Note 14. Restatement Related Charges (Recoveries), Net

During the first quarter of 2016, our senior management identified errors relating to the application of percentage-of-completion accounting principles to specific Belleli EPC product sales projects. As a result, the Audit Committee of the Company’s Board of Directors initiated an internal investigation, including the use of services of a forensic accounting firm. Management also engaged a consulting firm to assist in accounting analysis and compilation of restatement adjustments. We incurred restatement related charges of $0.1 million, $0.9 million and $6.2 million during the years ended December 31, 2019, 2018 and 2017, respectively. The costs incurred were external costs associated with an SEC investigation and remediation activities related to the restatement of our financial statements. We recorded recoveries from Archrock pursuant to the separation and distribution agreement for previously incurred restatement related costs of $1.2 million and $2.8 million during the years ended December 31, 2018 and 2017, respectively. On April 8, 2019, the SEC provided written notice to us stating that based on the information they have as of this date, they have concluded their investigation and do not intend to recommend enforcement action against us in connection with this matter.

The following table summarizes the components of charges included in restatement related charges (recoveries), net, in our statements of operations for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018	2017
External accounting costs	$ —	$ —	$ 1,071
External legal costs	48	531	4,396
Other	—	413	753
Recoveries from Archrock	—	(1,220)	(2,801)
Total restatement related charges (recoveries), net	$ 48	$ (276)	$ 3,419

Note 15. Restructuring and Other Charges

The energy industry’s focus on capital discipline and improving returns has caused delays in the timing of new equipment orders. As a result, in the second quarter of 2019, we began the consolidation of two of our manufacturing facilities located in Houston, Texas into one facility and announced a cost reduction plan primarily focused on workforce reductions. We incurred restructuring and other charges associated with these activities of $8.4 million for the year ended December 31, 2019. These charges are reflected as restructuring and other charges in our statements of operations and accrued liabilities on our balance sheets. We expect to settle these charges within the next twelve months in cash.

In the second quarter of 2018, we initiated a relocation plan in the North America region to better align our contract operations business with our customers. As a result of this plan, during the years ended December 31, 2019 and 2018, we incurred restructuring and other charges of $0.3 million and $2.0 million, respectively. The charges incurred in conjunction with this relocation plan are included in restructuring and other charges in our statements of operations. In the second quarter of 2019, we completed restructuring activities related to the relocation plan.

In connection with the Spin-off, we incurred restructuring and other charges of $0.6 million during the year ended December 31, 2017 primarily related to retention awards to certain employees which were amortized over the required service period of each applicable employee. Additionally, we announced a cost reduction plan primarily focused on workforce reductions and the reorganization of certain facilities in the second quarter of 2015. We incurred restructuring and other charges associated with the cost reduction plan of $2.6 million during the year ended December 31, 2017. Cost incurred for employee termination benefits during the year ended December 31, 2017 were $2.1 million. In 2017, we completed restructuring activities related to the Spin-off and cost reduction plan.

The following table summarizes the changes to our accrued liability balance related to restructuring and other charges for the years ended December 31, 2018 and 2019 (in thousands):

	2019 Cost Reduction Plan	2015 Cost Reduction Plan	Relocation Plan	Total
Beginning balance at January 1, 2018	$ —	$ 612	$ —	$ 612
Additions for costs expensed	—	—	1,997	1,997
Reductions for payments	—	(612)	(1,688)	(2,300)
Ending balance at December 31, 2018	—	—	309	309
Additions for costs expensed	8,419	—	293	8,712
Reductions for payments	(6,049)	—	(602)	(6,651)
Foreign exchange impact	(89)	—	—	(89)
Ending balance at December 31, 2019	$ 2,281	$ —	$ —	$ 2,281

The following table summarizes the components of charges included in restructuring and other charges in our statements of operations for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Retention awards to certain employees	$ —	$ —	$ 599
Employee termination benefits	7,036	910	2,100
Relocation costs	1,035	1,087	—
Other	641	—	490
Total restructuring and other charges	$ 8,712	$ 1,997	$ 3,189

The following table summarizes the components of charges included in restructuring and other charges incurred since the announcement of the cost reduction plan in the second quarter of 2019 (in thousands):

	Total
Employee termination benefits	$ 7,036
Relocation costs	742
Other	641
Total restructuring and other charges	$ 8,419

Note 16. Provision for Income Taxes

The components of income (loss) before income taxes were as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
United States	$ (86,918)	$ (6,899)	$ (43,403)
Foreign	3,345	46,724	60,242
Income (loss) before income taxes	$ (83,573)	$ 39,825	$ 16,839

The provision for income taxes consisted of the following (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Current tax provision (benefit):			
U.S. federal	$ (534)	$ 769	$ —
State	228	258	250
Foreign	35,603	36,869	25,638
Total current	35,297	37,896	25,888
Deferred tax provision (benefit):			
U.S. federal	1,673	242	(5,102)
State	(61)	(71)	(15)
Foreign	(11,619)	1,366	1,924
Total deferred	(10,007)	1,537	(3,193)
Provision for income taxes	$ 25,290	$ 39,433	$ 22,695

The provision for income taxes for 2019, 2018 and 2017 resulted in effective tax rates on continuing operations of (30.3)%, 99.0% and 134.8%, respectively. The reasons for the differences between these effective tax rates and the U.S. statutory rate are as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Income taxes at U.S. federal statutory rate of 21% (35% for 2017)	$ (17,550)	$ 8,363	$ 5,894
Brazil PRT/PERT programs	—	—	(15,148)
Unrecognized tax benefits	529	9,496	3,332
Change in valuation allowances	13,982	(18,973)	(48,059)
Nondeductible expenses	5,004	4,340	4,517
Capital contributions and distributions related to Spin-off	52	(352)	(1,084)
Impact of Tax Reform	—	873	25,578
Foreign tax rate differential	(9,378)	(1,854)	(3,261)
Deferred tax adjustments	4,844	1,112	39,067
Foreign exchange differences	13,821	14,835	7,606
Withholding tax, net of U.S. benefit	5,491	14,825	501
Deemed and actual distributions	4,873	1,742	2,214
Other	3,622	5,026	1,538
Provision for income taxes	$ 25,290	$ 39,433	$ 22,695

Tax legislation enacted and signed into law in 2017 in the U.S. and in Argentina resulted in changes to the statutory tax rates at which certain deferred tax assets and liabilities are recorded. In 2017, these rate changes resulted in reconciling items between income tax recorded at the U.S. statutory rate and the company’s provision for income taxes of $15.5 million and $(3.1) million, for the U.S. and Argentina, respectively. In the U.S., the valuation allowance that had been previously recorded was reduced as a result of the U.S. statutory rate changes.

Deferred income tax balances are the direct effect of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows (in thousands):

	December 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 71,598	$ 68,377
Foreign tax credit carryforwards	81,759	81,759
Research and development credit carryforwards	31,251	31,251
Alternative minimum tax credit carryforwards	2,943	5,493
Deferred revenue	46,137	25,858
Accrued liabilities	13,094	7,672
Other	33,758	32,079
Subtotal	280,540	252,489
Valuation allowances	(213,034)	(200,105)
Total deferred tax assets	67,506	52,384
Deferred tax liabilities:		
Property, plant and equipment	(42,566)	(28,413)
Other	(11,939)	(18,606)
Total deferred tax liabilities	(54,505)	(47,019)
Net deferred tax assets	$ 13,001	$ 5,365

During the year ended December 31, 2017, our Brazil subsidiary entered into two tax programs: 1) the Tax Regularization Program (the “PRT Program”) pursuant to Brazil Provisional Measure No. 766 issued on January 4, 2017 and 2) the Tax Special Regularization Program (the “PERT Program”) pursuant to Brazil Provisional Measure No. 783 issued on May 31, 2017. These programs allow for the partial settling of debts, both income tax debts and non-income-based tax debts, due by November 30, 2016 and April 30, 2017 to Brazil’s Federal Revenue Service for the PRT Program and PERT Program, respectively, with the use of tax credits, including income tax loss carryforwards. A $15.2 million income tax benefit was recorded during the year ended December 31, 2017 attributable to the reversal of valuation allowances against certain deferred tax assets related to income tax loss carryforwards that were utilized under the PRT Program and PERT Program, including interest income. Additionally, during the year ended December 31, 2017, we incurred $1.8 million in penalties, which is reflected in other (income) expense, net, in our statements of operations, and $2.4 million in interest expense, which is reflected in interest expense in our statements of operations, attributable to the settling of non-income-based tax debts in connection with the PRT Program and the PERT Program.

At December 31, 2019, we had U.S. federal net operating loss carryforwards of approximately $68.1 million that are available to offset future taxable income. If not used, the carryforwards begin to expire in 2036. We also had approximately $177.9 million of net operating loss carryforwards in certain foreign jurisdictions (excluding discontinued operations), approximately $105.9 million of which has no expiration date, $17.0 million of which is subject to expiration from 2020 to 2024, and the remainder of which expires in future years through 2039. Foreign tax credit carryforwards of $81.8 million, research and development credits carryforwards of $31.3 million and alternative minimum tax credit carryforwards of $2.9 million are available to offset future payments of U.S. federal income tax. The foreign tax credits will expire in varying amounts beginning in 2020 and research and development credits will expire in varying amounts beginning in 2028. The U.S. corporate alternative minimum tax (“AMT”) has been repealed for tax years beginning after December 31, 2017. Companies with AMT credits that have not been utilized may claim a refund in future years for those credits even when no income tax liability exists. We expect our existing AMT credits to be fully utilized or refunded by 2021.

We record valuation allowances when it is more-likely-than-not that some portion or all of our deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character and in the appropriate taxing jurisdictions in the future. If we do not meet our expectations with respect to taxable income, we may not realize the full benefit from our deferred tax assets which would require us to record a valuation allowance in our tax provision in future years. Management assesses all available positive and negative evidence to estimate our ability to generate sufficient future taxable income of the appropriate character, and in the appropriate taxing jurisdictions, to permit use of our existing deferred tax assets. A significant piece of objective negative evidence is a cumulative loss incurred over a three-year period in a taxing jurisdiction. Prevailing accounting practice is that such objective evidence would limit the ability to consider other subjective evidence, such as our projections for future growth.

Pursuant to Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Code”), utilization of loss carryforwards and credit carryforwards, such as foreign tax credits, will be subject to annual limitations due to the historical ownership changes of both Hanover Compressor Company (“Hanover”) and Universal Compression Holdings, Inc. (“Universal”). In general, an ownership change, as defined by Section 382 of the Code, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. The merger of Hanover and Universal to form Archrock (formerly Exterran Holdings, Inc.) in August 2007 resulted in such an ownership change for both Hanover and Universal. As of December 31, 2018, we had utilized all of the loss carryforwards subject to the Section 382 limitations.

We consider the earnings of many of our foreign subsidiaries to be indefinitely reinvested, and accordingly, as of December 31, 2019, we have not provided for taxes on approximately $404.9 million of cumulative undistributed foreign earnings. If we were to make a distribution from the unremitted earnings of these subsidiaries, we could be subject to taxes payable to various jurisdictions. Computation of the potential deferred tax liability associated with these undistributed earnings and any other basis differences is not practicable. If our expectations were to change regarding future tax consequences, we may be required to record additional deferred taxes that could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation. The Tax Reform Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries (the “Transition Tax”); (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate AMT and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax (“BEAT”), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. Guidance under U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted.

For the year ended December 31, 2017, our provision for income tax included the reversal of previously recorded valuation allowances of $5.6 million against our U.S. AMT carryforwards due to the Tax Cuts and Jobs Act (“Tax Reform Act”) which provides for the cancellation of the AMT and allows for a future refund and/or credit against regular income tax carry forwards.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Tax Reform Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. We completed our analysis and as a result recorded a $0.9 million adjustment in the fourth quarter of 2018 to the provisional estimate for Transition Tax that we had recorded for the year ended December 31, 2017.

Deemed repatriation transition tax on undistributed earnings: The Transition Tax is a deemed repatriation tax on certain previously untaxed accumulated earnings and profits (“E&P”) of our foreign subsidiaries. For the year ended December 31, 2017, we were able to reasonably estimate the Transition Tax and recorded a provisional Transition Tax obligation of $10.1 million, with a corresponding tax benefit from the reduction of the valuation allowance previously recorded against U.S. deferred tax assets. In the fourth quarter of 2018, we completed our analysis and recorded an additional $0.9 million of Transition Tax with a corresponding tax benefit from the reduction of the valuation allowance previously recorded against U.S. deferred tax assets.

Result of reduction in U.S. corporate tax rate: The Tax Reform Act reduced the U.S. corporate tax rate from 35% to 21%. For the year ended December 31, 2017, we recorded $15.5 million due to the remeasurement of deferred tax assets and liabilities, to reflect the impact of the lower effective rate, with a corresponding tax benefit from the reduction of the valuation allowance previously recorded against U.S. deferred tax assets.

While the Tax Reform Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provisions: the global intangible low-taxed income (“GILTI”) provisions and the BEAT provisions.

The GILTI provisions require us to include foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets in our U.S. income tax return. We have made an accounting policy choice to treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”). For the years ended December 31, 2019 and 2018, the GILTI tax provisions did not have a material impact on our provision for income taxes.

The BEAT provisions eliminate the deduction of certain base-erosion payments made to related foreign corporations beginning in 2018, and impose a minimum tax if greater than regular tax. The BEAT tax provisions did not have an impact for the year ended December 31, 2019 but resulted in a $0.4 million charge to our provision for income taxes for the year ended December 31, 2018.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (including discontinued operations) is shown below (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Beginning balance	$ 27,783	$ 20,548	$ 18,237
Additions based on tax positions related to prior years	142	2,542	2,034
Additions based on tax positions related to current year	1,648	9,983	1,686
Reductions based on settlement with government authority	(5,086)	(1,391)	(241)
Reductions based on lapse of statute of limitations	(1,148)	(1,997)	(378)
Reductions based on tax positions related to prior years	—	(1,902)	(790)
Ending balance	$ 23,339	$ 27,783	$ 20,548

We had $23.3 million, $27.8 million and $20.5 million of unrecognized tax benefits at December 31, 2019, 2018 and 2017, respectively, which if recognized, would affect the effective tax rate (except for amounts that would be reflected in income (loss) from discontinued operations, net of tax). We also have recorded $2.3 million, $4.7 million and $4.3 million of potential interest expense and penalties related to unrecognized tax benefits associated with uncertain tax positions (including discontinued operations) as of December 31, 2019, 2018 and 2017, respectively. To the extent interest and penalties are not assessed with respect to unrecognized tax benefits, amounts accrued will be reduced and reflected as reductions in income tax expense.

We and our subsidiaries file consolidated and separate income tax returns in the U.S. federal jurisdiction and in numerous state and foreign jurisdictions. Certain of our operations were historically included in Archrock’s consolidated income tax returns in the U.S. federal and state jurisdictions. In addition, certain of Archrock’s operations were historically included in our separate income tax returns in state jurisdictions. Under the Code and the related rules and regulations, each corporation that was a member of the Archrock consolidated U.S. federal income tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the Spin-off is jointly and severally liable for the U.S. federal income tax liability of the entire Archrock consolidated tax reporting group for that taxable period. In connection with the Spin-off, we entered into a tax matters agreement with Archrock that allocates the responsibility for prior period taxes of the Archrock consolidated tax reporting group between us and Archrock.

We are subject to examination by taxing authorities throughout the world, including the U.S. and major foreign jurisdictions such as Argentina, Brazil and Mexico. With few exceptions, we and our subsidiaries are no longer subject to foreign income tax examinations for tax years before 2006. Several domestic and foreign audits are currently in progress and we do not expect any tax adjustments that would have a material impact on our financial position or results of operations.

We believe it is reasonably possible that a decrease of up to approximately $1 million in unrecognized tax benefits may be necessary on or before December 31, 2020 due to the cash and non-cash settlement of audits and the expiration of statutes of limitations. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of these matters may result in liabilities which could materially differ from these estimates.

Note 17. Stockholders' Equity

Preferred Stock

We have authorized 50.0 million shares of preferred stock, $0.01 par value per share, none of which was issued and outstanding at December 31, 2019. Our board of directors is authorized to determine the rights, preferences, and restrictions on any series of preferred stock that we may issue.

Common Stock

We have authorized 250.0 million shares of common stock, $0.01 par value per share, of which 37,508,286 and 33,040,686 shares are issued and outstanding at December 31, 2019, respectively. Each share of common stock is entitled to a single vote. We have not declared or paid any dividends through December 31, 2019.

Share Repurchase Program

On February 20, 2019, our board of directors approved a share repurchase program under which the Company is authorized to purchase up to $100.0 million of its outstanding common stock through February 2022. The timing and method of any repurchases under the program will depend on a variety of factors, including prevailing market conditions among others. Purchases under the program may be suspended or discontinued at any time and we have no obligation to repurchase any amount of our common shares under the program. Shares of common stock acquired through the repurchase program are held in treasury at cost. During the year ended December 31, 2019, we repurchased 3,495,448 shares of our common stock for $42.3 million in connection with our share repurchase program. As of December 31, 2019, the remaining authorized repurchase amount under the share repurchase program was $57.7 million. Additionally, treasury stock purchased during the years ended December 31, 2019 and 2018 included shares withheld to satisfy employees' tax withholding obligations in connection with vesting of restricted stock awards.

Additional paid-in capital

Pursuant to the separation and distribution agreement, EESLP contributed to a subsidiary of Archrock the right to receive payments based on a notional amount corresponding to payments received by our subsidiaries from PDVSA Gas in respect of the sale of our and our joint ventures' previously nationalized assets promptly after such amounts are collected by our subsidiaries. Pursuant to the separation and distribution agreement, we transferred cash of $18.7 million and $19.7 million to Archrock during the years ended December 31, 2018 and 2017, respectively. The transfers of cash were recognized as reductions to additional paid-in capital in our financial statements. Additionally, during the year ended December 31, 2017 we transferred cash of $25.0 million to Archrock in satisfaction of EESLP's obligation to pay that sum following the occurrence of a qualified capital raise as required under the separation and distribution agreement.

Comprehensive Income (Loss)

Components of comprehensive income (loss) are net income (loss) and all changes in stockholders' equity during a period except those resulting from transactions with owners. Our accumulated other comprehensive income consists of foreign currency translation adjustments.

The following table presents the changes in accumulated other comprehensive income, net of tax, during the years ended December 31, 2017, 2018 and 2019 (in thousands):

	Foreign Currency Translation Adjustment
Accumulated other comprehensive income, January 1, 2017	$ 47,508
Loss recognized in other comprehensive income (loss)	(1,801)
Accumulated other comprehensive income, December 31, 2017	45,707
Loss recognized in other comprehensive income (loss)	(7,476)
Accumulated other comprehensive income, December 31, 2018	38,231
Loss recognized in other comprehensive income (loss)	(2,885)
Accumulated other comprehensive income, December 31, 2019	$ 35,346

Note 18. Stock-Based Compensation and Awards

Stock Incentive Plan

On October 30, 2015, our compensation committee and board of directors each approved the Exterran Corporation 2015 Stock Incentive Plan (the “2015 Plan”) to provide for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, other stock-based awards and dividend equivalents rights to employees, directors and consultants of Exterran Corporation. The 2015 Plan became effective on November 1, 2015. The maximum aggregate number of shares of our common stock that may be issued under the 2015 Plan is 3,000,000 shares, of which 812,859 shares were available to be issued under the plan as of December 31, 2019. Awards granted under the 2015 Plan that are subsequently cancelled, terminated or forfeited are available for future grant.

Directors’ Stock and Deferral Plan

On October 30, 2015, our compensation committee and board of directors each approved the Exterran Corporation 2015 Directors’ Stock and Deferral Plan (the “Director Plan”). Under the Director Plan, which became effective on October 30, 2015, members of our board of directors may elect, on an annual basis, to receive 25%, 50%, 75% or 100% of their retainer and meeting fees (the “Retainer Fees”) in shares of our common stock in lieu of cash. The number of shares of our common stock issued to each director who elects to have a portion of their Retainer Fees paid in shares in lieu of cash is determined by dividing the applicable dollar amount of such portion by the closing sales price per share of our common stock on the last trading day of the quarter. Any portion of the Retainer Fees paid in cash will be paid to the director following the close of the calendar quarter for which such Retainer Fees were earned. Under the Director Plan, members of the board of directors who elect to receive the Retainer Fees in the form of shares may also elect to defer the receipt of the Retainer Fees until a later date. The maximum aggregate number of shares of our common stock that may be issued under the Director Plan is 125,000 shares, of which 44,655 shares were available to be issued under the plan as of December 31, 2019. The board of directors will administer the Director Plan and has the authority to make certain equitable adjustments under the Director Plan in the event of certain corporate transactions.

Stock-based compensation expense relates to awards to employees, directors and consultants of Exterran Corporation. We account for forfeitures as they occur rather than applying an estimated forfeiture rate. The following table presents the stock-based compensation expense included in our results of operations (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Stock options	$ —	$ —	$ 21
Restricted stock, restricted stock units, performance units, cash settled restricted stock units and cash settled performance units	13,325	14,088	14,685
Restructuring and other charges—stock-based compensation expense	—	—	662
Total stock-based compensation expense	$ 13,325	$ 14,088	$ 15,368

Stock Options

Stock options are granted at fair market value at the grant date, are exercisable according to the vesting schedule established and generally expire no later than 10 years after the grant date. Stock options generally vest one-third per year on each of the first three anniversaries of the grant date. There were no stock options granted during the years ended December 31, 2019, 2018 and 2017.

The table below presents the changes in stock option awards for our common stock during the year ended December 31, 2019.

	Stock Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding, January 1, 2019	74	$ 25.81		
Granted	—	—		
Exercised	—	—		
Cancelled	(5)	32.49		
Options outstanding, December 31, 2019	69	25.33	0.6	$ —
Options exercisable, December 31, 2019	69	25.33	0.6	—

Intrinsic value is the difference between the market value of our common stock and the exercise price of each stock option multiplied by the number of stock options outstanding for those stock options where the market value exceeds their exercise price.

