

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

Form 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED March 31, 2020  
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  
(State or Other Jurisdiction of Incorporation or Organization)

47-3282259  
(I.R.S. Employer Identification No.)

11000 Equity Drive  
Houston Texas  
(Address of principal executive offices)

77041  
(Zip Code)

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

Not Applicable  
(Former name or former address, if changed since last report)

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

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

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 Exchange Act). Yes ☐ No ☒

Number of shares of the common stock of the registrant outstanding as of May 4, 2020: 33,150,524 shares.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 18,138	\$ 16,683
Restricted cash	14	19
Accounts receivable, net of allowance of \$8,773 and \$6,019, respectively	196,298	202,337
Inventory, net (Note 4)	137,881	143,538
Contract assets (Note 2)	41,554	46,537
Other current assets	24,982	22,477
Current assets associated with discontinued operations (Note 3)	4,388	4,332
Total current assets	423,255	435,923
Property, plant and equipment, net (Note 5)	815,064	844,410
Operating lease right-of-use assets	27,343	26,783
Deferred income taxes	10,102	13,994
Intangible and other assets, net	82,424	93,300
Long-term assets held for sale	624	624
Long-term assets associated with discontinued operations (Note 3)	2,786	2,970
Total assets	\$ 1,361,598	\$ 1,418,004
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable, trade	\$ 84,970	\$ 123,444
Accrued liabilities	95,229	104,081
Contract liabilities (Note 2)	106,399	82,854
Current operating lease liabilities	7,079	6,268
Current liabilities associated with discontinued operations (Note 3)	8,562	9,998
Total current liabilities	302,239	326,645
Long-term debt (Note 6)	455,341	443,587
Deferred income taxes	742	993
Long-term contract liabilities (Note 2)	145,211	156,262
Long-term operating lease liabilities	31,515	30,958
Other long-term liabilities	45,877	49,263
Long-term liabilities associated with discontinued operations (Note 3)	1,045	758
Total liabilities	981,970	1,008,466
Commitments and contingencies (Note 13)		
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; 37,747,968 and 37,508,286 shares issued, respectively	377	375
Additional paid-in capital	747,905	747,622
Accumulated deficit	(335,542)	(317,238)
Treasury stock — 4,597,914 and 4,467,600 common shares, at cost, respectively	(57,402)	(56,567)
Accumulated other comprehensive income	24,290	35,346
Total stockholders' equity (Note 10)	379,628	409,538
Total liabilities and stockholders' equity	\$ 1,361,598	\$ 1,418,004

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenues (Note 2):		
Contract operations	\$ 94,788	\$ 85,700
Aftermarket services	27,909	27,302
Product sales	87,660	238,444
	<u>210,357</u>	<u>351,446</u>
Costs and expenses:		
Cost of sales (excluding depreciation and amortization expense):		
Contract operations	31,460	28,591
Aftermarket services	21,181	20,718
Product sales	84,439	209,535
Selling, general and administrative	38,052	43,452
Depreciation and amortization	32,610	38,217
Restatement related charges	—	48
Restructuring and other charges (Note 8)	1,188	384
Interest expense	9,953	8,163
Other (income) expense, net	294	(1,245)
	<u>219,177</u>	<u>347,863</u>
Income (loss) before income taxes	(8,820)	3,583
Provision for income taxes (Note 9)	9,330	9,140
Loss from continuing operations	(18,150)	(5,557)
Income (loss) from discontinued operations, net of tax (Note 3)	(154)	163
Net loss	<u>\$ (18,304)</u>	<u>\$ (5,394)</u>
Basic net loss per common share (Note 12):		
Loss from continuing operations per common share	\$ (0.56)	\$ (0.16)
Income from discontinued operations per common share	—	0.01
Net loss per common share	<u>\$ (0.56)</u>	<u>\$ (0.15)</u>
Diluted net loss per common share (Note 12):		
Loss from continuing operations per common share	\$ (0.56)	\$ (0.16)
Income from discontinued operations per common share	—	0.01
Net loss per common share	<u>\$ (0.56)</u>	<u>\$ (0.15)</u>
Weighted average common shares outstanding used in net loss per common share (Note 12):		
Basic	<u>32,653</u>	<u>35,646</u>
Diluted	<u>32,653</u>	<u>35,646</u>