Restricted Stock, Restricted Stock Units and Performance Units

For grants of restricted stock, restricted stock units and performance units, we recognize compensation expense over the applicable vesting period equal to the fair value of our common stock at the grant date. Grants of restricted stock, restricted stock units and performance units generally vest one-third per year on each of the first three anniversaries of the grant date. Certain grants of restricted stock vest on the third anniversary of the grant date and certain grants of performance units vest on the second anniversary of the grant date.

The table below presents the changes in restricted stock, restricted stock units and performance units for our common stock during the year ended December 31, 2019.

	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share
Non-vested awards, January 1, 2019	1,044	$ 25.89
Granted	837	16.80
Vested	(541)	23.24
Cancelled [1]	(498)	18.74
Non-vested awards, December 31, 2019	842	22.79

(1) During the year ended December 31, 2019, 318,216 performance units were cancelled and presented within our balance sheets as liabilities due to their expected cash settlement.

As of December 31, 2019, we estimate $11.1 million of unrecognized compensation cost related to unvested restricted stock, restricted stock units and performance units issued to our employees to be recognized over the weighted-average vesting period of 1.5 years.

Note 19. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the two-class method, which is an earnings allocation formula that determines net income (loss) per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under the two-class method, basic net income (loss) per common share is determined by dividing net income (loss) after deducting amounts allocated to participating securities, by the weighted average number of common shares outstanding for the period. Participating securities include unvested restricted stock and restricted stock units that have non-forfeitable rights to receive dividends or dividend equivalents, whether paid or unpaid. During periods of net loss from continuing operations, no effect is given to participating securities because they do not have a contractual obligation to participate in our losses.

Diluted net income (loss) per common share is computed using the weighted average number of common shares outstanding adjusted for the incremental common stock equivalents attributed to outstanding options to purchase common stock and non-participating restricted stock units, unless their effect would be anti-dilutive.

The following table presents a reconciliation of basic and diluted net income (loss) per common share for the years ended December 31, 2019, 2018 and 2017 (in thousands, except per share data):

	Years Ended December 31,		
	2019	2018	2017
Numerator for basic and diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ (108,863)	$ 392	$ (5,856)
Income from discontinued operations, net of tax	6,486	24,462	39,736
Less: Net income attributable to participating securities	—	(641)	—
Net income (loss) — used in basic and diluted net income (loss) per common share	$ (102,377)	$ 24,213	$ 33,880
Weighted average common shares outstanding including participating securities	35,040	36,371	35,961
Less: Weighted average participating securities outstanding	(757)	(938)	(1,002)
Weighted average common shares outstanding — used in basic net income (loss) per common share	34,283	35,433	34,959
Net dilutive potential common shares issuable:			
On exercise of options and vesting of restricted stock units	*	56	*
Weighted average common shares outstanding — used in diluted net income (loss) per common share	34,283	35,489	34,959
Net income (loss) per common share:			
Basic	$ (2.99)	$ 0.68	$ 0.97
Diluted	$ (2.99)	$ 0.68	$ 0.97

*Excluded from diluted net income (loss) per common share as their inclusion would have been anti-dilutive.

The following table shows the potential shares of common stock issuable for the years ended December 31, 2019, 2018 and 2017 that were excluded from computing diluted net income (loss) per common share as their inclusion would have been anti-dilutive (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Net dilutive potential common shares issuable:			
On exercise of options where exercise price is greater than average market value for the period	70	35	43
On exercise of options and vesting of restricted stock units	—	—	81
Net dilutive potential common shares issuable	70	35	124

Note 20. Retirement Benefit Plan

Our 401(k) retirement plan provides for optional employee contributions for certain employees who are U.S. citizens up to the Internal Revenue Service limit and discretionary employer matching contributions. During the years ended December 31, 2019 and 2018, we made discretionary matching contributions to each participant's account at a rate of (i) 100.0% of each participant's first 2% of contributions plus (ii) 50% of each participant's contributions up to the next 4% of eligible compensation. During the year ended December 31, 2017, we made discretionary matching contributions to each participant's account at a rate of (i) 100% of each participant's first 1% of contributions plus (ii) 50% of each participant's contributions up to the next 5% of eligible compensation. Costs incurred for employer matching contributions of $3.3 million, $3.3 million and $2.4 million during the years ended December 31, 2019, 2018 and 2017, respectively, are presented as selling, general and administrative expense in our statements of operations.

Note 21. Commitments and Contingencies

Contingencies

Pursuant to the separation and distribution agreement, EESLP contributed to a subsidiary of Archrock the right to receive payments based on a notional amount corresponding to payments received by our subsidiaries from PDVSA Gas in respect of the sale of our joint ventures' previously nationalized assets promptly after such amounts are collected by our subsidiaries. Our balance sheets do not reflect this contingent liability to Archrock or the amount payable to us by PDVSA Gas as a receivable. As of December 31, 2019, the remaining principal amount due to us from PDVSA Gas in respect of the sale of our joint ventures' previously nationalized assets was approximately $4 million. In subsequent periods, the recognition of a liability, if applicable, resulting from this contingency to Archrock is expected to impact equity, and as such, is not expected to have an impact on our statements of operations.

In addition to U.S. federal, state and local and foreign income taxes, we are subject to a number of taxes that are not income-based. As many of these taxes are subject to audit by the taxing authorities, it is possible that an audit could result in additional taxes due. We accrue for such additional taxes when we determine that it is probable that we have incurred a liability and we can reasonably estimate the amount of the liability. As of December 31, 2019 and 2018, we had accrued $3.7 million and $5.1 million, respectively, for the outcomes of non-income-based tax audits and had related indemnification receivables from Archrock of $1.5 million and $2.8 million, respectively. We do not expect that the ultimate resolutions of these audits will result in a material variance from the amounts accrued. We do not accrue for unasserted claims for tax audits unless we believe the assertion of a claim is probable, it is probable that it will be determined that the claim is owed and we can reasonably estimate the claim or range of the claim. We do not have any unasserted claims from non-income-based tax audits that we have determined are probable of assertion. We also believe the likelihood is remote that the impact of potential unasserted claims from non-income-based tax audits could be material to our financial position, but it is possible that the resolution of future audits could be material to our results of operations or cash flows for the period in which the resolution occurs.

Our business can be hazardous, involving unforeseen circumstances such as uncontrollable flows of natural gas or well fluids and fires or explosions. As is customary in our industry, we review our safety equipment and procedures and carry insurance against some, but not all, risks of our business. Our insurance coverage includes property damage, general liability, commercial automobile liability and other coverage we believe is appropriate. We believe that our insurance coverage is customary for the industry and adequate for our business; however, losses and liabilities not covered by insurance would increase our costs.

Additionally, we are substantially self-insured for workers' compensation and employee group health claims in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Losses up to the deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages.

Litigation and Claims

In the ordinary course of business, we are involved in various pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these actions will not have a material adverse effect on our financial position, results of operations or cash flows. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our financial position, results of operations or cash flows.

Contemporaneously with filing the Form 8-K on April 26, 2016, we self-reported the errors and possible irregularities at Belleli EPC to the SEC. On April 8, 2019, the SEC provided written notice to us stating that based on the information they have as of this date, they have concluded their investigation and do not intend to recommend enforcement action against us in connection with this matter.

Indemnifications

In conjunction with, and effective as of the completion of, the Spin-off, we entered into the separation and distribution agreement with Archrock, which governs, among other things, the treatment between Archrock and us relating to certain aspects of indemnification, insurance, confidentiality and cooperation. Generally, the separation and distribution agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Archrock's business with Archrock. Pursuant to the agreement, we and Archrock will generally release the other party from all claims arising prior to the Spin-off that relate to the other party's business, subject to certain exceptions. Additionally, in conjunction with, and effective as of the completion of, the Spin-off, we entered into the tax matters agreement with Archrock. Under the tax matters agreement and subject to certain exceptions, we are generally liable for, and indemnify Archrock against, taxes attributable to our business, and Archrock is generally liable for, and indemnify us against, all taxes attributable to its business. We are generally liable for, and indemnify Archrock against, 50% of certain taxes that are not clearly attributable to our business or Archrock's business. Any payment made by us to Archrock, or by Archrock to us, is treated by all parties for tax purposes as a nontaxable distribution or capital contribution, respectively, made immediately prior to the Spin-off.

Note 22. Reportable Segments and Geographic Information

Our chief operating decision maker manages business operations, evaluates performance and allocates resources based upon the type of product or service provided. We have three reportable segments: contract operations, aftermarket services and product sales. In our contract operations segment, we provide compression, processing, treating and water treatment services through the operation of our natural gas compression equipment, crude oil and natural gas production and process equipment and water treatment equipment for our customers. In our aftermarket services segment, we sell parts and components and provide operations, maintenance, repair, overhaul, upgrade, startup and commissioning and reconfiguration services to customers who own their own oil and natural gas compression, production, processing, treating and related equipment. In our product sales segment, we design, engineer, manufacture, install and sell natural gas compression packages as well as equipment used in the treating and processing of crude oil, natural gas and water to our customers throughout the world and for use in our contract operations business line.

We evaluate the performance of our segments based on gross margin for each segment. Revenue only includes sales to external customers. We do not include intersegment sales when we evaluate our segments' performance.

During the year ended December 31, 2019, XTO Energy Inc. and Basrah Gas Company accounted for approximately 21% and 12% of our total revenue, respectively. During the year ended December 31, 2018, MPLX LP accounted for approximately 15% of our total revenue and during the year ended December 31, 2017, Archrock accounted for approximately 12% of our total revenue. No other customer accounted for more than 10% of our total revenue in 2019, 2018 and 2017.

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The following table presents revenue and other financial information by reportable segment for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Contract Operations	Aftermarket Services	Product Sales	Reportable Segments Total	Other [1]	Total [2]
2019:						
Revenue	$ 368,126	$ 129,217	$ 820,097	$ 1,317,440	$ —	$ 1,317,440
Gross margin [3]	239,963	33,610	89,649	363,222	—	363,222
Total assets	816,625	26,456	142,461	985,542	425,160	1,410,702
Capital expenditures	176,663	386	12,562	189,611	3,663	193,274
2018:						
Revenue	$ 360,973	$ 120,676	$ 879,207	$ 1,360,856	$ —	$ 1,360,856
Gross margin [3]	238,835	31,010	113,583	383,428	—	383,428
Total assets	860,896	28,071	205,302	1,094,269	459,519	1,553,788
Capital expenditures	197,025	474	7,552	205,051	10,057	215,108
2017:						
Revenue	$ 375,269	$ 107,063	$ 732,962	$ 1,215,294	$ —	$ 1,215,294
Gross margin [3]	241,889	28,842	76,409	347,140	—	347,140
Total assets	783,340	22,882	139,454	945,676	487,680	1,433,356
Capital expenditures	123,842	339	2,712	126,893	4,780	131,673

(1) Includes corporate related items.
(2) Totals exclude assets, capital expenditures and the operating results of discontinued operations.
(3) Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense).

The following table presents assets from reportable segments reconciled to total assets as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Assets from reportable segments	$ 985,542	$ 1,094,269
Other assets [1]	425,160	459,519
Assets associated with discontinued operations	7,302	13,266
Total assets	$ 1,418,004	$ 1,567,054

(1) Includes corporate related items.

The following tables present geographic data by country as of and for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Revenue:			
U.S.	$ 631,524	$ 789,528	$ 648,290
Argentina	125,333	139,987	156,340
Brazil	74,017	94,619	98,419
Iraq	177,100	58,715	8,091
Mexico	73,945	68,745	75,388
Other international	235,521	209,262	228,766
Total	$ 1,317,440	$ 1,360,856	$ 1,215,294

	December 31,		
	2019	2018	2017
Property, plant and equipment, net:			
U.S.	$ 83,127	$ 112,420	$ 76,562
Argentina	178,006	197,669	219,840
Bolivia	141,776	81,957	42,598
Brazil	84,676	105,979	138,835
Mexico	68,142	121,312	148,405
Oman	201,880	174,165	110,115
Other international	86,803	108,075	85,924
Total	$ 844,410	$ 901,577	$ 822,279

The following table reconciles income (loss) before income taxes to total gross margin (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Income (loss) before income taxes	$ (83,573)	$ 39,825	$ 16,839
Selling, general and administrative	164,314	178,401	176,318
Depreciation and amortization	162,557	123,922	107,824
Impairments	74,373	3,858	5,700
Restatement related charges (recoveries), net	48	(276)	3,419
Restructuring and other charges	8,712	1,997	3,189
Interest expense	38,620	29,217	34,826
Other (income) expense, net	(1,829)	6,484	(975)
Total gross margin	$ 363,222	$ 383,428	$ 347,140

Note 23. Selected Quarterly Financial Data (Unaudited)

In management's opinion, the summarized quarterly financial data below (in thousands, except per share amounts) contains all appropriate adjustments, all of which are normally recurring adjustments, considered necessary to present fairly our financial position and results of operations for the respective periods.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2019:				
Revenue	$ 351,446	$ 390,874	$ 302,431	$ 272,689
Gross profit (loss) [1]	59,020	59,352	46,823	(25,243)
Loss from continuing operations	(5,557)	(14,762)	(8,295)	(80,249)
Income (loss) from discontinued operations, net of tax	163	7,457	(1,546)	412
Net loss	(5,394)	(7,305)	(9,841)	(79,837)
Loss from continuing operations per common share:				
Basic	$ (0.16)	$ (0.42)	$ (0.25)	$ (2.45)
Diluted	(0.16)	(0.42)	(0.25)	(2.45)
Net loss per common share:				
Basic	$ (0.15)	$ (0.21)	$ (0.29)	$ (2.44)
Diluted	(0.15)	(0.21)	(0.29)	(2.44)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2018:				
Revenue	$ 350,383	$ 343,471	$ 334,849	$ 332,153
Gross profit [1]	66,059	68,598	66,723	66,172
Income (loss) from continuing operations	3,938	(1,469)	3,196	(5,273)
Income from discontinued operations, net of tax	1,399	1,544	2,173	19,346
Net income	5,337	75	5,369	14,073
Income (loss) from continuing operations per common share:				
Basic	$ 0.11	$ (0.04)	$ 0.09	$ (0.15)
Diluted	0.11	(0.04)	0.09	(0.15)
Net income per common share:				
Basic	$ 0.15	$ —	$ 0.15	$ 0.40
Diluted	0.15	—	0.15	0.40

(1) Gross profit (loss) is defined as revenue less cost of sales, direct depreciation and amortization expense and direct impairment charges.

Additional Notes:

- During the fourth quarter of 2018, we received an installment payment, including an annual charge, of $19.8 million from PDVSA Gas in respect to our Venezuelan subsidiary's sale of its previously nationalized assets (see Note 5).
- During the second quarter, third quarter and fourth quarter of 2019, we recorded impairment charges of $5.9 million, $3.0 million and $65.5 million, respectively (see Note 13).

Note 24. Supplemental Guarantor Financial Information

In April 2017, our 100% owned subsidiaries EESLP and EES Finance Corp. (together, the “Issuers”) issued the 2017 Notes, which consists of $375.0 million aggregate principal amount senior unsecured notes. The 2017 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by Exterran Corporation (the “Parent Guarantor” or “Parent”). All other consolidated subsidiaries of Exterran are collectively referred to as the “Non-Guarantor Subsidiaries.” As a result of the Parent’s guarantee, we are presenting the following condensed consolidating financial information pursuant to Rule 3-10 of Regulation S-X, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*. These schedules are presented using the equity method of accounting for all periods presented. For purposes of the following condensed consolidating financial information, the Parent Guarantor’s investments in its subsidiaries, the Issuers’ investments in the Non-Guarantors Subsidiaries and the Non-Guarantor Subsidiaries’ investments in the Issuers are accounted for under the equity method of accounting. Under this method, investments in subsidiaries are recorded at cost and adjusted for our share in the subsidiaries’ cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

Condensed Consolidating Balance Sheet
December 31, 2019
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
ASSETS					
Cash and cash equivalents	$ 149	$ 643	$ 15,891	$ —	$ 16,683
Restricted cash	—	—	19	—	19
Accounts receivable, net	—	57,831	144,506	—	202,337
Inventory, net	—	77,093	66,445	—	143,538
Contract assets	—	29,594	16,943	—	46,537
Intercompany receivables	—	224,680	399,645	(624,325)	—
Other current assets	—	10,472	12,005	—	22,477
Current assets associated with discontinued operations	—	—	4,332	—	4,332
Total current assets	149	400,313	659,786	(624,325)	435,923
Property, plant and equipment, net	—	196,693	647,717	—	844,410
Operating lease right-of-use assets	—	10,806	15,977	—	26,783
Investment in affiliates	456,420	855,145	(398,725)	(912,840)	—
Deferred income taxes	—	2,838	11,156	—	13,994
Intangible and other assets, net	—	38,771	54,529	—	93,300
Long-term assets held for sale	—	624	—	—	624
Long-term assets associated with discontinued operations	—	—	2,970	—	2,970
Total assets	$ 456,569	$ 1,505,190	$ 993,410	$ (1,537,165)	$ 1,418,004
LIABILITIES AND EQUITY					
Accounts payable, trade	$ —	$ 71,382	$ 52,062	$ —	$ 123,444
Accrued liabilities	—	33,556	70,525	—	104,081
Contract liabilities	—	46,387	36,467	—	82,854
Current operating lease liabilities	—	1,971	4,297	—	6,268
Intercompany payables	47,031	399,645	177,649	(624,325)	—
Current liabilities associated with discontinued operations	—	—	9,998	—	9,998
Total current liabilities	47,031	552,941	350,998	(624,325)	326,645
Long-term debt	—	443,587	—	—	443,587
Deferred income taxes	—	445	548	—	993
Long-term contract liabilities	—	19,980	136,282	—	156,262
Long-term operating lease liabilities	—	20,054	10,904	—	30,958
Other long-term liabilities	—	11,763	37,500	—	49,263
Long-term liabilities associated with discontinued operations	—	—	758	—	758
Total liabilities	47,031	1,048,770	536,990	(624,325)	1,008,466
Total equity	409,538	456,420	456,420	(912,840)	409,538
Total liabilities and equity	$ 456,569	$ 1,505,190	$ 993,410	$ (1,537,165)	$ 1,418,004

Condensed Consolidating Balance Sheet
December 31, 2018
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
ASSETS					
Cash and cash equivalents	$ 46	$ 1,185	$ 18,069	$ —	$ 19,300
Restricted cash	—	—	178	—	178
Accounts receivable, net	—	92,880	155,587	—	248,467
Inventory, net	—	87,972	62,717	—	150,689
Contract assets	—	67,323	24,279	—	91,602
Intercompany receivables	—	158,977	379,628	(538,605)	—
Other current assets	—	7,744	36,490	—	44,234
Current assets associated with discontinued operations	—	—	11,605	—	11,605
Total current assets	46	416,081	688,553	(538,605)	566,075
Property, plant and equipment, net	—	303,813	597,764	—	901,577
Investment in affiliates	554,207	870,959	(316,752)	(1,108,414)	—
Deferred income taxes	—	5,493	5,877	—	11,370
Intangible and other assets, net	—	32,046	54,325	—	86,371
Long-term assets associated with discontinued operations	—	—	1,661	—	1,661
Total assets	$ 554,253	$ 1,628,392	$ 1,031,428	$ (1,647,019)	$ 1,567,054
LIABILITIES AND EQUITY					
Accounts payable, trade	$ —	$ 133,291	$ 32,453	$ —	$ 165,744
Accrued liabilities	—	47,012	76,323	—	123,335
Contract liabilities	—	82,367	71,116	—	153,483
Intercompany payables	1,432	379,628	157,545	(538,605)	—
Current liabilities associated with discontinued operations	—	—	14,767	—	14,767
Total current liabilities	1,432	642,298	352,204	(538,605)	457,329
Long-term debt	—	403,810	—	—	403,810
Deferred income taxes	—	—	6,005	—	6,005
Long-term contract liabilities	—	17,226	84,137	—	101,363
Other long-term liabilities	—	10,851	28,961	—	39,812
Long-term liabilities associated with discontinued operations	—	—	5,914	—	5,914
Total liabilities	1,432	1,074,185	477,221	(538,605)	1,014,233
Total Equity	552,821	554,207	554,207	(1,108,414)	552,821
Total liabilities and equity	$ 554,253	$ 1,628,392	$ 1,031,428	$ (1,647,019)	$ 1,567,054

Condensed Consolidating Statement of Operations and Comprehensive Loss
Year Ended December 31, 2019
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ 815,456	$ 604,625	$ (102,641)	$ 1,317,440
Cost of sales (excluding depreciation and amortization expense)	—	671,266	385,593	(102,641)	954,218
Selling, general and administrative	1,216	74,260	88,838	—	164,314
Depreciation and amortization	—	60,814	101,743	—	162,557
Impairments	—	56,939	17,434	—	74,373
Restatement related recoveries, net	—	48	—	—	48
Restructuring and other charges	—	4,732	3,980	—	8,712
Interest expense	—	38,330	290	—	38,620
Intercompany charges, net	—	3,028	(3,028)	—	—
Equity in loss of affiliates	101,161	6,635	94,526	(202,322)	—
Other (income) expense, net	—	(6,812)	4,983	—	(1,829)
Loss before income taxes	(102,377)	(93,784)	(89,734)	202,322	(83,573)
Provision for income taxes	—	7,377	17,913	—	25,290
Loss from continuing operations	(102,377)	(101,161)	(107,647)	202,322	(108,863)
Income from discontinued operations, net of tax	—	—	6,486	—	6,486
Net loss	(102,377)	(101,161)	(101,161)	202,322	(102,377)
Other comprehensive loss	(2,885)	(2,885)	(2,885)	5,770	(2,885)
Comprehensive loss attributable to Exterran stockholders	$ (105,262)	$ (104,046)	$ (104,046)	$ 208,092	$ (105,262)