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

**EXTERRAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net loss	\$ (18,304)	\$ (5,394)
Other comprehensive loss:		
Foreign currency translation adjustment	(11,056)	(968)
Comprehensive loss	<u>\$ (29,360)</u>	<u>\$ (6,362)</u>

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

**EXTERRAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)  
(unaudited)

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Balance, January 1, 2019	\$ 369	\$ 734,458	\$ (208,677)	\$ (11,560)	\$ 38,231	\$ 552,821
Cumulative-effect adjustment from adoption of ASC 842 Leases			(6,184)			(6,184)
Net loss			(5,394)			(5,394)
Foreign currency translation adjustment					(968)	(968)
Treasury stock purchased				(7,087)		(7,087)
Stock-based compensation, net of forfeitures	6	3,990				3,996
Balance, March 31, 2019	<u>\$ 375</u>	<u>\$ 738,448</u>	<u>\$ (220,255)</u>	<u>\$ (18,647)</u>	<u>\$ 37,263</u>	<u>\$ 537,184</u>
Balance, January 1, 2020	\$ 375	\$ 747,622	\$ (317,238)	\$ (56,567)	\$ 35,346	\$ 409,538
Net loss			(18,304)			(18,304)
Foreign currency translation adjustment					(11,056)	(11,056)
Treasury stock purchased				(835)		(835)
Stock-based compensation, net of forfeitures	2	283				285
Balance, March 31, 2020	<u>\$ 377</u>	<u>\$ 747,905</u>	<u>\$ (335,542)</u>	<u>\$ (57,402)</u>	<u>\$ 24,290</u>	<u>\$ 379,628</u>

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

**EXTERRAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Net loss	\$ (18,304)	\$ (5,394)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	32,610	38,217
Amortization of deferred financing costs	628	628
(Income) loss from discontinued operations, net of tax	154	(163)
Provision for doubtful accounts	2,742	—
Gain on sale of property, plant and equipment	(161)	(1,000)
Gain on remeasurement of intercompany balances	(1,121)	(446)
Loss on foreign currency derivatives	—	665
Stock-based compensation expense	285	3,996
Deferred income tax expense (benefit)	1,361	(980)
Changes in assets and liabilities:		
Accounts receivable and notes	1,801	(16,684)
Inventory	4,632	(19,427)
Contract assets	3,301	17,245
Other current assets	(382)	528
Accounts payable and other liabilities	(50,836)	7,759
Contract liabilities	27,203	24,051
Other	5,536	30
Net cash provided by continuing operations	9,449	49,025
Net cash provided by (used in) discontinued operations	(1,177)	16
Net cash provided by operating activities	8,272	49,041
Cash flows from investing activities:		
Capital expenditures	(17,025)	(76,354)
Proceeds from sale of property, plant and equipment	164	4,012
Settlement of foreign currency derivatives	—	(207)
Net cash used in investing activities	(16,861)	(72,549)
Cash flows from financing activities:		
Proceeds from borrowings of debt	112,000	179,000
Repayments of debt	(100,613)	(149,113)
Purchases of treasury stock (Note 10)	(835)	(6,701)
Net cash provided by financing activities	10,552	23,186
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(513)	(402)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,450	(724)
Cash, cash equivalents and restricted cash at beginning of period	16,702	19,478
Cash, cash equivalents and restricted cash at end of period	\$ 18,152	\$ 18,754
Supplemental disclosure of non-cash transactions:		
Accrued capital expenditures	\$ 6,959	\$ 18,964

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

**EXTERRAN CORPORATION****NOTES TO UNAUDITED CONDENSED 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 U.S., Singapore and the United Arab Emirates. We operate in three primary business lines: contract operations, aftermarket services and product sales.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements of Exterran Corporation included herein have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S.”) (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP are not required in these interim financial statements and have been condensed or omitted. Management believes that the information furnished includes all adjustments of a normal recurring nature that are necessary to fairly present our consolidated financial position, results of operations and cash flows for the periods indicated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements presented in our Annual Report on Form 10-K for the year ended December 31, 2019. That report contains a comprehensive summary of our accounting policies. The interim results reported herein are not necessarily indicative of results for a full year. Certain reclassifications have been made for the prior year period to conform to the current year presentation.