Condensed Consolidating Statement of Operations and Comprehensive Income
Year Ended December 31, 2018
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ 927,849	$ 521,879	$ (88,872)	$ 1,360,856
Cost of sales (excluding depreciation and amortization expense)	—	771,731	294,569	(88,872)	977,428
Selling, general and administrative	1,285	86,208	90,908	—	178,401
Depreciation and amortization	—	35,754	88,168	—	123,922
Impairments	—	3,081	777	—	3,858
Restatement related recoveries, net	—	(276)	—	—	(276)
Restructuring and other charges	—	—	1,997	—	1,997
Interest expense	—	28,763	454	—	29,217
Intercompany charges, net	—	6,647	(6,647)	—	—
Equity in (income) loss of affiliates	(25,986)	(32,753)	6,767	51,972	—
Other (income) expense, net	(153)	(4,625)	11,262	—	6,484
Income before income taxes	24,854	33,319	33,624	(51,972)	39,825
Provision for income taxes	—	7,333	32,100	—	39,433
Income from continuing operations	24,854	25,986	1,524	(51,972)	392
Income from discontinued operations, net of tax	—	—	24,462	—	24,462
Net income	24,854	25,986	25,986	(51,972)	24,854
Other comprehensive loss	(7,476)	(7,476)	(7,476)	14,952	(7,476)
Comprehensive income attributable to Exterran stockholders	$ 17,378	$ 18,510	$ 18,510	$ (37,020)	$ 17,378

Condensed Consolidating Statement of Operations and Comprehensive Income
Year Ended December 31, 2017
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Revenues	$ —	$ 838,981	$ 495,262	$ (118,949)	$ 1,215,294
Cost of sales (excluding depreciation and amortization expense)	—	716,002	271,101	(118,949)	868,154
Selling, general and administrative	2,327	84,111	89,880	—	176,318
Depreciation and amortization	—	35,749	72,075	—	107,824
Impairments	—	5,700	—	—	5,700
Restatement related charges, net	—	3,250	169	—	3,419
Restructuring and other charges	—	2,145	1,044	—	3,189
Interest expense	—	32,399	2,427	—	34,826
Intercompany charges, net	—	6,355	(6,355)	—	—
Equity in (income) loss of affiliates	(36,207)	(85,335)	49,128	72,414	—
Other (income) expense, net	—	(2,577)	1,602	—	(975)
Income before income taxes	33,880	41,182	14,191	(72,414)	16,839
Provision for income taxes	—	4,974	17,721	—	22,695
Income (loss) from continuing operations	33,880	36,208	(3,530)	(72,414)	(5,856)
Income from discontinued operations, net of tax	—	—	39,736	—	39,736
Net income	33,880	36,208	36,206	(72,414)	33,880
Other comprehensive loss	(1,801)	(1,801)	(1,801)	3,602	(1,801)
Comprehensive income attributable to Exterran stockholders	$ 32,079	$ 34,407	$ 34,405	$ (68,812)	$ 32,079

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2019
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ (3,222)	$ 7,001	$ 172,419	$ —	$ 176,198
Net cash provided by discontinued operations	—	—	2,528	—	2,528
Net cash provided by (used in) operating activities	(3,222)	7,001	174,947	—	178,726
Cash flows from investing activities:					
Capital expenditures	—	(77,490)	(115,784)	—	(193,274)
Proceeds from sale of property, plant and equipment	—	13,076	6,586	—	19,662
Intercompany transfers	—	(45,599)	(67,028)	112,627	—
Settlement of foreign currency derivatives	—	(794)	—	—	(794)
Net cash used in investing activities	—	(110,807)	(176,226)	112,627	(174,406)
Cash flows from financing activities:					
Proceeds from borrowings of debt	—	642,500	—	—	642,500
Repayments of debt	—	(603,951)	—	—	(603,951)
Intercompany transfers	45,599	67,028	—	(112,627)	—
Cash transfer from Archrock, Inc.	—	420	—	—	420
Purchases of treasury stock	(42,274)	(2,733)	—	—	(45,007)
Net cash provided by (used in) financing activities	3,325	103,264	—	(112,627)	(6,038)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(1,058)	—	(1,058)
Net increase (decrease) in cash, cash equivalents and restricted cash	103	(542)	(2,337)	—	(2,776)
Cash, cash equivalents and restricted cash at beginning of period	46	1,185	18,247	—	19,478
Cash, cash equivalents and restricted cash at end of period	$ 149	$ 643	$ 15,910	$ —	$ 16,702

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2018
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ (494)	$ 21,192	$ 132,598	$ —	$ 153,296
Net cash provided by discontinued operations	—	—	4,004	—	4,004
Net cash provided by (used in) operating activities	(494)	21,192	136,602	—	157,300
Cash flows from investing activities:					
Capital expenditures	—	(91,027)	(124,081)	—	(215,108)
Proceeds from sale of property, plant and equipment	—	106	2,424	—	2,530
Proceeds from sale of business	—	5,000	—	—	5,000
Intercompany transfers	—	(143)	(34,965)	35,108	—
Net cash used in continuing operations	—	(86,064)	(156,622)	35,108	(207,578)
Net cash provided by discontinued operations	—	—	17,009	—	17,009
Net cash used in investing activities	—	(86,064)	(139,613)	35,108	(190,569)
Cash flows from financing activities:					
Proceeds from borrowings of debt	—	585,014	—	—	585,014
Repayments of debt	—	(550,497)	—	—	(550,497)
Intercompany transfers	143	34,965	—	(35,108)	—
Cash transfer to Archrock, Inc.	—	(18,744)	—	—	(18,744)
Payments for debt issuance costs	—	(4,801)	—	—	(4,801)
Proceeds from stock options exercised	—	548	—	—	548
Purchases of treasury stock	—	(4,623)	—	—	(4,623)
Net cash provided by financing activities	143	41,862	—	(35,108)	6,897
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(3,841)	—	(3,841)
Net decrease in cash, cash equivalents and restricted cash	(351)	(23,010)	(6,852)	—	(30,213)
Cash, cash equivalents and restricted cash at beginning of period	397	24,195	25,099	—	49,691
Cash, cash equivalents and restricted cash at end of period	$ 46	$ 1,185	$ 18,247	$ —	$ 19,478

Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2017
(In thousands)

	Parent Guarantor	Issuers	Non- Guarantor Subsidiaries	Eliminations	Consolidation
Cash flows from operating activities:					
Net cash provided by (used in) continuing operations	$ (476)	$ 74,003	$ 76,893	$ —	$ 150,420
Net cash used in discontinued operations	—	—	(1,794)	—	(1,794)
Net cash provided by (used in) operating activities	(476)	74,003	75,099	—	148,626
Cash flows from investing activities:					
Capital expenditures	—	(54,527)	(77,146)	—	(131,673)
Proceeds from sale of property, plant and equipment	—	3,809	5,057	—	8,866
Proceeds from sale of business	—	894	—	—	894
Intercompany transfers	—	(742)	(16,267)	17,009	—
Net cash used in continuing operations	—	(50,566)	(88,356)	17,009	(121,913)
Net cash provided by discontinued operations	—	—	19,575	—	19,575
Net cash used in investing activities	—	(50,566)	(68,781)	17,009	(102,338)
Cash flows from financing activities:					
Proceeds from borrowings of debt	—	501,088	—	—	501,088
Repayments of debt	—	(476,503)	—	—	(476,503)
Intercompany transfers	742	16,267	—	(17,009)	—
Cash transfer to Archrock, Inc.	—	(44,720)	—	—	(44,720)
Payments for debt issuance costs	—	(7,911)	—	—	(7,911)
Proceeds from stock options exercised	—	684	—	—	684
Purchases of treasury stock	—	(4,792)	—	—	(4,792)
Net cash provided by (used in) financing activities	742	(15,887)	—	(17,009)	(32,154)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(792)	—	(792)
Net increase in cash, cash equivalents and restricted cash	266	7,550	5,526	—	13,342
Cash, cash equivalents and restricted cash at beginning of period	131	16,645	19,573	—	36,349
Cash, cash equivalents and restricted cash at end of period	$ 397	$ 24,195	$ 25,099	$ —	$ 49,691

EXTERRAN CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts deducted from accounts receivable in the balance sheets				
December 31, 2019	$ 5,474	$ 32	$ (513) [1]	$ 6,019
December 31, 2018	5,388	86	—	5,474
December 31, 2017	5,383	863	858 [1]	5,388
Allowance for obsolete and slow moving inventory deducted from inventories in the balance sheets				
December 31, 2019	$ 10,046	$ 1,680	$ 1,639 [2]	$ 10,087
December 31, 2018	10,351	87	392 [2]	10,046
December 31, 2017	12,877	1,276	3,802 [2]	10,351
Allowance for deferred tax assets not expected to be realized				
December 31, 2019	$ 200,105	$ 23,560	$ 10,631 [3]	$ 213,034
December 31, 2018	222,049	12,648	34,592 [3]	200,105
December 31, 2017	276,230	4,343	58,524 [3]	222,049

(1) Uncollectible accounts written off, net of recoveries.

(2) Obsolete inventory written off at cost, net of value received.

(3) Reflects expected realization of deferred tax assets and amounts credited to other accounts for stock-based compensation excess tax benefits, expiring net operating losses, changes in tax rates and changes in currency exchange rates.

Exhibit 4.2

Description of Exterran Corporation's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

As of December 31, 2019, the only class of securities registered by Exterran Corporation under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), was our common stock. The following is a summary of the terms of our common stock based on our restated certificate of incorporation, our amended and restated bylaws (our "bylaws") and applicable provisions of Delaware law. This summary is not complete and is subject to and qualified in its entirety by reference to the complete text of our articles of incorporation and our bylaws, each of which are filed as exhibits to this Annual Report on Form 10-K, and applicable provisions of Delaware law. You should read these documents for additional information regarding our common stock that may be important to you. Unless the context otherwise requires, references to "we," "us," and "our" are solely to Exterran Corporation and not to any of its subsidiaries or affiliates.

Authorized Capital Stock

Our authorized capital stock consists of 250 million shares of common stock and 50 million shares of preferred stock, issuable in series. Each authorized share of common stock has a par value of $0.01. The authorized shares of preferred stock have a par value of $0.01 per share.

Common Stock

Each share of our common stock entitles its holder to one vote in the election of each director and on all other matters voted on generally by our shareholders, other than any matter that (1) solely relates to the terms of any outstanding series of preferred stock or the number of shares of that series and (2) does not affect the number of authorized shares of preferred stock or the powers, privileges and rights pertaining to the common stock. No share of our common stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so. Our board of directors may grant holders of preferred stock, in the resolutions creating the series of preferred stock, the right to vote on the election of directors or any questions affecting our company.

Holders of our common stock are entitled to dividends in such amounts and at such times as our board of directors in its discretion may declare out of funds legally available for the payment of dividends. Any dividends will be paid at the discretion of our board of directors after taking into account various factors, including:

- general business conditions;
- industry practice;
- our financial condition and performance;
- our future prospects;
- our cash needs and capital investment plans;
- our obligations to holders of any preferred stock we may issue;
- income tax consequences; and
- the restrictions applicable laws and our credit arrangements then impose.

In addition, the terms of the loan agreements, indentures and other agreements we enter into from time to time may contain covenants or other provisions that could limit our ability to pay, or otherwise restrict the payment of, cash dividends.

If we liquidate or dissolve our business, the holders of our common stock will share ratably in all our assets that are available for distribution to our shareholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

Our common stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund. All shares of common stock are fully paid and nonassessable.

Preferred Stock

At the direction of our board of directors, without any action by the holders of our common stock, we may issue one or more series of preferred stock from time to time. Our board of directors can determine the number of shares of each series of preferred stock, the designation, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions applicable to any of those rights, including dividend rights, voting rights, conversion or exchange rights, terms of redemption and liquidation preferences, of each series.

We believe that the ability of our board of directors to issue one or more series of our preferred stock will provide us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. The authorized shares of our preferred stock, as well as shares of our common stock, will be available for issuance without further action by our shareholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed or traded. If the approval of our shareholders is not required for the issuance of shares of our preferred stock or our common stock, our board of directors may determine not to seek shareholder approval.

Undesignated preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of our company by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of our management. The issuance of shares of preferred stock may adversely affect the rights of our common shareholders. For example, any preferred stock issued may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. In addition, the provision in our restated certificate of incorporation permitting such issuances cannot be amended without approval of holders of a majority of our shares of common stock outstanding. As a result, the issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, may discourage an unsolicited acquisition proposal or bids for our common stock or may otherwise adversely affect the market price of our common stock or any existing preferred stock.

Limitation on Liability of Directors, Indemnification of Directors and Officers and Insurance

The Delaware General Corporation Law (the "DGCL") authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties as directors, and our restated certificate of incorporation will include such an exculpation provision.

Our restated certificate of incorporation provides that no director will be liable to us or our shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation on liability is not permitted under the DGCL, as now in effect or as amended. Currently, Section 102(b)(7) of the DGCL requires that liability be imposed for the following:

- Any breach of the director's duty of loyalty to our Company or our shareholders.
- Any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law.
- Unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL.
- Any transaction from which the director derived an improper personal benefit.

Additionally, Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person is made a party by reason of the fact that the person is or was a director, officer, employee or agent of the corporation (other than an action by or in the right of the corporation—a "derivative action"), if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's bylaws, disinterested director vote, shareholder vote, agreement or otherwise. Our restated certificate of incorporation and amended and restated bylaws will provide that, to the fullest extent authorized or permitted by the DGCL, as now in effect or as amended, we will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person, or a person of whom he or she is the legal representative, is or was our director or officer, or by reason of the fact that our director or officer is or was serving, at our request, as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by us. We will indemnify such persons against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action if such person acted in good faith and in a manner reasonably believed to be in our best interests and, with respect to any criminal proceeding, had no reason to believe their conduct was unlawful. A similar standard will be applicable in the case of derivative actions, except that indemnification will only extend to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and court approval will be required before there can be any indemnification where the person seeking indemnification has been found liable to us. Any amendment of this provision will not reduce our indemnification obligations relating to actions taken before an amendment.

We also have insurance policies that insure our directors and officers and those of our subsidiaries against certain liabilities they may incur in their capacity as directors and officers. The insurance provides coverage, subject to its terms and conditions, if the Company is unable to indemnify (*e.g.*, due to bankruptcy), or is legally prohibited from indemnifying, the directors and officers for a covered wrongful act.

Delaware Statutory Business Combination Statute

We are subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 prevents an “interested shareholder,” which is defined generally as a person owning 15 percent or more of a Delaware corporation’s outstanding voting stock or any affiliate or associate of that person, from engaging in a broad range of “business combinations” with the corporation for three years following the date on which that person became an interested shareholder unless:

- Before that person became an interested shareholder, the board of directors of the corporation approved the transaction in which that person became an interested shareholder or approved the business combination;

- On completion of the transaction that resulted in that person’s becoming an interested shareholder, that person owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced, other than stock held by (1) directors who are also officers of the corporation or (2) any employee stock plan that does not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- Following the transaction in which that person became an interested shareholder, both the board of directors of the corporation and the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by that person approve the business combination.

Under Section 203, the restrictions described above also do not apply to specific business combinations proposed by an interested shareholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested shareholder during the previous three years or who became an interested shareholder with the approval of a majority of the corporation’s directors, if a majority of the directors who were directors prior to any person’s becoming an interested shareholder during the previous three years, or were recommended for election or elected to succeed those directors by a majority of those directors, approve or do not oppose that extraordinary transaction.

Anti-Takeover Effects of Provisions of Our Organizational Documents

Some of the provisions of our restated certificate of incorporation and amended and restated bylaws discussed below may have the effect, either alone or in combination with Section 203 of the DGCL, of making more difficult or discouraging a tender offer, proxy contest, merger or other takeover attempt that our board of directors opposes but that a shareholder might consider to be in its best interest.

Our restated certificate of incorporation provides that our shareholders may act only at an annual or special meeting of shareholders and may not act by written consent. Our amended and restated bylaws provide that a special meeting of our shareholders may only be called by the chairman of our board, any vice chairman or our president or a majority of the number of directors that we would have if there were no vacancies or unfulfilled newly created directorships. Our restated certificate of incorporation also includes a forum selection clause designating the Court of Chancery of the State of Delaware, unless we consent in writing to the selection of an alternative forum, as the sole and exclusive forum for derivative actions, actions asserting a claim for breach of fiduciary duties and certain other matters.

Our restated certificate of incorporation provides that the number of directors is fixed exclusively by, and may be increased or decreased exclusively by, our board of directors from time to time. Our restated certificate of incorporation and amended and restated bylaws provide that directors may be removed with or without cause and by a majority vote of the voting power of our outstanding voting stock. A vacancy on our board of directors may be filled by a vote of a majority of the directors in office, and a director appointed to fill a vacancy serves for the remainder of the term of the director in which the vacancy occurred. These provisions prevent our shareholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

Our amended and restated bylaws contain advance notice and other procedural requirements that apply to shareholder nominations of persons for election to our board of directors at any annual or special meeting of shareholders and to shareholder proposals that shareholders take any other action at any annual meeting. In the case of any annual meeting, a shareholder proposing to nominate a person for election to our board of directors or proposing that any other action be taken must give our corporate secretary written notice of the proposal not less than 90 days and not more than 120 days before the anniversary of the date of the immediately preceding annual meeting of shareholders. These shareholder proposal deadlines are subject to exceptions if the pending annual meeting date is more than 30 days prior to or more than 30 days after the anniversary of the immediately preceding annual meeting. If the chairman of our board of directors or a majority of our board of directors calls a special meeting of shareholders for the election of directors, a shareholder proposing to nominate a person for that election must give our corporate secretary written notice of the proposal not earlier than 120 days prior to that special meeting and not later than the last to occur of (1) 90 days prior to that special meeting or (2) the 10th day following the day we publicly disclose the date of the special meeting. Our amended and restated bylaws prescribe specific information that any such shareholder notice must contain. These advance notice provisions may have the effect of precluding a contest for the election of our directors or the consideration of shareholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of those nominees or proposals might be harmful or beneficial to us and our shareholders.

Our restated certificate of incorporation and amended and restated bylaws provide that our shareholders may adopt, amend and repeal our amended and restated bylaws by the affirmative vote of a majority of the voting power of our then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. Our restated certificate of incorporation also confers on our board of directors the power to adopt, amend or repeal our amended and restated bylaws.

As discussed above under "—Preferred Stock," our restated certificate of incorporation authorizes our board of directors, without the approval of our shareholders, to provide for the issuance of all or any shares of our preferred stock in one or more series and to determine the designation, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions applicable to any of those rights, including dividend rights, voting rights, conversion or exchange rights, terms of redemption and liquidation preferences, of each series. The issuance of shares of our preferred stock or rights to purchase shares of our preferred stock could discourage an unsolicited acquisition proposal. In addition, under some circumstances, the issuance of preferred stock could adversely affect the voting power of our common shareholders.

In addition to the purposes described above, these provisions of our restated certificate of incorporation and amended and restated bylaws are also intended to increase the bargaining leverage of our board of directors, on behalf of our shareholders, in any future negotiations concerning a potential change of control of our company. Our board of directors has observed that certain tactics that bidders employ in making unsolicited bids for control of a corporation, including hostile tender offers and proxy contests, have become relatively common in modern takeover practice. Our board of directors considers those tactics to be highly disruptive to a corporation and often contrary to the overall best interests of its shareholders. In particular, bidders may use these tactics in conjunction with an attempt to acquire a corporation at an unfairly low price. In some cases, a bidder will make an offer for less than all the outstanding capital stock of the target company, potentially leaving shareholders with the alternatives of partially liquidating their investment at a time that may be disadvantageous to them or retaining an investment in the target company under substantially different management with objectives that may not be the same as the new controlling shareholder. The concentration of control in our company that could result from such an offer could deprive our remaining shareholders of the benefits of listing on the national stock exchange on which our common stock will be traded and public reporting under the Exchange Act.

While our board of directors does not intend to foreclose or discourage reasonable merger or acquisition proposals, it believes that value for our shareholders can be enhanced by encouraging would-be acquirers to forego hostile or coercive tender offers and negotiate with the board of directors terms that are fair to all shareholders. Our board of directors believes that the provisions described above will (1) discourage disruptive tactics and takeover attempts at unfair prices or on terms that do not provide all shareholders with the opportunity to sell their stock at a fair price and (2) encourage third parties who may seek to acquire control of our company to initiate such an acquisition through negotiations directly with our board of directors. Our board of directors also believes these provisions will help give it the time necessary to evaluate unsolicited offers, as well as appropriate alternatives, in a manner that assures fair treatment of our shareholders. Our board of directors recognizes that a takeover might in some circumstances be beneficial to some or all of our shareholders, but, nevertheless, believes that the benefits of seeking to protect its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to take over or restructure our company outweigh the disadvantages of discouraging those proposals.

Stock Exchange Listing

Our common stock is listed and traded on the New York Stock Exchange under the stock symbol “EXTN.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer.

Exhibit 10.1

SEVERANCE BENEFIT AGREEMENT

THIS SEVERANCE BENEFIT AGREEMENT (this *"**Agreement**")* is made and entered into effective as of _________ (the *"**Effective Date**")*, by and between Exterran Corporation, a Delaware corporation (the *"**Company**")* and ____________ (the *"**Executive**")*.

WITNESSETH:

WHEREAS, the Executive is employed as [TITLE] of the Company;

WHEREAS, the Company and the Executive mutually desire to arrange for the Executive's separation from employment with the Company and its affiliates in certain circumstances; and

WHEREAS, (i) concurrently with the execution of this Agreement, the Company and the Executive have entered into a Change of Control Agreement (the "***Change of Control Agreement***"), and (ii) if there is a Qualifying Termination of Employment under the Change of Control Agreement, then the Change of Control Agreement shall apply in lieu of this Agreement.

NOW, THEREFORE, in consideration of the premises, the terms and provisions set forth herein, the mutual benefits to be gained by the performance thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Term**. Subject to the provisions for earlier termination hereinafter provided, this Agreement shall begin on the Effective Date and continue in effect for a term of one (1) year (the "***Initial Term***"), and will automatically renew for successive one (l)-year terms (each, a "***Renewal Term***") unless either party gives at least 365 days' prior written notice to the other of its intent to terminate this Agreement (a "***Non-Renewal***"). The Initial Term and any Renewal Terms are collectively referred to in this Agreement as the "***Term***" and, in the event of the Executive's Qualifying Termination of Employment for Good Reason, the Term shall include any additional time period necessitated by the Company's right to cure as set forth in the definition of Good Reason. This Agreement shall automatically terminate as of the last day of the applicable Term upon a Non-Renewal by the Company or the Executive or, if earlier, as of the date of the Executive's termination of employment with the Company and all of its affiliates. Termination of this Agreement shall not alter or impair any rights of the Executive arising under this Agreement on or prior to such termination.

2. **Qualifying Termination of Employment**. If the Executive incurs a Qualifying Termination of Employment during the Term, the Executive shall be entitled to the benefits provided in Section 3(b) hereof, subject to the terms and conditions of this Agreement; *provided,* that if the

Executive's termination of employment constitutes a "Qualifying Termination of Employment" for purposes of the Change of Control Agreement, then the terms and conditions of the Change of Control Agreement shall control and the Executive's termination shall not constitute a Qualifying Termination of Employment for purposes of this Agreement. If the Executive's employment terminates during the Term for any reason other than for a Qualifying Termination of Employment, then the Executive shall not be entitled to any benefits under Section 3(b) of this Agreement.

For purposes of this Agreement:

(a) A "**Qualifying Termination of Employment**" shall mean a termination of the Executive's employment with the Company (and all of its affiliates) during the Term either (i) by the Company other than for Cause or (ii) by the Executive for Good Reason. The Executive's death or Disability (as defined below) during the Term shall not constitute a Qualifying Termination of Employment.

(b) **"Cause"** shall mean the Company's termination of the Executive's employment due to one of the following reasons:

(i) the commission by the Executive of an act of fraud, embezzlement or willful breach of a fiduciary duty to the Company or an affiliate (including the unauthorized disclosure of confidential or proprietary material information of the Company or an affiliate);

(ii) a conviction of the Executive for (or a plea of *nolo contendere* to) a felony or a crime involving fraud, dishonesty or moral turpitude;

(iii) willful failure of the Executive to follow the written directions the Board of Directors of the Company (the **"Board"**);

(iv) willful failure of the Executive to render services to the Company or an affiliate in accordance with the Executive's employment arrangement, which failure amounts to a material neglect of the Executive's duties to the Company or an affiliate;

(v) material violation of the Company's Code of Conduct; or

(vi) the Executive's use of alcohol or illicit drugs in the workplace or otherwise in a manner that has or may reasonably be expected to have a detrimental effect on the Executive's performance, the Executive's duties to the Company, or the reputation of the Company or any affiliate thereof.

(c) "**Disability**" shall mean Executive becoming entitled to long-term disability benefits under the Company's long-term disability plan.

(d) “**Good Reason”** shall mean the occurrence of any of the following events without the Executive’s express written consent:

(i) a material diminution in the Executive’s duties or responsibilities;

(ii) a material reduction in the Executive’s then current base salary;

(iii) a material reduction in the Executive’s then current annual target short-term incentive as a percentage of base salary;

(iv) a material reduction in the Executive’s employee benefits (without regard to bonus compensation, if any) if such reduction results in the Executive receiving benefits which are, in the aggregate, materially less than the benefits received by other comparable executives of the Company generally;

(v) Executive’s being required to be based at any of other office or location of employment more than fifty (50) miles from the Executives primary office or location of employment as of the Effective Date; or

(vi) willful failure by the Company to pay any compensation to the Executive when due;

provided, however, that, Good Reason shall not exist with respect to such an event unless the Executive provides the Company a written notice of termination that sets forth in reasonable detail the facts and circumstances supporting the occurrence of such event within ninety (90) days of the date of first occurrence of such event. If the Executive fails to provide such notice of termination timely, the Executive shall be deemed to have waived all rights the Executive may have under this Agreement with respect to such event. The Company shall have thirty (30) days from the date of receiving such notice of termination to cure the event. If the Company timely cures the event, such notice of termination shall be deemed rescinded. If the Company fails to cure the event timely, the Executive’s employment shall terminate for Good Reason at the end of such thirty (30)-day cure period.

3. **Severance and Other Entitlements.**

(a) **Accrued Obligations**. Upon a termination of the Executive’s employment with the Company during the Term for any reason, the Company shall pay to the Executive, not later than the sixtieth (60th) day following the Separation Date (as defined below) (or such earlier date as may be required by applicable law), an amount equal to the sum of (i) his or her base salary earned but unpaid through the Separation Date, (ii) his or her earned but unused vacation through the Separation Date and (iii) any unreimbursed business expenses through the Separation Date. Vested benefits (if any) under any employee benefit plans shall be governed by the terms and conditions of the applicable plans. In addition to the foregoing, if the Executive incurs a Qualifying Termination of

Employment during the Term, the Executive shall be entitled to the benefits provided in Section 3(b) hereof. If the Executive's employment terminates during the Term for any reason other than due to a Qualifying Termination of Employment, then Executive shall not be entitled to any benefits under Section 3(b) of this Agreement.

(b) **Qualifying Termination of Employment**. Subject to Sections 3(c) and 19 below, if the Executive incurs a Qualifying Termination of Employment during the Term, then upon the Executive's "separation from service" with the Company (within the meaning of Section 409A (as defined below)) (the date of any such separation from service, the "***Separation Date***"), the Executive will be entitled to receive the following payments and benefits:

(i) **Severance Payment**. The Company shall pay the Executive a lump-sum amount equal to the Severance Payment on the sixtieth (60th) day after the Separation Date. The "***Severance Payment***" shall be an amount equal to the sum of:

a. the sum of (A) the Executive's annual rate of base salary (without regard to bonus compensation) as in effect immediately prior to the Separation Date, *plus* (B) the amount of the Executive's target short-term annual incentive award opportunity calculated as a percentage of the Executive's annual base salary for the year in which the Separation Date occurs (the "***Target Short-Term Incentive***") (not prorated); *plus*

b. the Executive's Target Short-Term Incentive for the year in which the Separation Date occurs, prorated to the Separation Date; *plus*

c. any earned but unpaid short-term annual incentive award ("***Short-Term Incentive***") (if any) approved for the Executive for the Company's fiscal year ending prior to the Separation Date (provide, however, if the prior year's Short-Term Incentive has not yet been calculated as of the sixtieth (60th) day following the Separation Date, such amount shall be payable when calculated and paid to others under the same award plan, but in no event later than March 15th of the year following the year in which the Separation Date occurs); *plus*

d. an amount equal to eighteen (18) months of (A) the Executive's premium payments for continuation coverage pursuant to Section 4980B of the Code for the Executive and the Executive's eligible dependents following the Separation Date minus (B) the cost to the Executive of premium payments for healthcare coverage for the Executive and the Executive's eligible dependents during the Executive's employment with the Company (calculated based on the Executive's elections as in effect on the Separation Date).

(ii) **Incentive Awards**.

a. With respect to the Executive's outstanding time-vested equity and equity-based incentive awards and all cash-based incentive awards (not otherwise covered in Section 3(b)(i) above) (the "***Time-Vested Awards***"), the Executive shall become vested in a pro rata portion of each unvested tranche of each Time-Vested Award determined by multiplying the number of awards (or the cash value of a cash-based incentive award, as applicable) subject to such unvested tranche of a Time-Vested Award by a fraction, the numerator of which is the number of days the Executive was employed during the vesting period applicable to such unvested tranche, and the denominator is the total number of days in such vesting period. Except as otherwise provided below in this Section 3(b)(ii), vested Time-Vested Awards will be paid or delivered in accordance with the terms of the applicable award agreements, including any discretion of the Company to issue shares in book entry form or cash.

b. With respect to the Executive's performance units or performance shares and all cash-based performance awards, if any (the "***Performance Awards***"), the Executive shall earn and become vested in a pro rata portion of each Performance Award determined by multiplying the "target award" for each Performance Award by a fraction, the numerator of which is the number of days the Executive was employed during the applicable performance period, and the denominator is the total number of days in such performance period; provided, however, that if, at the Executive's Separation Date, actual performance results applicable to a Performance Award have been determined, then actual performance results will be substituted for the "target award" in determining the portion of the Performance Award that becomes earned and vested. Earned and vested Performance Awards shall, to the extent applicable, be determined using the closing price of the Company's common stock on the Executive's Separation Date and shall be paid to the Executive on the sixtieth (60th) day after the Separation Date in accordance with the terms of the applicable award agreements, including any discretion of the Company to issue shares in book entry form or cash.

c. Notwithstanding the terms of any Company (or affiliate) plan or agreement between the Company (or an affiliate thereof) and the Executive to the contrary, the accelerated vesting of all awards held by the Executive as of the Separation Date shall be governed by this Section 3(b)(ii).

(c) **Release**. Notwithstanding anything in this Agreement to the contrary, as a condition of receiving the payment and benefits described in Section 3(b) hereof, the Executive agrees to execute, deliver and not revoke in accordance with the terms of the Release, the Waiver and Release attached hereto as Exhibit A (the "***Release***"*)*, such Release to be delivered, and to have become fully irrevocable, on or before the end of the sixty (60) day period following the Executive's date of Qualifying Termination of Employment. If the Release has not been executed and delivered and become irrevocable on or before the end of such sixty (60) day period, no payments or benefits described in Section 3(b) hereof shall be payable.

(d) **Acknowledgement**. The parties acknowledge and agree that the Severance Payment is not eligible compensation for purposes of the Company's (or any of its affiliate's) 401(k) plan (and thus is not eligible for a matching contribution thereunder).

(e) **Severance Offset**. Except as otherwise expressly provided in a written agreement between Executive and the Company, any cash severance payments payable under Section 3(a) shall be offset or reduced by the amount of any cash severance amounts payable to Executive under any other agreement the Company or any of its affiliates may have entered into with Executive or any severance plan or program maintained by the Company or any of its affiliates for employees generally.

(f) **Statutory Severance**, Notwithstanding anything herein to the contrary, if (i) the Executive is entitled to receive severance or similar benefits under the laws of a country that is not the United States ("***Statutory Severance***") and (ii) the Executive incurs a Qualifying Termination of Employment during the Term and becomes entitled to the payments and benefits provided in Section 3(b) hereof, then such Executive will be entitled to receive either an amount equal to (i) the Statutory Severance or (ii) the payments and benefits described in Section 3(b), whichever is greater.

4. **Executive Restrictions and Obligations**.

(a) **Consideration.** The Company and the Executive agree that the principal consideration for the Company's agreement to make the payments provided in this Agreement to the Executive is the Executive's compliance with the undertakings set forth in this Section 4. Except as otherwise stated in Section 22 herein, in the event of any conflict between Section 4 of this Agreement and any other written agreement between the Company and the Executive, the terms of this Section 4 control with respect to the Executive's post-employment obligations set forth herein.

(b) **Confidentiality**. The Executive acknowledges that the Company will provide the Executive with Confidential Information (as defined below) and has previously provided the Executive with Confidential Information. In return for consideration provided under this Agreement, the Executive agrees that the Executive will not, while employed by the Company or any affiliate or thereafter, disclose or make available to any other person or entity, or use for Executive's own personal gain, any Confidential Information, except for such disclosures as required in the performance of the Executive's duties with the Company or as may otherwise be required by law or legal process (in which case the Executive shall notify the Company of such legal or judicial proceeding as soon as practicable following the Executive's receipt of notice of such a proceeding, and permit the Company to seek to protect its interests and information). Notwithstanding the foregoing, nothing contained herein shall prohibit the Executive from reporting possible violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, as provided in Section 21 hereof. For purposes of this Agreement, "***Confidential Information***" shall mean any and all information, data and knowledge which is part of the Property or that has been created, discovered, developed or otherwise become known to the Company or any of its affiliates or ventures or in which property rights have been assigned or otherwise conveyed to the Company or any of its affiliates or ventures, which information, data or knowledge has commercial value in the business in which the Company is engaged, except such information, data or knowledge as is or becomes known to the public without violation of the terms of this Agreement.

(c) **Non-Solicitation.** For the one (l)-year period following the termination of the Executive's employment for any reason, the Executive shall not, directly or indirectly (i) employ or seek to employ any person who is as of the date of the Executive's termination of employment, or was at any time within the six (6)-month period preceding the date of the Executive's termination of employment, an officer, executive, general manager or director or equivalent, or more senior-level employee of the Company or any of its affiliates. Furthermore, during the same one-year period following the Executive's termination of employment, the Executive shall not otherwise solicit, encourage, cause or induce any such employee of the Company or any of its affiliates to terminate such employee's employment with the Company or any of its affiliates for employment by another person or entity (including, for this purpose, contracting with any person who was an independent contractor (excluding consultant) of the Company or any of its affiliates on the date of the Executive's termination of employment or during the six (6)-month period preceding the Executive's termination of employment with the Company) or (ii) take any action that would interfere with the relationship of the Company or any of its affiliates with their suppliers or customers without, in either case, the prior written consent of the Board, or engage in any other action or business that could have a material adverse effect on the Company.

(d) **Non-Competition**. During the term of the Executive's employment with the Company, or any of its affiliates thereof, and for a one (l)-year period following the termination of the Executive's employment for any reason, the Executive shall not, directly or indirectly:

(i) engage in any managerial, administrative, advisory, consulting, operational or sales activities in a Restricted Business anywhere in the Restricted Area, including, without limitation, as a director or partner of such Restricted Business, or

(ii) organize, establish, operate, own, manage, control or have a direct or indirect investment or ownership interest in a Restricted Business or in any corporation, partnership (limited or general), limited liability company, enterprise or other business entity that engages in a Restricted Business anywhere in the Restricted Area.

(iii) For purposes of this Section 4(d):

(A) "***Restricted Area***" shall mean any state in the United States, or any country in which the Company or any of its affiliates engage in any Restricted Business at any time during the term of the Executive's employment with the Company; and

(B) "***Restricted Business***" shall mean any business in which the Company or any of its affiliates may be engaged as of the date on which the Executive's employment terminates. To the extent that any entity is primarily engaged in a business other than a Restricted Business, the term "*Restricted Business*" shall mean the operations, division, segment or affiliate of such entity that is engaged in any Restricted Business.

Nothing contained in this Section 4 shall prohibit or otherwise restrict the Executive from acquiring or owning, directly or indirectly, for passive investment purposes not intended to circumvent this Agreement, securities of any entity engaged, directly or indirectly, in a Restricted Business if either (i) such entity is a public entity and the Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) owns, directly or indirectly, no more than three percent (3%) of any class of equity securities of such entity or (ii) such entity is not a public entity and the Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) does not own, directly or indirectly, more than one percent (1%) of any class of equity securities of such entity.

(e) **Nondisparagement**. The Executive, acting alone or in concert with others, agrees that from and after the Separation Date, the Executive will not publicly criticize or disparage the Company or its affiliates, or privately criticize or disparage the Company or its affiliates in a manner intended or reasonably calculated to result in public embarrassment to, or injury to the reputation of, the Company or its affiliates; *provided*, *however*, that nothing in this Agreement shall apply to or restrict in any way the communication of information by the Executive to any state or federal law enforcement or regulatory agency or any legislative or regulatory committee or require notice to the Company thereof.

(f) **Injunctive Relief**. The Executive acknowledges that monetary damages for any breach of Sections 4(b), (c), (d) or (e) above will not be an adequate remedy and that irreparable injury will result to the Company, its business and property, in the event of such a breach. For that reason, the Executive agrees that in the event of a breach of Sections 4(b), (c), (d) or (e) above, in addition to recovering legal damages, the Company is entitled to proceed in equity for specific performance or to enjoin the Executive from violating such provisions.

(g) **Reformation**. The Executive and Company agree that it was both parties' intention to enter into a valid and enforceable agreement. The Executive agrees that if any covenant contained in this Section 4 is found by a court of competent jurisdiction or an arbitrator to contain limitations as to time, geographic area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, then the court or arbitrator shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographic area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company.

5. **Return of Property**. On or immediately following the Separation Date, the Executive shall promptly return all Property (as hereinafter defined) which had been entrusted or made available to the Executive by the Company; provided that if such Property is in electronic form on the Executive's personal computers the Executive shall be deemed to comply with this Section 5 if the Executive after obtaining Company's consent deletes such Property from the Executive's personal computers. The term "***Property***" shall mean all records, files, memoranda, reports, keys, codes, computer hardware and software, documents, videotapes, written presentations, brochures, drawings, notes, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions and all other writings or materials of any type and other property of any kind or description (whether in electronic or other form) prepared, used or possessed by the Executive during the Executive's employment by the Company (and any duplicates of any such property) together with any and all information, ideas, concepts, discoveries, and inventions and the like conceived, made, developed or acquired at any time by the Executive individually or with others during the Executive's employment which relate to the Company's business, products or services.

6. **Post-Separation Date Assistance**. Following the Separation Date, the Executive agrees that the Executive will reasonably and appropriately respond to all inquiries from the Company relating to any current or future litigation of which the Executive may have relevant information, and shall make himself or herself reasonably available to confer with the Company and otherwise provide testimony as the Company may deem necessary in connection with such litigation, subject in all cases to the Executive's other business and personal commitments. Such assistance shall be provided by the Executive without remuneration, but the Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive in complying with this Section 6 upon the presentation of expense statements or vouchers or such other supporting information as the Company may reasonably require of the Executive.

7. **Assignment; Binding Agreement**. This Agreement and all of the Company's rights and obligations hereunder shall not be assignable by the Company without the Executive's prior written consent except as incident to a reorganization, merger or consolidation, or transfer of all or substantially all of the Company's assets. The Executive may not assign this Agreement or any of the Executive's rights and obligations under this Agreement without the prior written consent of the Company. Subject to the foregoing, this Agreement shall be binding on, and inure to the benefit of, the Company and the Executive and their respective successors and assigns.

8. **Amendment; Waiver**. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by Executive and by (a) the Executive Chairman of the Board, (b) the Lead Independent Director or (c) an officer of the Company authorized by the Executive Chairman of the Board or the Lead Independent Director. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9. **Arbitration**. Subject to Section 4(f) and 18 hereof, any dispute, controversy or claim arising out of or relating to the obligations under this Agreement, shall be exclusively settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution Rules. The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within thirty (30) days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels submitted by the American Arbitration Association (the "***AAA***"). The selection process shall be that which is set forth in the AAA Employment Dispute Resolution Rules, except that, if the parties fail to select an arbitrator from one or more panels, AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected. The arbitration shall take place in Houston, Texas in the English language. Either party may appeal the arbitration award and judgment thereon and, in actions seeking to vacate an award, the standard of review to be applied to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. This agreement to arbitrate shall not preclude the parties from engaging in voluntary, non-binding settlement efforts including mediation. All fees and expenses of the arbitration, including a transcript if requested but not including the legal costs and fees incurred by any party to such arbitration, will be borne by the parties equally. Each party shall be responsible for its own legal costs and fees.

10. **Notices**. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

Exterran Corporation
11000 Equity Drive
Houston, Texas 77041
Attn: General Counsel
legalreview@exterran.com
To the Executive:

At the Executive's residence address as

maintained by the Company in the regular
course of business for payroll purposes.

All such notices shall be conclusively deemed to be received and shall be effective (i) if sent by hand delivery or by overnight delivery service, upon receipt, (ii) if sent by registered or certified mail, on the fifth (5th) business day after the day on which such notice is mailed.

11. **No Effect On Employment**. This Agreement is not an employment or service contract, and nothing contained in this Agreement shall be deemed to create in any way whatsoever any obligation on the Executive's part to continue in employment with the Company or any of its affiliates, or of the Company or any of its affiliates to continue the Executive's employment with the Company. Nothing in this Agreement modifies the nature of the employment relationship between the Company and its affiliates and the Executive which continues to be an "at-will" relationship.

12. **Tax Withholding**. The Company and its affiliates may withhold from any amounts payable under this Agreement all federal, state, city or other taxes required to be withheld pursuant to any law or regulation.

13. **Severability**. If any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or part, such invalidity will not affect any otherwise valid provision, and all other valid provisions will remain in full force and effect.

14. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which together will constitute one and the same document.

15. **Titles**. The titles and headings preceding the text of the paragraphs and subparagraphs of this Agreement have been inserted solely for convenience of reference and do not constitute a part of this Agreement or affect its meaning, interpretation or effect.

16. **Corporate Approval**. This Agreement has been approved by the Board, and has been duly executed and delivered by the Executive and on behalf of the Company by its duly authorized representative.

17. **Governing Law.** The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas without regard to conflicts of laws principles.

18. **Venue.** Any suit, action or other legal proceeding for specific performance or injunctive relief arising under Section 4(f) of this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Harris County, Texas. Each of the Executive and the Company consents to the jurisdiction of any such court in

any such suit, action, or proceeding and waives any objection that it may have to the laying of venue of any such suit, action, or proceeding in any such court.

19. **Section 409A.**

(a) Payments pursuant to this Agreement are intended to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and accompanying Department of Treasury regulations and other interpretive guidance promulgated thereunder (collectively, "***Section 409A***"), and, to the extent applicable, the provisions of this Agreement will be administered, interpreted and construed accordingly. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be or become subject to Section 409A, the Company may unilaterally adopt such amendments to this Agreement and/or to adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; *provided, however,* that this Section 19 shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

(b) The Executive shall have no right to specify the calendar year during which any payment hereunder shall be made. All reimbursements and in-kind benefits provided pursuant to this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(l)(iv) such that any reimbursements or in-kind benefits will be deemed payable at a specified time or on a fixed schedule relative to a permissible payment event. Specifically, (A) the amounts reimbursed and in-kind benefits under this Agreement during the Executive's taxable year may not affect the amounts reimbursed or in-kind benefits provided in any other taxable year, (B) the reimbursement of an eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred, and (C) the right to reimbursement or an in-kind benefit is not subject to liquidation or exchange for another benefit.