We refer to the condensed 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.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (“COVID-19”) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption across most industries. Efforts to mitigate the spread of COVID-19 have also resulted in decreased energy demand and additional weakness in energy pricing. While the pandemic did not materially adversely affect the Company’s financial results and business operations in the Company’s first fiscal quarter ended March 31, 2020, the broader implications of COVID-19 on our long-term future results of operations and overall financial condition remain uncertain. Due to the rapid market deterioration in March 2020, we concluded that a trigger existed and that we should evaluate our long-term assets for impairment. Our analysis concluded that no impairment existed as of March 31, 2020.

***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 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. On January 1, 2020, we adopted this update using a modified retrospective approach. The adoption of this update was immaterial to our financial statements. For more information regarding the allowance for doubtful accounts, see [Note 2](#).



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. On January 1, 2020, we adopted this update. The adoption of this update was immaterial to our financial statements.

#### *Recently Issued Accounting Pronouncements Not Yet Adopted*

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 2 - Revenue**

### ***Disaggregation of Revenue***

The following tables present disaggregated revenue by products and services lines and by geographical regions for the three months ended March 31, 2020 and 2019 (in thousands):

Revenue by Products and Services	Three Months Ended March 31,	
	2020	2019
<b>Contract Operations Segment:</b>		
Contract operations services <sup>(1)</sup>	\$ 94,788	\$ 85,700
<b>Aftermarket Services Segment:</b>		
Operation and maintenance services <sup>(1)</sup>	\$ 12,939	\$ 12,673
Part sales <sup>(2)</sup>	10,824	9,796
Other services <sup>(1)</sup>	4,146	4,833
Total aftermarket services	\$ 27,909	\$ 27,302
<b>Product Sales Segment:</b>		
Compression equipment <sup>(1)</sup>	\$ 68,719	\$ 145,439
Processing and treating equipment <sup>(1)</sup>	11,809	89,220
Production equipment <sup>(2)</sup>	578	2,435
Other product sales <sup>(1) (2)</sup>	6,554	1,350
Total product sales revenues	\$ 87,660	\$ 238,444
<b>Total revenues</b>	<b>\$ 210,357</b>	<b>\$ 351,446</b>

<sup>(1)</sup> Revenue recognized over time.

<sup>(2)</sup> Revenue recognized at a point in time.

Revenue by Geographical Regions	Three Months Ended March 31,	
	2020	2019
North America	\$ 58,539	\$ 181,005
Latin America	76,797	78,487
Middle East and Africa	55,713	82,791
Asia Pacific	19,308	9,163
<b>Total revenues</b>	<b>\$ 210,357</b>	<b>\$ 351,446</b>

The North America region is primarily comprised of our operations in the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia, Brazil and Mexico. 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, Singapore and Thailand.

The following table summarizes the expected timing of revenue recognition from unsatisfied performance obligations (commonly referred to as backlog) as of March 31, 2020 (in thousands):

	Contract Operations Segment	Product Sales Segment
Remainder of 2020	\$ 211,498	\$ 277,862
2021	250,949	274,320
2022	199,409	45,700
2023	176,134	12,000
2024	149,701	9,000
Thereafter	364,936	29,398
Total backlog	\$ 1,352,627	\$ 648,280

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

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 March 31, 2020, the total value of our contracts operations backlog accounted for as operating leases was approximately \$177 million, of which \$27 million is expected to be recognized in the remainder of 2020, \$37 million is expected to be recognized in 2021, \$39 million is expected to be recognized in 2022, \$44 million is expected to be recognized in 2023 and \$24 million is expected to be recognized in 2024. Contract operations revenue recognized as operating leases for the three months ended March 31, 2020 was approximately \$7 million. Our product sales backlog includes contracts where there is a significant financing component. As of March 31, 2020, we had approximately \$43 million expected to be recognized in future periods as interest income within our product sales segment.