(c) Notwithstanding any provision of this Agreement to the contrary, the Company and the Executive agree that no benefit or benefits under this Agreement, including, without limitation, any severance payments or benefits payable under Section 3(b) hereof, shall be paid to the Executive during the six (6)-month period following the Separation Date if paying such amounts at the time or times indicated in this Agreement would constitute a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first (1^{st}) business day next following the earlier of (i) the date that is six (6) months and one day following the date of the Executive's termination of employment, (ii) the date of the Executive's death or (iii) such earlier date as complies with the requirements of Section 409A, the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period (without interest).

20. **Clawback and Recoupment.** All compensation and benefits payable to the Executive by the Company and/or its affiliates (including any such amounts payable under this Agreement) will be subject to any clawback or recoupment policies that the Company and/or its affiliates may adopt from time to time, including, without limitation, the Incentive-Based Compensation Recoupment Policy adopted by the Company's Board of Directors effective January 1, 2019.

21. **Protected Rights; Defend Trade Secrets Act.** Nothing contained in this Agreement limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or from providing truthful testimony in response to a lawfully issued subpoena or court order. The Executive understands that this Agreement does not limit his or her ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. The Executive understands that under the Defend Trade Secrets Act: (1) no person will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (A) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (2) a person who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the person and use the trade secret information in the court proceeding, if the person files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

22. **Entire Agreement.** This Agreement constitutes the entire agreement of the Executive and the Company with respect to the subject matter hereof, and hereby expressly terminates, rescinds, and replaces in full any prior and contemporaneous promises, representations, understandings, arrangements and agreements between the parties relating to the subject matter hereof, whether written or oral. However, the Change of Control Agreement shall remain in full force and effect, subject to the termination provisions contained therein, through the Separation Date (and if there is a Qualifying Termination of Employment under the Change of Control Agreement, then the Change of Control Agreement shall apply in lieu of this Agreement (and this

Agreement shall be of no further force and effect)). Nothing in this Agreement shall effect the Executive’s rights under such compensation and benefit plans and programs of the Company in which the Executive may participate, except as may be explicitly provided in this Agreement.

23. **Payment Date.** If any payment hereunder falls upon a date in which the banks in Houston, Texas are closed, then such payment shall be due on the next available date in which banks are open for business in Houston, Texas.

[Execution Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts, all of which taken together shall constitute one agreement, effective as of the Effective Date.

Exterran Corporation

By: ______________________________
Name:
Title:

Executive

By: ______________________________
Name:
Title:

Attachment A

WAIVER AND RELEASE

In exchange for the consideration offered under the Severance Benefit Agreement between me and Exterran Corporation (the "***Company***"), dated as of [ ](the "***Agreement***"), I hereby waive all of my claims and release the Company, any affiliate, subsidiary or venture of the Company, and any of their respective officers, directors, employees, partners, investors, counsel or agents, their benefit plans and the fiduciaries and agents of said plans (collectively referred to as the "***Corporate Group***") from any and all claims, demands, actions, liabilities and damages.

1. I understand that signing this Waiver and Release is an important legal act. I acknowledge that the Company has advised me in writing to consult an attorney before signing this Waiver and Release. I understand that I have at least twenty-one (21) calendar days from date of receipt of this document to consider whether to sign and return this Waiver and Release to the Company by hand delivery or by registered or certified mail, addressed to the address for the Company specified in the Agreement. If I sign this release prior to the expiration of the twenty-one (21) day period, I waive the remainder of that period. I waive the restarting of the twenty-one (21) day period in the event of any modification of this Waiver and Release, whether or not material.

In exchange for the consideration offered to me by the Agreement, which I acknowledge provides consideration to which I would not otherwise be entitled, I agree not to sue or file any charges of discrimination, or any other action or proceeding with any local, state and/or federal agency or court regarding or relating in any way to the Company with respect to the claims released by me herein, and I knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to the Corporate Group, except with respect to rights under the Agreement, rights under employee benefit plans or programs other than those specifically addressed in the Agreement, and such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes, but is not limited to, claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990; the Energy Reorganization Act, as amended, 42 U.S.C. § 5851; the Worker Adjustment and Retraining Notification Act of 1988; the Pregnancy Discrimination Act of 1978; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Occupational Safety and Health Act; claims in connection with workers' compensation or "whistle-blower" statutes; and/or contract, tort, defamation, slander, wrongful termination or any other state or federal regulatory, statutory or common law. Further, I expressly represent that no promise or agreement which is not expressed in the Agreement or this Waiver and Release has been made to me in executing this Waiver and

Release, and that I am relying on my own judgment in executing this Waiver and Release, and that I am not relying on any statement or representation of any member of the Corporate Group or any of their agents. I agree that this Waiver and Release is valid, fair, adequate and reasonable, is with my full knowledge and consent, was not procured through fraud, duress or mistake and has not had the effect of misleading, misinforming or failing to inform me. I acknowledge and agree that the Company will withhold any taxes required by law from the amount payable to me under the Agreement and that such amount shall be reduced by any monies owed by me to the Company.

This Waiver and Release includes a release of claims of discrimination or retaliation on the basis of workers' compensation status, but does not include workers' compensation claims. Also excluded from this Waiver and Release are any claims which by law cannot be waived in a private agreement between an employer and employee, including but not limited to claims under the Fair Labor Standards Act, and the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission (the "***EEOC***"), the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission ("***SEC***"), any local, state or federal law enforcement or regulatory agency, any legislative or regulatory committee or any other federal, state or local governmental agency or commission (collectively, "***Government Agencies***"). I waive, however, the right to any monetary recovery or other relief should the EEOC or any other agency pursue a claim on my behalf, with the exception of any right to receive an award for information provided to the SEC.

Notwithstanding the foregoing, I do not release and expressly retain (a) all rights to indemnity, contribution, advancement of expenses and a defense, and directors and officers and other liability coverage that I may have under any Company insurance policy, the Indemnification Agreement between me and the Company dated as of [__________], any statute, the certificate of incorporation or bylaws of the Company or under any other written agreement between me and the Company; (b) the right to any unpaid reasonable business expenses and any accrued benefits payable under any Company welfare plan, tax-qualified plan or other Benefit Plans (for the avoidance of doubt, the term "***Benefit Plans***" includes any outstanding equity awards under an equity incentive plan, any deferred compensation plan, any employee stock purchase plan and the Company's 401(k) plan); and (c) all rights and remedies arising under this Waiver and Release and the Agreement.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release.

2. I understand that for a period of seven (7) calendar days starting on the date immediately following the date I sign this Waiver and Release (the "*Waiver Revocation Period*"),

I may revoke my acceptance of the offer by delivering a written statement to the Company by hand or by registered mail or certified, addressed to the address for the Company specified in the Agreement, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the consideration offered under the Agreement to which I would not otherwise have been entitled. I understand that failure to revoke my acceptance of the offer within the Waiver Revocation Period will result in this Waiver and Release becoming effective, permanent and irrevocable at the end of the Waiver Revocation Period.

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions, have it explained to me and had the opportunity to seek independent legal advice with respect to the matters addressed in this Waiver and Release and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin or disability and any other claims arising prior to the date of this Waiver and Release, except for those claims specifically not released by me herein.

I represent and warrant in executing this Waiver and Release, that I have returned all Company property in my possession or deleted such information if in electronic form.

THE COMPANY HEREBY ADVISES [ ] TO CONSULT WITH AN ATTORNEY OF [HIS/HER] CHOICE REGARDING [HIS/HER] WAIVER OF ADEA CLAIMS BEFORE EXECUTING THIS AGREEMENT.

By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions or events of the Company or any other member of the Corporate Group which occur after the date of execution of this Waiver and Release.

AGREED TO AND ACCEPTED

this ______day of _______, 20__:

Name: ____________________________________

Title: ____________________________________

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT (this ***"Agreement"***), *is* made and entered into effective as of _______, 2020 (the ***"Effective Date"***), by and between Exterran Corporation, a Delaware corporation (the ***"Company"***), and _________ (***"Executive"***).

WHEREAS, Executive is employed as [TITLE] of the Company;

WHEREAS, the Company and Executive mutually desire to enter into an agreement regarding their respective rights and obligations in connection with a Change of Control during the Term; and

WHEREAS, (i) concurrently with the execution of this Agreement, the Company and Executive have entered into a Severance Benefit Agreement (the ***"Severance Agreement"),*** and (ii) if there is a Qualifying Termination of Employment under the Severance Agreement that does not constitute a Qualifying Termination of Employment for purposes of this Agreement, then the Severance Agreement shall apply in lieu of this Agreement.

NOW, THEREFORE, in consideration of the premises, the terms and provisions set forth herein, the mutual benefits to be gained by the performance hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Term.** This Agreement shall begin on the Effective Date and shall continue until the first (1st) anniversary of the Effective Date (the ***"Initial Term"***)*; provided, however,* that thereafter, the term of this Agreement shall automatically be extended for successive one (1) year periods (each, a ***"Renewal Term"***) (the Initial Term, plus any Renewal Terms, plus, in the event of Executive's Qualifying Termination of Employment (as defined below) for Good Reason, any additional time period necessitated by the Company's right to cure as set forth in the definition of Good Reason, are collectively referred to as the ***"Term"*)**, unless at least 365 days prior to the expiration of the Initial Term or any Renewal Term, the Board shall give written notice to Executive that the Term of this Agreement shall cease to be so extended. However, if a Change of Control shall occur during the Term, the Term shall automatically continue in effect for a period of eighteen (18) months following the Change of Control plus, in the event of Executive's Qualifying Termination of Employment for Good Reason, any additional time period necessitated by the Company's right to cure as set forth in the definition of Good Reason, and thereafter shall automatically terminate. In addition, this Agreement shall automatically terminate upon Executive's termination of employment. Termination of this Agreement shall not alter or impair any rights of Executive arising under this Agreement on or prior to such termination.

2. **Termination of Employment.** Upon a termination of Executive's employment with the Company during the Term for any reason, the Company shall pay to Executive, not later than the sixtieth (60th) day following the Date of Termination (or such earlier date as may be required

by applicable law), an amount, in a lump sum payment, equal to the sum of: (A) Executive’s earned but unpaid Base Salary through the Date of Termination, (B) any portion of Executive’s vacation pay earned, but not used, through the Date of Termination, and (C) any unreimbursed business expenses as of the Date of Termination. Vested benefits (if any) under any employee benefit plans shall be governed by the terms and conditions of the applicable plans. In addition to the foregoing, if Executive incurs a Qualifying Termination of Employment during the Term, Executive shall be entitled to the benefits provided in Section 3 hereof. If Executive’s employment terminates during the Term for any reason other than due to a Qualifying Termination of Employment, then Executive shall not be entitled to any benefits under Section 3 of this Agreement.

3. **Benefits Upon a Qualifying Termination of Employment.** If Executive incurs a Qualifying Termination of Employment during the Term, then subject to Sections 3(e), 3(f) and 3(g) below, Executive will be entitled to receive the following payments and benefits:

(a) **Lump Sum.** The Company shall pay to Executive on the sixtieth (60th) day following the Date of Termination, an amount, in a lump sum payment, equal to the sum of:

(i) An amount equal to two times Executive’s Base Salary plus two times Executive’s Target Short-Term Incentive; plus

(ii) Executive’s Target Short-Term Incentive for the Termination Year (prorated to the Date of Termination); plus

(iii) Any earned but unpaid Short-Term Incentive for the Company’s fiscal year ending prior to the Termination Year (provided, however, if the prior year’s Short-Term Incentive has not yet been calculated as of the sixtieth (60^{th}) day following the Date of Termination, such amount shall be payable when calculated and paid to others under the same award plan, but in no event later than March 15^{th} of the year following the Termination Year); plus

(iv) Amounts previously deferred by Executive, if any, or earned but not paid, if any, under any Company incentive and nonqualified deferred compensation plans or programs as of the Date of Termination; plus

(v) An amount equal to eighteen (18) months of (A) Executive’s premium payments for continuation coverage pursuant to Section 4980B of the Code for Executive and Executive’s eligible dependents following the Separation Date minus (B) the cost to Executive of premium payments for healthcare coverage for Executive and Executive’s eligible dependents during Executive’s employment with the Company (calculated based on Executive’s elections as in effect on the Date of Termination).

(b) **Incentive Awards.** All outstanding equity and equity-based incentive awards (including, without limitation, stock options, restricted stock, restricted stock units, and performance shares or units) based in common stock of the company and all cash-based incentive awards (not otherwise covered in Section 3(a) above) held by Executive and not previously vested shall become 100% vested upon Executive’s Qualifying Termination of Employment; *provided*, that if Executive’s

Date of Termination occurs prior to a Change of Control, such awards shall remain outstanding and eligible to vest upon a Change of Control occurring within six (6) months thereafter and shall automatically terminate upon the earlier of the six (6)-month anniversary of the Date of Termination (to the extent such awards do not become vested on or prior to such six (6)-month anniversary) or the applicable expiration date that would apply to such awards had Executive remained employed by the Company; and *provided further*, that if the achievement of the performance goals applicable to any performance units or performance shares held by Executive on the later of the Date of Termination or Change of Control to which such Qualifying Termination of Employment relates (as applicable) has not yet been measured, then such performance goals shall be deemed attained at target level(s). Except as otherwise provided below, any such vesting shall be will be paid or delivered in accordance with the terms of the applicable award agreements, including any discretion of the Company to issue shares in book entry form or cash. Notwithstanding the foregoing, with respect to an award that is subject to Section 409A (as defined below), the acceleration of vesting under this Section 3(c) shall not cause an impermissible acceleration of payment or change in form of payment of such award under Section 409A. Notwithstanding the terms of any Company (or affiliate) plan or agreement between the Company (or affiliate) and Executive to the contrary, the accelerated vesting of all awards required pursuant to the terms of this Section 3(b) shall govern.

(c) **Release.** Notwithstanding anything in this Agreement to the contrary, as a condition of receiving the payment or benefits described in Sections 3(a) or 3(b), the Executive agrees to execute, deliver and not revoke in accordance with the terms of the Release, the Waiver and Release attached here as Exhibit B (the ***"Release"***), such Release to be delivered, and to have become fully irrevocable, on or before the end of the sixty (60) day period following the Executive's date of Qualifying Termination of Employment. If the Release has not been executed and delivered and become irrevocable on or before the end of such sixty (60) day period, no payments or benefits described in Sections 3(a) or 3(b) hereof shall be payable.

(d) **Acknowledgement.** The parties acknowledge and agree that the severance amounts payable to Executive under Section 3(a) are not eligible compensation for purposes of the 401(k) Plan (and thus is not eligible for a matching contribution thereunder).

(e) **Severance Offset.** Except as otherwise expressly provided in a written agreement between Executive and the Company, any cash severance payments payable under Section 3(a) shall be offset or reduced by the amount of any cash severance amounts payable to Executive under any other agreement the Company or any of its affiliates may have entered into with Executive or any severance plan or program maintained by the Company or any affiliate for employees generally.

(f) **Statutory Severance.** Notwithstanding anything herein to the contrary, if (i) Executive is entitled to receive severance or similar benefits under the laws of a country that is not the United States (***"Statutory Severance"***) and (ii) Executive incurs a Qualifying Termination of Employment during the Term and becomes entitled to the payments and benefits provided in Sections 3(a) and 3(b) hereof, then such Executive will be entitled to receive either an amount equal to (i) the Statutory Severance or (ii) the payments and benefits described in Sections 3(a) and 3(b), whichever is greater.

(g) **Section 409A Matters.**

(i) Payments pursuant to this Agreement are intended to comply with or be exempt from Code Section 409A and accompanying Department of Treasury regulations and other interpretive guidance promulgated thereunder (collectively, ***"Section 409A"***) and, to the extent applicable, the provisions of this Agreement will be administered, interpreted and construed accordingly. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be or become subject to Section 409A, the Company may unilaterally adopt such amendments to this Agreement and/or to adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; *provided*, *however*, that this Section 3(g) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(ii) Executive shall have no right to specify the calendar year during which any payment hereunder shall be made. All reimbursements and in-kind benefits provided pursuant to this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) such that any reimbursements or in-kind benefits will be deemed payable at a specified time or on a fixed schedule relative to a permissible payment event. Specifically, (A) the amounts reimbursed and in-kind benefits under this Agreement during Executive's taxable year may not affect the amounts reimbursed or in-kind benefits provided in any other taxable year, (B) the reimbursement of an eligible expense shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred, and (C) the right to reimbursement or an in-kind benefit is not subject to liquidation or exchange for another benefit.

(iii) Notwithstanding any provision of this Agreement to the contrary, the Company and Executive agree that no benefit or benefits under this Agreement, including, without limitation, any severance payments or benefits payable under Section 3 hereof, shall be paid to Executive during the six (6)-month period following the Separation Date if paying such amounts at the time or times indicated in this Agreement would constitute a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first (1st) business day next following the earlier of (i) the date that is six (6) months and one day following the date of Executive's termination of employment, (ii) the date of Executive's death or (iii) such earlier date as complies with the requirements of Section 409A, the Company shall pay Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such period (without interest).

4. **Limitation on Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, if any payment or distribution received or to be received by Executive (including any payment or benefit received in connection with a termination of Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 3 of this Agreement, the ***"Total Payments"***) would be subject (in whole or part) to the excise tax imposed by Code Section 4999 (the ***"Excise Tax"*)**, then, after taking into account any reduction in the Total Payments provided by reason of Code Section 280G in such other plan, arrangement or agreement, Executive's remaining Total Payments shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes applicable to such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The reduction undertaken pursuant to this Section 4 shall be accomplished first by reducing or eliminating any cash payments subject to Section 409A as deferred compensation (with payments to be made furthest in the future being reduced first), then by reducing or eliminating cash payments that are not subject to Section 409A, then by reducing payments attributable to equity-based compensation (or the accelerated vesting thereof) subject to Section 409A as deferred compensation (with payments to be made furthest in the future being reduced first), and finally by reducing payments attributable to equity-based compensation (or the accelerated vesting thereof) that is not subject to Section 409A.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments, the receipt or retention of which Executive has waived at such time and in such manner so as not to constitute a "payment" within the meaning of Code Section 280G(b), will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (***the "Independent Advisors"***) selected by the Company, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2) (including by reason of Code Section 280G(b)(4)(A)) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Code Section 280G(b)(4)(B), in excess of the “base amount” (as defined in Code Section 280G(b)(3)) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Code Sections 280G(d)(3) and (4).

5. **Restrictions and Obligations of Executive.**

(a) **Consideration for Restrictions and Covenants.** The Company and Executive agree that the principal consideration for the Company’s agreement to make the payments provided in this Agreement to Executive is Executive’s compliance with the undertakings set forth in this Section 5. Except as otherwise stated in Section 8(q) herein, in the event of any conflict between Section 5 of this Agreement and any other written agreement between the Company and Executive, the terms of this Section 5 control with respect to Executive’s post-employment obligations set forth herein.

(b) **Confidentiality.** Executive acknowledges that the Company will provide Executive with Confidential Information and has previously provided Executive with Confidential Information. In return for consideration provided under this Agreement, Executive agrees that Executive will not, while employed by the Company or any affiliate and thereafter, disclose or make available to any other person or entity, or use for Executive’s own personal gain, any Confidential Information, except for such disclosures as required in the performance of Executive’s duties with the Company or as may otherwise be required by law or legal process (in which case Executive shall notify the Company of such legal or judicial proceeding as soon as practicable following Executive’s receipt of notice of such a proceeding, and permit the Company to seek to protect its interests and information). Notwithstanding the foregoing, nothing contained herein shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, as provided in Section 8(p) hereof.

(c) **Non-Solicitation.** For the one (1) -year period following the termination of Executive’s employment for any reason, Executive shall not, directly or indirectly (i) employ or seek to employ any person who is as of the date of Executive’s termination of employment, or was at any time within the six (6)-month period preceding the date of Executive’s termination of employment, an officer, executive, general manager or director or equivalent or more senior-level employee of the Company or any of its affiliates. Furthermore, during the same one-year period following Executive’s termination of employment, Executive shall not solicit, encourage, cause or induce any such employee of the Company or any of its affiliates to terminate such employee’s employment with the Company or any of its affiliates for employment by another person or entity (including for this purpose contracting with any person who was an independent contractor (excluding consultant) of the Company or any of its affiliates on the date of Executives’ termination of employment or during the six (6) month period preceding Executive’s termination of employment with the Company) or (ii) take any action that would interfere with the relationship of the Company or and of its affiliates with their suppliers or customers without, in either case, the prior written consent of the Board, or engage in any other action or business that could have a material adverse effect on the Company.

(d) **Non-Competition.** During the term of Executive's employment with the Company, or any of its affiliates thereof and for one (1) -year period following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly:

(i) engage in any managerial, administrative, advisory, consulting, operational or sales activities in a Restricted Business anywhere in the Restricted Area, including, without limitation, as a director or partner of such Restricted Business, or

(ii) organize, establish, operate, own, manage, control or have a direct or indirect investment or ownership interest in a Restricted Business or in any corporation, partnership (limited or general), limited liability company, enterprise or other business entity that engages in a Restricted Business anywhere in the Restricted Area.

Nothing contained in this Section 5 shall prohibit or otherwise restrict Executive from acquiring or owning, directly or indirectly, for passive investment purposes not intended to circumvent this Agreement, securities of any entity engaged, directly or indirectly, in a Restricted Business if either (i) such entity is a public entity and Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) owns, directly or indirectly, no more than three percent (3%) of any class of equity securities of such entity or (ii) such entity is not a public entity and Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) does not own, directly or indirectly, more than one percent (1%) of any class of equity securities of such entity.

(e) **Nondisparagement.** Executive, acting alone or in concert with others, agrees that from and after the date on which Executive's employment terminates, Executive will not publicly criticize or disparage the Company or its affiliates, or privately criticize or disparage the Company or its affiliates in a manner intended or reasonably calculated to result in public embarrassment to, or injury to the reputation of, the Company or its affiliates; *provided, however,* that nothing in this Agreement shall apply to or restrict in any way the communication of information by Executive to any state or federal law enforcement or regulatory agency or any legislative or regulatory committee or require notice to the Company thereof.

(f) **Injunctive Relief.** Executive acknowledges that monetary damages for any breach of Sections 5(b), (c), (d) or (e) above will not be an adequate remedy and that irreparable injury will result to the Company, its business and property, in the event of such a breach. For that reason, Executive agrees that in the event of a breach of Sections 5(b), (c), (d) or (e) above, in addition to recovering legal damages, the Company is entitled to proceed in equity for specific performance or to enjoin Executive from violating such provisions.

(g) **Reformation.** Executive and Company agree that it was both parties' intention to enter into a valid and enforceable agreement. Executive agrees that if any covenant contained in this Section 5 is found by a court of competent jurisdiction or an arbitrator to contain limitations as to time, geographic area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, then the court or arbitrator shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographic area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company.

6. **Return of Property.** On or immediately following the date on which Executive's employment terminates, Executive shall promptly return all Property which had been entrusted or made available to Executive by the Company; provided that if such Property is in electronic form on Executive's personal computers Executive shall be deemed to comply with this Section 6 if Executive, after obtaining the Company's consent, deletes such Property from Executive's personal computers.

7. **Post-Separation Date Assistance.** Following the date on which Executive's employment terminates, Executive agrees that Executive will reasonably and appropriately respond to all inquiries from the Company relating to any current or future litigation of which Executive may have relevant information, and shall make himself or herself reasonably available to confer with the Company and otherwise provide testimony as the Company may deem necessary in connection with such litigation, subject in all cases to Executive's other business and personal commitments. Such assistance shall be provided by Executive without remuneration, but the Company shall pay or reimburse Executive for all reasonable expenses actually incurred or paid by Executive in complying with this Section 7 upon the presentation of expense statements or vouchers or such other supporting information as the Company may reasonably require of Executive.

8. **Miscellaneous Provisions.**

(a) **Definitions Incorporated by Reference.** Reference is made to Exhibit A hereto for definitions of certain capitalized terms used in this Agreement, and such definitions are incorporated herein by such reference with the same effect as if set forth herein.

(b) **No Other Mitigation or Offset.** The provisions of this Agreement are not intended to, nor shall they be construed to, require that Executive mitigate the amount of any payment or benefit provided for in this Agreement by seeking or accepting other employment. Except as provided in Section 3(f), the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned or health benefits received by Executive as the result of employment outside of the Company.

(c) **Successors.** Except in the case of a merger involving the Company with respect to which under applicable law the surviving corporation of such merger will be obligated under this Agreement in the same manner and to the same extent as the Company would have been required if no such merger had taken place, the Company will require any successor, by purchase or otherwise, to all or substantially all of the business and/or assets of the Company, to execute an agreement whereby such successor expressly assumes and agrees to perform this Agreement in the same manner and to the same extent as the Company would have been required if no such succession had taken place and expressly agrees that Executive may enforce this Agreement against such successor. Failure of the Company to obtain any such required agreement and to deliver such agreement to Executive prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to payment from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive's employment had terminated for Good Reason and such termination constituted a Qualifying Termination of Employment, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, ***"Company"*** shall mean the Company as hereinbefore defined and any successor to its business and/or assets that executes and delivers the agreement provided for in this Section 8(c)(i) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(d) **Binding Agreement.** This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to Executive hereunder if Executive had continued to live, all such amounts shall he paid in accordance with the terms of this Agreement to Executive's beneficiary as filed with the Company pursuant to this Agreement or, if there is no such designated beneficiary, to Executive's estate.

(e) **Notice.** All notices or communications hereunder shall be in writing, addressed as follows:

If to the Company:

Exterran Corporation
11000 Equity Drive
Houston, Texas 77041
Attn: General Counsel
legalreview@exterran.com

If to Executive:

At Executive's residence address as
maintained by the Company in the regular
course of business for payroll purposes.

All such notices shall be conclusively deemed to be received and shall be effective; (i) if sent by hand delivery or by overnight delivery service, upon receipt, (ii) if sent by telecopy or facsimile transmission, upon confirmation of receipt by the sender of such transmission or (iii) if sent by registered or certified mail, on the fifth (5^{th}) business day after the day on which such notice is mailed.

(f) **Amendment; Waiver.** No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by Executive and by (i) the Executive Chairman of the Board, (ii) the Lead Independent Director or

(iii) any officer authorized by Chairman of the Board or the Lead Independent Director. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(g) **Choice of Law.** The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas without regard to conflicts of laws principles.

(h) **Severability.** If any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or part, such invalidity will not affect any otherwise valid provision, and all other valid provisions will remain in full force and effect.

(i) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

(j) Titles. The titles and headings preceding the text of the paragraphs and subparagraphs of this Agreement have been inserted solely for convenience of reference and do not constitute a part of this Agreement or affect its meaning, interpretation or effect.

(k) **Corporate Approval.** This Agreement has been approved by the Board, and has been duly executed and delivered by Executive and on behalf of the Company by its duly authorized representative.

(l) **Arbitration.** Subject to Sections 5(f) and 8(l) hereof, any dispute, controversy or claim arising out of or relating to the obligations under this Agreement, shall be exclusively settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution Rules. The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within thirty (30) days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels submitted by the American Arbitration Association (the *"AAA")*. The selection process shall be that which is set forth in the AAA Employment Dispute Resolution Rules, except that, if the parties fail to select an arbitrator from one or more panels, AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected. The arbitration shall take place in Houston, Texas in the English language. Either party may appeal the arbitration award and judgment thereon and, in actions seeking to vacate an award, the standard of review to be applied to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. This agreement to arbitrate shall not preclude the parties from engaging in voluntary, nonbinding settlement efforts including mediation. All fees and expenses of the arbitration, including a transcript if requested but not including the legal costs and fees incurred by any party to such arbitration, will be borne by the parties equally. Each party shall be responsible for its own legal costs and fees.

(m) **Venue.** Any suit, action or other legal proceeding for specific performance or injunctive relief arising under Section 5(f) of this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Harris County, Texas. Each of Executive and the Company consents to the jurisdiction of any such court in any such suit, action, or proceeding and waives any objection that it may have to the laying of venue of any such suit, action, or proceeding in any such court.

(n) **Withholding of Taxes.** The Company and its affiliates may withhold from any amounts payable under this Agreement all taxes required to be withheld pursuant to any applicable law or regulation.

(o) **No Effect on Employment.** This Agreement is not an employment or service contract, and nothing in this Agreement shall be deemed to create in any way whatsoever any obligation on Executive's part to continue in employment by the Company or any of its affiliates, or of the Company or any of its affiliates to continue Executive's employment with the Company. Nothing in this Agreement modifies the nature of the employment relationship between the Company and its affiliates and Executive which continues to be an "at-will" relationship.

(p) **Clawback and Recoupment.** All compensation and benefits payable to Executive by the Company and/or its affiliates (including any such amounts payable under this Agreement) will be subject to any clawback or recoupment policies that the Company and/or its affiliates may adopt from time to time, including, without limitation, the Incentive-Based Compensation Recoupment Policy adopted by the Company's Board of Directors to be effective on January 1, 2019.

(q) **Protected Rights; Defend Trade Secrets Act**. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or from providing truthful testimony in response to a lawfully issued subpoena or court order. Executive understands that this Agreement does not limit his or her ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Executive understands that under the Defend Trade Secrets Act: (1) no person will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (A) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (2) a person who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the person and use the trade secret information in the court proceeding, if the person files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

(r) **Entire Agreement.** This Agreement constitutes the entire agreement of Executive and the Company with respect to the subject matter hereof, and hereby expressly terminates, rescinds and replaces in full any prior and contemporaneous promises, representations, understandings, arrangements and agreements between the parties relating to the subject matter hereof, whether written or oral. However, the Severance Agreement shall remain in full force and effect, subject to any termination provisions contained therein, through the Date of Termination (and if there is a Qualifying Termination of Employment under the Severance Agreement that does not constitute a Qualifying Termination of Employment for purposes of this Agreement, then the Severance Agreement shall apply in lieu of this Agreement (and this Agreement shall be of no further force and effect)). Nothing in this Agreement shall affect Executive's rights under such compensation and benefit plans and programs of the Company in which Executive may participate, except as may be explicitly provided in this Agreement.

(s) **Payment Date.** If any payment hereunder falls upon a date in which the banks in Houston, Texas are closed, then such payment shall be due on the next available date in which banks are open for business in Houston, Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts, all of which taken together shall constitute one agreement, effective as of the Effective Date.

Exterran Corporation

By: ______________________________

Name:
Title:

Executive

By: ______________________________

Name:
Title:

EXHIBIT A

Definitions:

i. **401(k) Plan. *"401(k) Plan"*** shall mean any Code Section 401(a) qualified plan that includes a cash or deferral arrangement under Code Section 401(k) maintained by the Company or an affiliate thereof.

ii. **Base Salary. *"Base Salary"*** shall mean Executive's annual rate of base salary (without regard to bonus compensation) as in effect immediately prior to the Change of Control or, if later, the Date of Termination.

iii. **Board. *"Board"*** shall mean the Board of Directors of the Company.

iv. **Cause. *"Cause"*** shall mean a termination of Executive's employment due to (a) the commission by Executive of an act of fraud, embezzlement or willful breach of a fiduciary duty to the Company or an affiliate (including the unauthorized disclosure of confidential or proprietary material information of the Company or an affiliate), (b) a conviction of Executive of (or a plea of *nolo contendere* to) a felony or a crime involving fraud, dishonesty or moral turpitude, (c) willful failure of Executive to follow the written directions of the Board; (d) willful failure of Executive to render services to the Company or an affiliate in accordance with Executive's employment arrangement, which failure amounts to a material neglect of Executive's duties to the Company or an affiliate; (e) material violation of the Company's Code of Conduct; or (f) Executive's use of alcohol or illicit drugs in the workplace or otherwise in a manner that has or may reasonably be expected to have a detrimental effect on Executive's performance, Executive's duties to the Company, or the reputation of the Company or any affiliate thereof.

v. **Change of Control.** A *"**Change of Control**"* of the Company shall mean:

a. The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of forty percent (40%) or more of either (A) the then outstanding shares of common stock of the Company (the **"Outstanding Company Common Stock"**) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the **"Outstanding Company Voting Securities"**); provided, however, that for purposes of this subsection (a), any acquisition by any Person pursuant to a transaction which complies with clause (A) of subsection (c) of this definition shall not constitute a Change of Control; or

b. Individuals who, as of the date hereof, constitute the Board (the ***"Incumbent Board")*** cease for any reason to constitute at least a majority of the Board; *provided*, *however,* that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(a) The consummation of a reorganization, merger or consolidation involving the Company or any of its subsidiaries, or the sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) (each, a ***"Corporate Transaction"***), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Resulting Corporation in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, and (B) at least a majority of the members of the board of directors of the Resulting Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. The term ***"Resulting Corporation"*** means (1) the Company or its successor, or (2) if as a result of a Corporate Transaction the Company or its successor becomes a subsidiary of another entity, then such entity or the parent of such entity, as applicable, or (3) in the event of a Corporate Transaction involving the sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, then the transferee of such assets or the parent of such transferee, as applicable, in such Corporate Transaction.

Notwithstanding the foregoing, if a Change of Control constitutes a payment event with respect to any payment (or portion thereof) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in clauses (a), (b) or (c) above with respect to such payment (or portion thereof) shall only constitute a Change of Control for purposes of the payment timing of such payment if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

vi. **Code.** ***"Code"*** shall mean the Internal Revenue Code of 1986, as amended.

vii. **Confidential Information.** ***"Confidential Information"*** shall mean any and all information, data and knowledge which is part of the Property or that has been created, discovered, developed or otherwise become known to the Company or any of its affiliates or ventures or in which property rights have been assigned or otherwise conveyed to the Company or any of its affiliates or ventures, which information, data or knowledge has commercial value in the business in which the Company is engaged, except such information, data or knowledge as is or becomes known to the public without violation of the terms of this Agreement.

viii. **Date of Termination.** ***"Date of Termination"*** shall mean (a) if Executive terminates Executive's employment for Good Reason, that date on which Executive's employment is deemed terminated as provided in the definition of Good Reason, (b) with respect to a termination of employment prior to a Change of Control that is deemed to be during the Protected Period, the date of such termination, or (c) if Executive's employment is terminated for any other reason on or after a Change of Control, the date of such termination, provided, in the case of each of clauses (a), (b) and (c) above, that such termination is also a "separation from service" within the meaning of Section 409A.

ix. **Disability.** A ***"Disability"*** shall mean Executive becoming entitled to long-term disability benefits under the Company's long-term disability plan.

x. **Exchange Act. *"Exchange Act"*** shall mean the Securities Exchange Act of 1934, as amended.

xi. **Good Reason. *"Good Reason"*** shall mean the occurrence of any of the following without Executive's express written consent:

(a) a material diminution in Executive's duties or responsibilities;

(b) a material reduction in Executive's Base Salary;

(c) a material reduction in Executive's annual Target Short-Term Incentive as a percentage of Base Salary as in effect immediately prior to the Change of Control;

(d) a material reduction in Executive's employee benefits (without regard to bonus compensation, if any), if such reduction results in Executive receiving benefits which are, in the aggregate, materially less than the benefits received by other comparable executives of the Company generally;

(e) Executive's being required to be based at any of other office or location of employment more than fifty (50) miles from (1) the Company's then current headquarters office in Houston, Texas, or (2) the Executives primary office or location of employment immediately prior to a Change of Control; or

(f) the willful failure by the Company to pay any compensation to Executive when due.

However, Good Reason shall not exist with respect to a matter unless Executive gives the Company a Notice of Termination by the later of: (i) the ninetieth (90^{th}) day following the date of first occurrence of such event or (ii) the twelve (12) month anniversary of the Change in Control. If Executive fails to give such Notice of Termination timely, Executive shall be deemed to have waived all rights Executive may have under this Agreement with respect to such matter. The Company shall have thirty (30) days from the date of receipt of such Notice of Termination to cure the matter. If the Company timely cures the matter, such Notice of Termination shall be deemed rescinded. If the Company fails to cure the matter timely, Executive's employment shall terminate for Good Reason at the end of such thirty (30)-day period.

xii. **IRS. *"IRS"*** shall mean the Internal Revenue Service.

xiii. **Notice of Termination.** ***"Notice of Termination"*** shall mean a written notice that sets forth in reasonable detail the facts and circumstances for termination of Executive's employment.

xiv. **Person.** ***"Person"*** shall mean any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

xv. **Property.** ***"Property"*** shall mean all records, files, memoranda, reports, keys, codes, computer hardware and software, documents, videotapes, written presentations, brochures, drawings, notes, correspondence, manuals, models, specifications, computer programs, email, voice mail, electronic databases, maps, drawings, architectural renditions and all other writings or materials of any type and other property of any kind or description (whether in electronic or other form) prepared, used or possessed by Executive during Executive's employment by the Company (and any duplicates of any such property) together with any and all information, ideas, concepts, discoveries, and inventions and the like conceived, made, developed or acquired at any time by Executive individually or with others during Executive's employment which relate to the Company's business, products or services.

xvi. **Protected Period.** The ***"Protected Period"*** shall mean the period of time beginning with the Change of Control and ending on the eighteen (18)-month anniversary of such Change of Control or Executive's death, if earlier; *provided, however,* (a) if Executive's employment with the Company is terminated during the Term and within six (6) months prior to the date on which a Change of Control occurs (e.g., not during the Protected Period), and (b) it is reasonably demonstrated by Executive that such termination was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control, or otherwise arose in connection with or anticipation of the Change of Control, then, for purposes of this Agreement, the Change of Control shall be deemed to have occurred on the date immediately prior to the date of Executive's termination (except as otherwise expressly set forth herein) and Executive shall be deemed terminated by the Company during the Protected Period other than for Cause.

xvii. **Qualifying Termination of Employment.** A ***"Qualifying Termination of Employment"*** shall mean a termination of Executive's employment during the Protected Period either (a) by the Company other than for Cause or (b) by Executive for Good Reason. A termination of employment due to Executive's death or Disability during the Protected Period shall not constitute a Qualifying Termination of Employment.

xviii. **Restricted Area.** ***"Restricted Area"*** shall mean any state in the United States, or any country in which the Company or any of its affiliates engage in any Restricted Business at any time during the term of Executive's employment with the Company.

xix. **Restricted Business.** ***"Restricted Business"*** shall mean any business in which the Company or any of its affiliates may be engaged as of Executive's Date of Termination. To the extent that any entity is primarily engaged in a business other than a Restricted Business, the term ***"Restricted Business"*** shall mean the operations, division, segment or affiliate of such entity that is engaged in any Restricted Business.

xx. **Short-Term Incentive.** ***"Short-Term Incentive"*** shall mean, with respect to any fiscal year of the Company, the specific short-term annual incentive award (if any) approved for Executive by the Board or a designated committee of the Board with respect to such year.

xxi. **Target Short-Term Incentive.** ***"Target Short-Term Incentive"*** shall mean the target annual short-term incentive opportunity for Executive expressed as a percentage of base salary, as set forth in connection with the annual management incentive plan covering such Executive.

xxii. **Termination Year.** ***"Termination Year"*** shall mean the calendar year during which Executive's Date of Termination occurs.

EXHIBIT B

WAIVER AND RELEASE

In exchange for the consideration offered under the Change of Control Agreement between me and Exterran Corporation (the “***Company***”), dated as of [ ](the “***Agreement***”), I hereby waive all of my claims and release the Company, any affiliate, subsidiary or venture of the Company, and any of their respective officers, directors, employees, partners, investors, counsel or agents, their benefit plans and the fiduciaries and agents of said plans (collectively referred to as the “***Corporate Group***”) from any and all claims, demands, actions, liabilities and damages.

1. I understand that signing this Waiver and Release is an important legal act. I acknowledge that the Company has advised me in writing to consult an attorney before signing this Waiver and Release. I understand that I have up to and including (21) calendar days from date of receipt of this document to consider whether to sign and return this Waiver and Release to the Company by hand delivery or by registered or certified mail, addressed to the address for the Company specified in the Agreement. If I sign this release prior to the expiration of the twenty-one (21) day period, I waive the remainder of that period. I waive the restarting of the twenty-one (21) day period in the event of any modification of this Waiver and Release, whether or not material.

In exchange for the consideration offered to me by the Agreement, which I acknowledge provides consideration to which I would not otherwise be entitled, I agree not to sue or file any charges of discrimination, or any other action or proceeding with any local, state and/or federal agency or court regarding or relating in any way to the Company with respect to the claims released by me herein, and I knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to the Corporate Group, except with respect to rights under the Agreement, rights under employee benefit plans or programs other than those specifically addressed in the Agreement, and such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes, but is not limited to, claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended;; the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990; the Energy Reorganization Act, as amended, 42 U.S.C. § 5851; the Worker Adjustment and Retraining Notification Act of 1988; the Pregnancy Discrimination Act of 1978; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Occupational Safety and Health Act; claims in connection with workers’ compensation or “whistle-blower” statutes; and/or contract, tort, defamation, slander, wrongful termination or any other state or federal regulatory, statutory or common law. Further, I expressly represent that no promise or agreement which is not expressed in the Agreement or this Waiver and Release has been made to me in executing this Waiver and Release, and that I am relying on my own judgment in executing this Waiver and Release, and that I am not relying on any statement or representation of any member of the Corporate Group or any of their agents. I agree that this Waiver and Release is valid, fair, adequate and reasonable, is with my full knowledge and consent, was not procured through fraud, duress or mistake and has not had the effect of misleading, misinforming or failing to inform me. I acknowledge and agree that the Company will withhold any taxes required by law from the amount payable to me under the Agreement and that such amount shall be reduced by any monies owed by me to the Company.

This Waiver and Release includes a release of claims of discrimination or retaliation on the basis of workers' compensation status, but does not include workers' compensation claims. Also excluded from this Waiver and Release are any claims which by law cannot be waived in a private agreement between an employer and employee, including but not limited to claims under the Fair Labor Standards Act, and the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission (the "***EEOC***"), the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission ("***SEC***"), any local, state or federal law enforcement or regulatory agency, any legislative or regulatory committee or any other federal, state or local governmental agency or commission (collectively, "***Government Agencies***"). I waive, however, the right to any monetary recovery or other relief should the EEOC or any other agency pursue a claim on my behalf, with the exception of any right to receive an award for information provided to the SEC.

Notwithstanding the foregoing, I do not release and expressly retain (a) all rights to indemnity, contribution, advancement of expenses and a defense, and directors and officers and other liability coverage that I may have under any Company insurance policy, the Indemnification Agreement between me and the Company dated as of [__________], any statute, the certificate of incorporation or bylaws of the Company or under any other written agreement between me and the Company; (b) the right to any unpaid reasonable business expenses and any accrued benefits payable under any Company welfare plan, tax-qualified plan or other Benefit Plans (for the avoidance of doubt, the term "***Benefit Plans***" includes any outstanding equity awards under an equity incentive plan, any deferred compensation plan, any employee stock purchase plan and the Company's 401(k) plan); and (c) all rights and remedies arising under this Waiver and Release and the Agreement.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release.

2. I understand that for a period of seven (7) calendar days starting on the date immediately following the date I sign this Waiver and Release (the "Waiver Revocation Period"), I may revoke my acceptance of the offer by delivering a written statement to the Company by hand or by registered mail or certified, addressed to the address for the Company specified in the Agreement, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the consideration offered under the Agreement to which I would not otherwise have been entitled. I understand that failure to revoke my acceptance of the offer within the Waiver Revocation Period will result in this

Waiver and Release becoming effective, permanent and irrevocable at the end of the Waiver Revocation Period.

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions, have it explained to me and had the opportunity to seek independent legal advice with respect to the matters addressed in this Waiver and Release and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin or disability and any other claims arising prior to the date of this Waiver and Release, except for those claims specifically not released by me herein.

I represent and warrant in executing this Waiver and Release, that I have returned all Company property in my possession or deleted such information if in electronic form.

THE COMPANY HEREBY ADVISES [ ] TO CONSULT WITH AN ATTORNEY OF [HIS/HER] CHOICE REGARDING [HIS/HER] WAIVER OF ADEA CLAIMS BEFORE EXECUTING THIS AGREEMENT.

By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions or events of the Company or any other member of the Corporate Group which occur after the date of execution of this Waiver and Release.

AGREED TO AND ACCEPTED

this ______day of _______, 20__:

Name: ______________________________

Title: ______________________________

Exhibit 10.3

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT (this ***"Agreement"***), *is* made and entered into effective as of _______, 2020 (the ***"Effective Date"***), by and between Exterran Corporation, a Delaware corporation (the ***"Company"***), and Andrew Way (***"Executive"***).

WHEREAS, Executive is employed as President and Chief Executive Officer of the Company;

WHEREAS, the Company and Executive mutually desire to enter into an agreement regarding their respective rights and obligations in connection with a Change of Control during the Term; and

WHEREAS, (i) concurrently with the execution of this Agreement, the Company and Executive have entered into a Severance Benefit Agreement (the ***"Severance Agreement"),*** and (ii) if there is a Qualifying Termination of Employment under the Severance Agreement that does not constitute a Qualifying Termination of Employment for purposes of this Agreement, then the Severance Agreement shall apply in lieu of this Agreement.

NOW, THEREFORE, in consideration of the premises, the terms and provisions set forth herein, the mutual benefits to be gained by the performance hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Term.** This Agreement shall begin on the Effective Date and shall continue until the first (1st) anniversary of the Effective Date (the ***"Initial Term"***)*; provided, however,* that thereafter, the term of this Agreement shall automatically be extended for successive one (1) year periods (each, a ***"Renewal Term"***) (the Initial Term, plus any Renewal Terms, plus, in the event of Executive's Qualifying Termination of Employment (as defined below) for Good Reason, any additional time period necessitated by the Company's right to cure as set forth in the definition of Good Reason, are collectively referred to as the ***"Term"*)**, unless at least 365 days prior to the expiration of the Initial Term or any Renewal Term, the Board shall give written notice to Executive that the Term of this Agreement shall cease to be so extended. However, if a Change of Control shall occur during the Term, the Term shall automatically continue in effect for a period of eighteen (18) months following the Change of Control plus, in the event of Executive's Qualifying Termination of Employment for Good Reason, any additional time period necessitated by the Company's right to cure as set forth in the definition of Good Reason, and thereafter shall automatically terminate. In addition, this Agreement shall automatically terminate upon Executive's termination of employment. Termination of this Agreement shall not alter or impair any rights of Executive arising under this Agreement on or prior to such termination.

2. **Termination of Employment.** Upon a termination of Executive's employment with the Company during the Term for any reason, the Company shall pay to Executive, not later than

the sixtieth (60th) day following the Date of Termination (or such earlier date as may be required by applicable law), an amount, in a lump sum payment, equal to the sum of: (A) Executive's earned but unpaid Base Salary through the Date of Termination, (B) any portion of Executive's vacation pay earned, but not used, through the Date of Termination, and (C) any unreimbursed business expenses as of the Date of Termination. Vested benefits (if any) under any employee benefit plans shall be governed by the terms and conditions of the applicable plans. In addition to the foregoing, if Executive incurs a Qualifying Termination of Employment during the Term, Executive shall be entitled to the benefits provided in Section 3 hereof. If Executive's employment terminates during the Term for any reason other than due to a Qualifying Termination of Employment, then Executive shall not be entitled to any benefits under Section 3 of this Agreement.

3. **Benefits Upon a Qualifying Termination of Employment.** If Executive incurs a Qualifying Termination of Employment during the Term, then subject to Sections 3(e), 3(f) and 3(g) below, Executive will be entitled to receive the following payments and benefits:

(a) **Lump Sum.** The Company shall pay to Executive on the sixtieth (60th) day following the Date of Termination, an amount, in a lump sum payment, equal to the sum of:

(i) An amount equal to three times Executive's Base Salary plus three times Executive's Target Short-Term Incentive; plus

(ii) Executive's Target Short-Term Incentive for the Termination Year (prorated to the Date of Termination); plus

(iii) Any earned but unpaid Short-Term Incentive for the Company's fiscal year ending prior to the Termination Year (provided, however, if the prior year's Short-Term Incentive has not yet been calculated as of the sixtieth (60th) day following the Date of Termination, such amount shall be payable when calculated and paid to others under the same award plan, but in no event later than March 15th of the year following the Termination Year); plus

(iv) Amounts previously deferred by Executive, if any, or earned but not paid, if any, under any Company incentive and nonqualified deferred compensation plans or programs as of the Date of Termination; plus

(v) An amount equal to two (2) years of (A) Executive's premium payments for continuation coverage pursuant to Section 4980B of the Code for Executive and Executive's eligible dependents following the Separation Date minus (B) the cost to Executive of premium payments for healthcare coverage for Executive and Executive's eligible dependents during Executive's employment with the Company (calculated based on Executive's elections as in effect on the Date of Termination).

(b) **Incentive Awards.** All outstanding equity and equity-based incentive awards (including, without limitation, stock options, restricted stock, restricted stock units, and performance shares or units) based in common stock of the company and all cash-based incentive awards (not otherwise covered in Section 3(a) above) held by Executive and not previously vested shall become

100% vested upon Executive's Qualifying Termination of Employment; *provided*, that if Executive's Date of Termination occurs prior to a Change of Control, such awards shall remain outstanding and eligible to vest upon a Change of Control occurring within six (6) months thereafter and shall automatically terminate upon the earlier of the six (6)-month anniversary of the Date of Termination (to the extent such awards do not become vested on or prior to such six (6)-month anniversary) or the applicable expiration date that would apply to such awards had Executive remained employed by the Company; and *provided further*, that if the achievement of the performance goals applicable to any performance units or performance shares held by Executive on the later of the Date of Termination or Change of Control to which such Qualifying Termination of Employment relates (as applicable) has not yet been measured, then such performance goals shall be deemed attained at target level(s). Except as otherwise provided below, any such vesting shall be will be paid or delivered in accordance with the terms of the applicable award agreements, including any discretion of the Company to issue shares in book entry form or cash. Notwithstanding the foregoing, with respect to an award that is subject to Section 409A (as defined below), the acceleration of vesting under this Section 3(c) shall not cause an impermissible acceleration of payment or change in form of payment of such award under Section 409A. Notwithstanding the terms of any Company (or affiliate) plan or agreement between the Company (or affiliate) and Executive to the contrary, the accelerated vesting of all awards required pursuant to the terms of this Section 3(b) shall govern.

(c) **Release.** Notwithstanding anything in this Agreement to the contrary, as a condition of receiving the payment or benefits described in Sections 3(a) or 3(b), the Executive agrees to execute, deliver and not revoke in accordance with the terms of the Release, the Waiver and Release attached here as Exhibit B (the ***"Release"***), such Release to be delivered, and to have become fully irrevocable, on or before the end of the sixty (60) day period following the Executive's date of Qualifying Termination of Employment. If the Release has not been executed and delivered and become irrevocable on or before the end of such sixty (60) day period, no payments or benefits described in Sections 3(a) or 3(b) hereof shall be payable.

(d) **Acknowledgement.** The parties acknowledge and agree that the severance amounts payable to Executive under Section 3(a) are not eligible compensation for purposes of the 401(k) Plan (and thus is not eligible for a matching contribution thereunder).

(e) **Severance Offset.** Except as otherwise expressly provided in a written agreement between Executive and the Company, any cash severance payments payable under Section 3(a) shall be offset or reduced by the amount of any cash severance amounts payable to Executive under any other agreement the Company or any of its affiliates may have entered into with Executive or any severance plan or program maintained by the Company or any affiliate for employees generally.

(f) **Statutory Severance.** Notwithstanding anything herein to the contrary, if (i) Executive is entitled to receive severance or similar benefits under the laws of a country that is not the United States (***"Statutory Severance"***) and (ii) Executive incurs a Qualifying Termination of Employment during the Term and becomes entitled to the payments and benefits provided in Sections 3(a) and 3(b) hereof, then such Executive will be entitled to receive either an amount equal to (i) the Statutory Severance or (ii) the payments and benefits described in Sections 3(a) and 3(b), whichever is greater.

(g) **Section 409A Matters.**

(i) Payments pursuant to this Agreement are intended to comply with or be exempt from Code Section 409A and accompanying Department of Treasury regulations and other interpretive guidance promulgated thereunder (collectively, ***"Section 409A"***) and, to the extent applicable, the provisions of this Agreement will be administered, interpreted and construed accordingly. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be or become subject to Section 409A, the Company may unilaterally adopt such amendments to this Agreement and/or to adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; *provided*, *however,* that this Section 3(g) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(ii) Executive shall have no right to specify the calendar year during which any payment hereunder shall be made. All reimbursements and in-kind benefits provided pursuant to this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) such that any reimbursements or in-kind benefits will be deemed payable at a specified time or on a fixed schedule relative to a permissible payment event. Specifically, (A) the amounts reimbursed and in-kind benefits under this Agreement during Executive's taxable year may not affect the amounts reimbursed or in-kind benefits provided in any other taxable year, (B) the reimbursement of an eligible expense shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred, and (C) the right to reimbursement or an in-kind benefit is not subject to liquidation or exchange for another benefit.

(iii) Notwithstanding any provision of this Agreement to the contrary, the Company and Executive agree that no benefit or benefits under this Agreement, including, without limitation, any severance payments or benefits payable under Section 3 hereof, shall be paid to Executive during the six (6)-month period following the Separation Date if paying such amounts at the time or times indicated in this Agreement would constitute a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first (1st) business day next following the earlier of (i) the date that is six (6) months and one day following the date of Executive's termination of employment, (ii) the date of Executive's death or (iii) such earlier date as complies with the requirements of Section 409A, the Company shall pay Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such period (without interest).

4. **Limitation on Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, if any payment or distribution received or to be received by Executive (including any payment or benefit received in connection with a termination of Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 3 of this Agreement, the ***"Total Payments"***) would be subject (in whole or part) to the excise tax imposed by Code Section 4999 (the ***"Excise Tax"*****),** then, after taking into account any reduction in the Total Payments provided by reason of Code Section 280G in such other plan, arrangement or agreement, Executive's remaining Total Payments shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes applicable to such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The reduction undertaken pursuant to this Section 4 shall be accomplished first by reducing or eliminating any cash payments subject to Section 409A as deferred compensation (with payments to be made furthest in the future being reduced first), then by reducing or eliminating cash payments that are not subject to Section 409A, then by reducing payments attributable to equity-based compensation (or the accelerated vesting thereof) subject to Section 409A as deferred compensation (with payments to be made furthest in the future being reduced first), and finally by reducing payments attributable to equity-based compensation (or the accelerated vesting thereof) that is not subject to Section 409A.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments, the receipt or retention of which Executive has waived at such time and in such manner so as not to constitute a "payment" within the meaning of Code Section 280G(b), will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (***the "Independent Advisors"***) selected by the Company, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2) (including by reason of Code Section 280G(b)(4)(A)) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Code Section 280G(b)(4)(B), in excess of the “base amount” (as defined in Code Section 280G(b)(3)) allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Code Sections 280G(d)(3) and (4).

5. **Restrictions and Obligations of Executive.**

(a) **Consideration for Restrictions and Covenants.** The Company and Executive agree that the principal consideration for the Company’s agreement to make the payments provided in this Agreement to Executive is Executive’s compliance with the undertakings set forth in this Section 5. Except as otherwise stated in Section 8(q) herein, in the event of any conflict between Section 5 of this Agreement and any other written agreement between the Company and Executive, the terms of this Section 5 control with respect to Executive’s post-employment obligations set forth herein.

(b) **Confidentiality.** Executive acknowledges that the Company will provide Executive with Confidential Information and has previously provided Executive with Confidential Information. In return for consideration provided under this Agreement, Executive agrees that Executive will not, while employed by the Company or any affiliate and thereafter, disclose or make available to any other person or entity, or use for Executive’s own personal gain, any Confidential Information, except for such disclosures as required in the performance of Executive’s duties with the Company or as may otherwise be required by law or legal process (in which case Executive shall notify the Company of such legal or judicial proceeding as soon as practicable following Executive’s receipt of notice of such a proceeding, and permit the Company to seek to protect its interests and information). Notwithstanding the foregoing, nothing contained herein shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, as provided in Section 8(p) hereof.

(c) **Non-Solicitation.** For the one (1) -year period following the termination of Executive’s employment for any reason, Executive shall not, directly or indirectly (i) employ or seek to employ any person who is as of the date of Executive’s termination of employment, or was at any time within the six (6)-month period preceding the date of Executive’s termination of employment, an officer, executive, general manager or director or equivalent or more senior-level employee of the Company or any of its affiliates. Furthermore, during the same one-year period following Executive’s termination of employment, Executive shall not solicit, encourage, cause or induce any such employee of the Company or any of its affiliates to terminate such employee’s employment with the Company or any of its affiliates for employment by another person or entity (including for this purpose contracting with any person who was an independent contractor (excluding consultant) of the Company or any of its affiliates on the date of Executives’ termination of employment or during the six (6) month period preceding Executive’s termination of employment with the Company) or (ii) take any action that would interfere with the relationship of the Company or and of its affiliates with their suppliers or customers without, in either case, the prior written consent of the Board, or engage in any other action or business that could have a material adverse effect on the Company.

(d) **Non-Competition.** During the term of Executive's employment with the Company, or any of its affiliates thereof and for one (1) -year period following the termination of Executive's employment for any reason, Executive shall not, directly or indirectly:

(i) engage in any managerial, administrative, advisory, consulting, operational or sales activities in a Restricted Business anywhere in the Restricted Area, including, without limitation, as a director or partner of such Restricted Business, or

(ii) organize, establish, operate, own, manage, control or have a direct or indirect investment or ownership interest in a Restricted Business or in any corporation, partnership (limited or general), limited liability company, enterprise or other business entity that engages in a Restricted Business anywhere in the Restricted Area.

Nothing contained in this Section 5 shall prohibit or otherwise restrict Executive from acquiring or owning, directly or indirectly, for passive investment purposes not intended to circumvent this Agreement, securities of any entity engaged, directly or indirectly, in a Restricted Business if either (i) such entity is a public entity and Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) owns, directly or indirectly, no more than three percent (3%) of any class of equity securities of such entity or (ii) such entity is not a public entity and Executive (A) is not a controlling Person of, or a member of a group that controls, such entity and (B) does not own, directly or indirectly, more than one percent (1%) of any class of equity securities of such entity.

(e) **Nondisparagement.** Executive, acting alone or in concert with others, agrees that from and after the date on which Executive's employment terminates, Executive will not publicly criticize or disparage the Company or its affiliates, or privately criticize or disparage the Company or its affiliates in a manner intended or reasonably calculated to result in public embarrassment to, or injury to the reputation of, the Company or its affiliates; *provided, however,* that nothing in this Agreement shall apply to or restrict in any way the communication of information by Executive to any state or federal law enforcement or regulatory agency or any legislative or regulatory committee or require notice to the Company thereof.

(f) **Injunctive Relief.** Executive acknowledges that monetary damages for any breach of Sections 5(b), (c), (d) or (e) above will not be an adequate remedy and that irreparable injury will result to the Company, its business and property, in the event of such a breach. For that reason, Executive agrees that in the event of a breach of Sections 5(b), (c), (d) or (e) above, in addition to recovering legal damages, the Company is entitled to proceed in equity for specific performance or to enjoin Executive from violating such provisions.

(g) **Reformation.** Executive and Company agree that it was both parties' intention to enter into a valid and enforceable agreement. Executive agrees that if any covenant contained in this Section 5 is found by a court of competent jurisdiction or an arbitrator to contain limitations as to time, geographic area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, then the court or arbitrator shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographic area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company.

6. **Return of Property.** On or immediately following the date on which Executive's employment terminates, Executive shall promptly return all Property which had been entrusted or made available to Executive by the Company; provided that if such Property is in electronic form on Executive's personal computers Executive shall be deemed to comply with this Section 6 if Executive, after obtaining the Company's consent, deletes such Property from Executive's personal computers.

7. **Post-Separation Date Assistance.** Following the date on which Executive's employment terminates, Executive agrees that Executive will reasonably and appropriately respond to all inquiries from the Company relating to any current or future litigation of which Executive may have relevant information, and shall make himself or herself reasonably available to confer with the Company and otherwise provide testimony as the Company may deem necessary in connection with such litigation, subject in all cases to Executive's other business and personal commitments. Such assistance shall be provided by Executive without remuneration, but the Company shall pay or reimburse Executive for all reasonable expenses actually incurred or paid by Executive in complying with this Section 7 upon the presentation of expense statements or vouchers or such other supporting information as the Company may reasonably require of Executive.

8. **Miscellaneous Provisions.**

(a) **Definitions Incorporated by Reference.** Reference is made to Exhibit A hereto for definitions of certain capitalized terms used in this Agreement, and such definitions are incorporated herein by such reference with the same effect as if set forth herein.

(b) **No Other Mitigation or Offset.** The provisions of this Agreement are not intended to, nor shall they be construed to, require that Executive mitigate the amount of any payment or benefit provided for in this Agreement by seeking or accepting other employment. Except as provided in Section 3(f), the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned or health benefits received by Executive as the result of employment outside of the Company.

(c) **Successors.** Except in the case of a merger involving the Company with respect to which under applicable law the surviving corporation of such merger will be obligated under this Agreement in the same manner and to the same extent as the Company would have been required if no such merger had taken place, the Company will require any successor, by purchase or otherwise, to all or substantially all of the business and/or assets of the Company, to execute an agreement whereby such successor expressly assumes and agrees to perform this Agreement in the same manner and to the same extent as the Company would have been required if no such succession had taken place and expressly agrees that Executive may enforce this Agreement against such successor. Failure of the Company to obtain any such required agreement and to deliver such agreement to Executive prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to payment from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive's employment had terminated for Good Reason and such termination constituted a Qualifying Termination of Employment, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, ***"Company"*** shall mean the Company as hereinbefore defined and any successor to its business and/or assets that executes and delivers the agreement provided for in this Section 8(c)(i) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(d) **Binding Agreement.** This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to Executive hereunder if Executive had continued to live, all such amounts shall he paid in accordance with the terms of this Agreement to Executive's beneficiary as filed with the Company pursuant to this Agreement or, if there is no such designated beneficiary, to Executive's estate.

(e) **Notice.** All notices or communications hereunder shall be in writing, addressed as follows:

If to the Company:

Exterran Corporation
11000 Equity Drive
Houston, Texas 77041
Attn: General Counsel
legalreview@exterran.com

If to Executive:

At Executive's residence address as
maintained by the Company in the regular
course of business for payroll purposes.

All such notices shall be conclusively deemed to be received and shall be effective; (i) if sent by hand delivery or by overnight delivery service, upon receipt, (ii) if sent by telecopy or facsimile transmission, upon confirmation of receipt by the sender of such transmission or (iii) if sent by registered or certified mail, on the fifth (5^{th}) business day after the day on which such notice is mailed.

(f) **Amendment; Waiver.** No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by Executive and by (i) the Executive Chairman of the Board, (ii) the Lead Independent Director or

(iii) any officer authorized by Chairman of the Board or the Lead Independent Director. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(g) **Choice of Law.** The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas without regard to conflicts of laws principles.

(h) **Severability.** If any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or part, such invalidity will not affect any otherwise valid provision, and all other valid provisions will remain in full force and effect.

(i) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

(j) Titles. The titles and headings preceding the text of the paragraphs and subparagraphs of this Agreement have been inserted solely for convenience of reference and do not constitute a part of this Agreement or affect its meaning, interpretation or effect.

(k) **Corporate Approval.** This Agreement has been approved by the Board, and has been duly executed and delivered by Executive and on behalf of the Company by its duly authorized representative.

(l) **Arbitration.** Subject to Sections 5(f) and 8(l) hereof, any dispute, controversy or claim arising out of or relating to the obligations under this Agreement, shall be exclusively settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution Rules. The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within thirty (30) days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels submitted by the American Arbitration Association (the *"AAA")*. The selection process shall be that which is set forth in the AAA Employment Dispute Resolution Rules, except that, if the parties fail to select an arbitrator from one or more panels, AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected. The arbitration shall take place in Houston, Texas in the English language. Either party may appeal the arbitration award and judgment thereon and, in actions seeking to vacate an award, the standard of review to be applied to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. This agreement to arbitrate shall not preclude the parties from engaging in voluntary, nonbinding settlement efforts including mediation. The Company shall reimburse Executive, not later than December 31st of the calendar year incurred (or, if later, the last day of the month following the month incurred), for all legal fees and expenses incurred by Executive in connection with any dispute arising under this Agreement on or after the Effective Date, including, without limitation, the lees and expenses of the arbitrator, unless the arbitrator finds Executive brought such claim in bad faith, in which event each party shall pay its own costs and expenses and Executive shall repay the Company any lees and expenses previously paid on Executive's behalf by the Company.

(m) **Venue.** Any suit, action or other legal proceeding for specific performance or injunctive relief arising under Section 5(f) of this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Harris County, Texas. Each of Executive and the Company consents to the jurisdiction of any such court in any such suit, action, or proceeding and waives any objection that it may have to the laying of venue of any such suit, action, or proceeding in any such court.

(n) **Withholding of Taxes.** The Company and its affiliates may withhold from any amounts payable under this Agreement all taxes required to be withheld pursuant to any applicable law or regulation.

(o) **No Effect on Employment.** This Agreement is not an employment or service contract, and nothing in this Agreement shall be deemed to create in any way whatsoever any obligation on Executive's part to continue in employment by the Company or any of its affiliates, or of the Company or any of its affiliates to continue Executive's employment with the Company. Nothing in this Agreement modifies the nature of the employment relationship between the Company and its affiliates and Executive which continues to be an "at-will" relationship.

(p) **Clawback and Recoupment.** All compensation and benefits payable to Executive by the Company and/or its affiliates (including any such amounts payable under this Agreement) will be subject to any clawback or recoupment policies that the Company and/or its affiliates may adopt from time to time, including, without limitation, the Incentive-Based Compensation Recoupment Policy adopted by the Company's Board of Directors to be effective on January 1, 2019.

(q) **Protected Rights; Defend Trade Secrets Act**. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (collectively, "Government Agencies"), or from providing truthful testimony in response to a lawfully issued subpoena or court order. Executive understands that this Agreement does not limit his or her ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Executive understands that under the Defend Trade Secrets Act: (1) no person will be held criminally or civilly liable under federal or state trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (A) made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (2) a person who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the person and use the trade secret information in the court proceeding, if the person files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

(r) **Entire Agreement.** This Agreement constitutes the entire agreement of Executive and the Company with respect to the subject matter hereof, and hereby expressly terminates, rescinds and replaces in full any prior and contemporaneous promises, representations, understandings, arrangements and agreements between the parties relating to the subject matter hereof, whether written or oral. However, the Severance Agreement shall remain in full force and effect, subject to any termination provisions contained therein, through the Date of Termination (and if there is a Qualifying Termination of Employment under the Severance Agreement that does not constitute a Qualifying Termination of Employment for purposes of this Agreement, then the Severance Agreement shall apply in lieu of this Agreement (and this Agreement shall be of no further force and effect)). Nothing in this Agreement shall affect Executive's rights under such compensation and benefit plans and programs of the Company in which Executive may participate, except as may be explicitly provided in this Agreement.

(s) **Payment Date.** If any payment hereunder falls upon a date in which the banks in Houston, Texas are closed, then such payment shall be due on the next available date in which banks are open for business in Houston, Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts, all of which taken together shall constitute one agreement, effective as of the Effective Date.

Exterran Corporation

By: ______________________________

Name:
Title:

Executive

By: ______________________________

Name:
Title:

EXHIBIT A

Definitions:

i. **401(k) Plan.** ***"401(k) Plan"*** shall mean any Code Section 401(a) qualified plan that includes a cash or deferral arrangement under Code Section 401(k) maintained by the Company or an affiliate thereof.

ii. **Base Salary.** ***"Base Salary"*** shall mean Executive's annual rate of base salary (without regard to bonus compensation) as in effect immediately prior to the Change of Control or, if later, the Date of Termination.

iii. **Board.** ***"Board"*** shall mean the Board of Directors of the Company.

iv. **Cause.** ***"Cause"*** shall mean a termination of Executive's employment due to (a) the commission by Executive of an act of fraud, embezzlement or willful breach of a fiduciary duty to the Company or an affiliate (including the unauthorized disclosure of confidential or proprietary material information of the Company or an affiliate), (b) a conviction of Executive of (or a plea of *nolo contendere* to) a felony or a crime involving fraud, dishonesty or moral turpitude, (c) willful failure of Executive to follow the written directions of the Board; (d) willful failure of Executive to render services to the Company or an affiliate in accordance with Executive's employment arrangement, which failure amounts to a material neglect of Executive's duties to the Company or an affiliate; (e) material violation of the Company's Code of Conduct; or (f) Executive's use of alcohol or illicit drugs in the workplace or otherwise in a manner that has or may reasonably be expected to have a detrimental effect on Executive's performance, Executive's duties to the Company, or the reputation of the Company or any affiliate thereof.

v. **Change of Control.** A *"**Change of Control**"* of the Company shall mean:

a. The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of forty percent (40%) or more of either (A) the then outstanding shares of common stock of the Company (the **"Outstanding Company Common Stock"**) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the **"Outstanding Company Voting Securities"**); provided, however, that for purposes of this subsection (a), any acquisition by any Person pursuant to a transaction which complies with clause (A) of subsection (c) of this definition shall not constitute a Change of Control; or

b. Individuals who, as of the date hereof, constitute the Board (the ***"Incumbent Board")*** cease for any reason to constitute at least a majority of the Board; *provided, however,* that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(a) The consummation of a reorganization, merger or consolidation involving the Company or any of its subsidiaries, or the sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) (each, a ***"Corporate Transaction"***), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Resulting Corporation in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, and (B) at least a majority of the members of the board of directors of the Resulting Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. The term ***"Resulting Corporation"*** means (1) the Company or its successor, or (2) if as a result of a Corporate Transaction the Company or its successor becomes a subsidiary of another entity, then such entity or the parent of such entity, as applicable, or (3) in the event of a Corporate Transaction involving the sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, then the transferee of such assets or the parent of such transferee, as applicable, in such Corporate Transaction.

Notwithstanding the foregoing, if a Change of Control constitutes a payment event with respect to any payment (or portion thereof) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in clauses (a), (b) or (c) above with respect to such payment (or portion thereof) shall only constitute a Change of Control for purposes of the payment timing of such payment if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

vi. **Code. *"Code"*** shall mean the Internal Revenue Code of 1986, as amended.

vii. **Confidential Information. *"Confidential Information"*** shall mean any and all information, data and knowledge which is part of the Property or that has been created, discovered, developed or otherwise become known to the Company or any of its affiliates or ventures or in which property rights have been assigned or otherwise conveyed to the Company or any of its affiliates or ventures, which information, data or knowledge has commercial value in the business in which the Company is engaged, except such information, data or knowledge as is or becomes known to the public without violation of the terms of this Agreement.

viii. **Date of Termination. *"Date of Termination"*** shall mean (a) if Executive terminates Executive's employment for Good Reason, that date on which Executive's employment is deemed terminated as provided in the definition of Good Reason, (b) with respect to a termination of employment prior to a Change of Control that is deemed to be during the Protected Period, the date of such termination, or (c) if Executive's employment is terminated for any other reason on or after a Change of Control, the date of such termination, provided, in the case of each of clauses (a), (b) and (c) above, that such termination is also a "separation from service" within the meaning of Section 409A.

ix. **Disability.** A ***"Disability"*** shall mean Executive becoming entitled to long-term disability benefits under the Company's long-term disability plan.

x. **Exchange Act. *"Exchange Act"*** shall mean the Securities Exchange Act of 1934, as amended.

xi. **Good Reason. *"Good Reason"*** shall mean the occurrence of any of the following without Executive's express written consent:

(a) a material diminution in Executive's duties or responsibilities;

(b) a material reduction in Executive's Base Salary;

(c) a material reduction in Executive's annual Target Short-Term Incentive as a percentage of Base Salary as in effect immediately prior to the Change of Control;

(d) a material reduction in Executive's employee benefits (without regard to bonus compensation, if any), if such reduction results in Executive receiving benefits which are, in the aggregate, materially less than the benefits received by other comparable executives of the Company generally;

(e) Executive's being required to be based at any of other office or location of employment more than fifty (50) miles from (1) the Company's then current headquarters office in Houston, Texas, or (2) the Executives primary office or location of employment immediately prior to a Change of Control; or

(f) the willful failure by the Company to pay any compensation to Executive when due.

However, Good Reason shall not exist with respect to a matter unless Executive gives the Company a Notice of Termination by the later of: (i) the ninetieth (90^{th}) day following the date of first occurrence of such event or (ii) the twelve (12) month anniversary of the Change in Control. If Executive fails to give such Notice of Termination timely, Executive shall be deemed to have waived all rights Executive may have under this Agreement with respect to such matter. The Company shall have thirty (30) days from the date of receipt of such Notice of Termination to cure the matter. If the Company timely cures the matter, such Notice of Termination shall be deemed rescinded. If the Company fails to cure the matter timely, Executive's employment shall terminate for Good Reason at the end of such thirty (30)-day period.

xii. **IRS. *"IRS"*** shall mean the Internal Revenue Service.

xiii. **Notice of Termination.** ***"Notice of Termination"*** shall mean a written notice that sets forth in reasonable detail the facts and circumstances for termination of Executive's employment.

xiv. **Person.** ***"Person"*** shall mean any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

xv. **Property.** ***"Property"*** shall mean all records, files, memoranda, reports, keys, codes, computer hardware and software, documents, videotapes, written presentations, brochures, drawings, notes, correspondence, manuals, models, specifications, computer programs, email, voice mail, electronic databases, maps, drawings, architectural renditions and all other writings or materials of any type and other property of any kind or description (whether in electronic or other form) prepared, used or possessed by Executive during Executive's employment by the Company (and any duplicates of any such property) together with any and all information, ideas, concepts, discoveries, and inventions and the like conceived, made, developed or acquired at any time by Executive individually or with others during Executive's employment which relate to the Company's business, products or services.

xvi. **Protected Period.** The ***"Protected Period"*** shall mean the period of time beginning with the Change of Control and ending on the eighteen (18)-month anniversary of such Change of Control or Executive's death, if earlier; *provided, however,* (a) if Executive's employment with the Company is terminated during the Term and within six (6) months prior to the date on which a Change of Control occurs (e.g., not during the Protected Period), and (b) it is reasonably demonstrated by Executive that such termination was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control, or otherwise arose in connection with or anticipation of the Change of Control, then, for purposes of this Agreement, the Change of Control shall be deemed to have occurred on the date immediately prior to the date of Executive's termination (except as otherwise expressly set forth herein) and Executive shall be deemed terminated by the Company during the Protected Period other than for Cause.

xvii. **Qualifying Termination of Employment.** A ***"Qualifying Termination of Employment"*** shall mean a termination of Executive's employment during the Protected Period either (a) by the Company other than for Cause or (b) by Executive for Good Reason. A termination of employment due to Executive's death or Disability during the Protected Period shall not constitute a Qualifying Termination of Employment.

xviii. **Restricted Area.** ***"Restricted Area"*** shall mean any state in the United States, or any country in which the Company or any of its affiliates engage in any Restricted Business at any time during the term of Executive's employment with the Company.

xix. **Restricted Business.** ***"Restricted Business"*** shall mean any business in which the Company or any of its affiliates may be engaged as of Executive's Date of Termination. To the extent that any entity is primarily engaged in a business other than a Restricted Business, the term ***"Restricted Business"*** shall mean the operations, division, segment or affiliate of such entity that is engaged in any Restricted Business.

xx. **Short-Term Incentive.** ***"Short-Term Incentive"*** shall mean, with respect to any fiscal year of the Company, the specific short-term annual incentive award (if any) approved for Executive by the Board or a designated committee of the Board with respect to such year.

xxi. **Target Short-Term Incentive.** ***"Target Short-Term Incentive"*** shall mean the target annual short-term incentive opportunity for Executive expressed as a percentage of base salary, as set forth in connection with the annual management incentive plan covering such Executive.

xxii. **Termination Year.** ***"Termination Year"*** shall mean the calendar year during which Executive's Date of Termination occurs.

<u>EXHIBIT B</u>

WAIVER AND RELEASE

In exchange for the consideration offered under the Change of Control Agreement between me and Exterran Corporation (the "***Company***"), dated as of [ ](the "***Agreement***"), I hereby waive all of my claims and release the Company, any affiliate, subsidiary or venture of the Company, and any of their respective officers, directors, employees, partners, investors, counsel or agents, their benefit plans and the fiduciaries and agents of said plans (collectively referred to as the "***Corporate Group***") from any and all claims, demands, actions, liabilities and damages.

1. I understand that signing this Waiver and Release is an important legal act. I acknowledge that the Company has advised me in writing to consult an attorney before signing this Waiver and Release. I understand that I have up to and including (21) calendar days from date of receipt of this document to consider whether to sign and return this Waiver and Release to the Company by hand delivery or by registered or certified mail, addressed to the address for the Company specified in the Agreement. If I sign this release prior to the expiration of the twenty-one (21) day period, I waive the remainder of that period. I waive the restarting of the twenty-one (21) day period in the event of any modification of this Waiver and Release, whether or not material.

In exchange for the consideration offered to me by the Agreement, which I acknowledge provides consideration to which I would not otherwise be entitled, I agree not to sue or file any charges of discrimination, or any other action or proceeding with any local, state and/or federal agency or court regarding or relating in any way to the Company with respect to the claims released by me herein, and I knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to the Corporate Group, except with respect to rights under the Agreement, rights under employee benefit plans or programs other than those specifically addressed in the Agreement, and such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes, but is not limited to, claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended;; the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990; the Energy Reorganization Act, as amended, 42 U.S.C. § 5851; the Worker Adjustment and Retraining Notification Act of 1988; the Pregnancy Discrimination Act of 1978; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Occupational Safety and Health Act; claims in connection with workers' compensation or "whistle-blower" statutes; and/or contract, tort, defamation, slander, wrongful termination or any other state or federal regulatory, statutory or common law. Further, I expressly represent that no promise or agreement which is not expressed in the Agreement or this Waiver and Release has been made to me in executing this Waiver and Release, and that I am relying on my own judgment in executing this Waiver and Release, and that I am not relying on any statement or representation of any member of the Corporate Group or any of their agents. I agree that this Waiver and Release is valid, fair, adequate and reasonable, is with my full knowledge and consent, was not procured through fraud, duress or mistake and has not had the effect of misleading, misinforming or failing to inform me. I acknowledge and agree that the Company will withhold any taxes required by law from the amount payable to me under the Agreement and that such amount shall be reduced by any monies owed by me to the Company.

This Waiver and Release includes a release of claims of discrimination or retaliation on the basis of workers' compensation status, but does not include workers' compensation claims. Also excluded from this Waiver and Release are any claims which by law cannot be waived in a private agreement between an employer and employee, including but not limited to claims under the Fair Labor Standards Act, and the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission (the "***EEOC***"), the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission ("***SEC***"), any local, state or federal law enforcement or regulatory agency, any legislative or regulatory committee or any other federal, state or local governmental agency or commission (collectively, "***Government Agencies***"). I waive, however, the right to any monetary recovery or other relief should the EEOC or any other agency pursue a claim on my behalf, with the exception of any right to receive an award for information provided to the SEC.

Notwithstanding the foregoing, I do not release and expressly retain (a) all rights to indemnity, contribution, advancement of expenses and a defense, and directors and officers and other liability coverage that I may have under any Company insurance policy, the Indemnification Agreement between me and the Company dated as of [__________], any statute, the certificate of incorporation or bylaws of the Company or under any other written agreement between me and the Company; (b) the right to any unpaid reasonable business expenses and any accrued benefits payable under any Company welfare plan, tax-qualified plan or other Benefit Plans (for the avoidance of doubt, the term "***Benefit Plans***" includes any outstanding equity awards under an equity incentive plan, any deferred compensation plan, any employee stock purchase plan and the Company's 401(k) plan); and (c) all rights and remedies arising under this Waiver and Release and the Agreement.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release.

2. I understand that for a period of seven (7) calendar days starting on the date immediately following the date I sign this Waiver and Release (the "Waiver Revocation Period"), I may revoke my acceptance of the offer by delivering a written statement to the Company by hand or by registered mail or certified, addressed to the address for the Company specified in the Agreement, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the consideration offered under the Agreement to which I would not otherwise have been entitled. I understand that failure to revoke my acceptance of the offer within the Waiver Revocation Period will result in this

Waiver and Release becoming effective, permanent and irrevocable at the end of the Waiver Revocation Period.

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions, have it explained to me and had the opportunity to seek independent legal advice with respect to the matters addressed in this Waiver and Release and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin or disability and any other claims arising prior to the date of this Waiver and Release, except for those claims specifically not released by me herein.

I represent and warrant in executing this Waiver and Release, that I have returned all Company property in my possession or deleted such information if in electronic form.

THE COMPANY HEREBY ADVISES [ ] TO CONSULT WITH AN ATTORNEY OF [HIS/HER] CHOICE REGARDING [HIS/HER] WAIVER OF ADEA CLAIMS BEFORE EXECUTING THIS AGREEMENT.

By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions or events of the Company or any other member of the Corporate Group which occur after the date of execution of this Waiver and Release.

AGREED TO AND ACCEPTED

this ______day of _______, 20__:

Name: ____________________

Title: ____________________

Exhibit 21.1

Exterran Corporation and Subsidiaries
Company Listing as of December 31, 2019

Company	Ownership	Incorporation
EES Finance Corp.	Wholly owned	United States
EESLP LP LLC	Wholly owned	United States
Enterra B.V.	Wholly owned	Netherlands
Enterra Compression Investment LLC	Wholly owned	United States
Excel Energy Services Limited	Wholly owned	Nigeria
EXH Cayman Ltd.	Wholly owned	Cayman Islands
Exterran (Beijing) Energy Equipment Company Ltd.	Wholly owned	China
Exterran (Thailand) Ltd.	Wholly owned	Thailand
Exterran 0039, Inc.	Wholly owned	United States
Exterran Argentina S.r.l.	Wholly owned	Argentina
Exterran Bahrain S.P.C.	Wholly owned	Bahrain
Exterran Bolivia S.r.l.	Wholly owned	Bolivia
Exterran Capital Services International, C.V.	Wholly owned	Netherlands
Exterran Cayman GP Holdings LLC	Wholly owned	United States
Exterran Corporation	Parent	United States
Exterran Eastern Hemisphere F.Z.E.	Wholly owned	UAE Dubai
Exterran Eastern Hemisphere Holdings LLC	Wholly owned	United States
Exterran Egypt LLC	Wholly owned	Egypt
Exterran Egypt Oil & Gas Services LLC	Wholly owned	Egypt
Exterran Energy de Mexico, S. de R.L. de C.V.	Wholly owned	Mexico
Exterran Energy F.Z.E.	Wholly owned	UAE Sharjah
Exterran Energy Malaysia SDN. BHD.	Wholly owned	Malaysia
Exterran Energy Solutions Compania Limitada	Wholly owned	Chile
Exterran Energy Solutions India Private Limited	Wholly owned	India
Exterran Energy Solutions, L.P.	Wholly owned	United States
Exterran General Holdings LLC	Wholly owned	United States
Exterran Gulf Operations LLC	49% owned	UAE Sharjah
Exterran Holding Company NL B.V.	Wholly owned	Netherlands
Exterran International Holdings C.V.	Wholly owned	Netherlands
Exterran International Holdings GP LLC	Wholly owned	United States
Exterran International Holdings LLC	Wholly owned	United States
Exterran International SA	Wholly owned	Switzerland
Exterran Italy B.V.	Wholly owned	Netherlands
Exterran Italy Holdings B.V.	Wholly owned	Netherlands
Exterran Kazakhstan LLP	Wholly owned	Kazakhstan
Exterran Middle East LLC	Wholly owned	Oman
Exterran Nigeria Limited	Wholly owned	Nigeria
Exterran Offshore Pte. Ltd.	Wholly owned	Singapore
Exterran Oman Holdings LLC	Wholly owned	United States
Exterran Pakistan (Private) Limited	Wholly owned	Pakistan
Exterran Peru S.R.L.	Wholly owned	Peru
Exterran Services (UK) Ltd.	Wholly owned	United Kingdom
Exterran Services B.V.	Wholly owned	Netherlands
Exterran Servicos de Oleo e Gas Ltda.	Wholly owned	Brazil
Exterran Trinidad LLC	Wholly owned	United States

Exterran Water Solutions ULC	Wholly owned	Canada
ExterranEnergy Solutions Ecuador Cia. Ltda.	Wholly owned	Ecuador
Gas Conditioning of Mexico, S. de R.L. de C.V.	Wholly owned	Mexico
H.C.C. Compressor de Venezuela, C.A.	Wholly owned	Venezuela
Hanover Cayman Limited	Wholly owned	Cayman Islands
LLC Exterran Vostok	Wholly owned	Russia
Production Operators Cayman Inc.	Wholly owned	Cayman Islands
PT. Exterran Indonesia	Wholly owned	Indonesia
Quimex Sarl	Wholly owned	Switzerland
Quimex Tunisia Sarl	Wholly owned	Tunisia
UCI GP LLC	Wholly owned	United States
UCO Compression Holding, L.L.C.	Wholly owned	United States
Universal Compression International Holdings, B.V.	Wholly owned	Netherlands
Universal Compression International Ltd.	Wholly owned	Cayman Islands
Universal Compression International, L.P.	Wholly owned	United States
Universal Compression Services, LLC	Wholly owned	United States

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-207758) and on Form S-3 (No. 333-223605) of Exterran Corporation of our report dated February 28, 2020 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
February 28, 2020

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-207758 on Form S-8 and in Registration Statement No. 333-223605 on Form S-3 of our report dated February 26, 2019, relating to the 2018 and 2017 consolidated financial statements and financial statement schedule of Exterran Corporation and subsidiaries, appearing in this Annual Report on Form 10-K of Exterran Corporation for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 28, 2020

Exhibit 31.1

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew J. Way, certify that:

1. I have reviewed this Annual Report on Form 10-K of Exterran Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

By: /s/ ANDREW J. WAY

Name: Andrew J. Way
Title: President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David A. Barta, certify that:

1. I have reviewed this Annual Report on Form 10-K of Exterran Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

By: /s/ DAVID A. BARTA

Name: David A. Barta
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Exterran Corporation (the “Company”) for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Andrew J. Way, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW J. WAY

Name:	Andrew J. Way
Title:	President and Chief Executive Officer

Date: February 28, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Exterran Corporation (the "Company") for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David A. Barta, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID A. BARTA

Name:	David A. Barta
Title:	Senior Vice President and Chief Financial Officer

Date: February 28, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.