#### **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):

	March 31, 2020	December 31, 2019
Accounts receivables, net	\$ 196,298	\$ 202,337
Contract assets and contract liabilities:		
Current contract assets	41,554	46,537
Long-term contract assets	11,387	16,280
Current contract liabilities	106,399	82,854
Long-term contract liabilities	145,211	156,262

During the three months ended March 31, 2020, revenue recognized from contract operations services included \$7.5 million of revenue deferred in previous periods. Revenue recognized during the three months ended March 31, 2020 from product sales performance obligations partially satisfied in previous periods was \$83.3 million, of which \$18.9 million was included in billings in excess of costs at the beginning of the period. The decrease in current contract assets during the three months ended March 31, 2020 was primarily driven by the timing of billings on contract operations services in Latin America. The increase in current contract liabilities during the three months ended March 31, 2020 were primarily driven by the progression of product sales projects and the timing of milestone billings in the Middle East and Africa region. The decrease in long-term contract liabilities during the three months ended March 31, 2020 was primarily driven by advanced billings to contract operations customers in the Latin America region.

### Allowance for Doubtful Accounts

The Company estimates its reserves using information about past events, current conditions and risk characteristics of each customer, and reasonable and supportable forecasts relevant to assessing risk associated with the collectability of accounts receivables, contract assets and long-term note receivables. The Company's customer base, have generally similar collectability risk characteristics, although larger customers may have lower risk than smaller independent customers. The allowance for doubtful accounts as of March 31, 2020 and changes for the three months then ended are as follows (in thousands):

Balance at December 31, 2019	\$	6,019
Current period provision for expected credit losses		2,754
Balance at March 31, 2020	\$	8,773

### Note 3 - Discontinued Operations

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 supplier 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):

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Belleli EPC	Venezuela	Belleli EPC	Total
Revenue	\$ 124	\$ —	\$ 137	\$ 137
Cost of sales (excluding depreciation and amortization expense)	96	—	(316)	(316)
Selling, general and administrative	113	35	541	576
Other (income) expense, net	44	—	(328)	(328)
Provision for income taxes	25	—	42	42
Income (loss) from discontinued operations, net of tax	\$ (154)	\$ (35)	\$ 198	\$ 163

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

	March 31, 2020	December 31, 2019
	Belleli EPC	Belleli EPC
Accounts receivable	\$ 3,845	\$ 3,990
Contract assets	—	46
Other current assets	543	296
Total current assets associated with discontinued operations	4,388	4,332
Intangible and other assets, net	2,786	2,970
Total assets associated with discontinued operations	\$ 7,174	\$ 7,302
Accounts payable	\$ 1,078	\$ 1,503
Accrued liabilities	4,986	5,959
Contract liabilities	2,498	2,536
Total current liabilities associated with discontinued operations	8,562	9,998
Other long-term liabilities	1,045	758
Total liabilities associated with discontinued operations	\$ 9,607	\$ 10,756

#### Note 4 - Inventory, Net

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

	March 31, 2020	December 31, 2019
Parts and supplies	\$ 85,876	\$ 92,005
Work in progress	45,036	44,565
Finished goods	6,969	6,968
Inventory, net	\$ 137,881	\$ 143,538

#### Note 5 - Property, Plant and Equipment, Net

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

	March 31, 2020	December 31, 2019
Compression equipment, processing facilities and other fleet assets	\$ 1,573,917	\$ 1,607,769
Land and buildings	67,014	67,187
Transportation and shop equipment	58,330	59,693
Computer software	51,390	51,663
Other	38,576	38,111
	1,789,227	1,824,423
Accumulated depreciation	(974,163)	(980,013)
Property, plant and equipment, net	\$ 815,064	\$ 844,410

## Note 6 - Debt

Debt consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Revolving credit facility due October 2023	\$ 85,500	\$ 74,000
8.125% senior notes due May 2025	375,000	375,000
Other debt	124	237
Unamortized deferred financing costs of 8.125% senior notes	(5,159)	(5,413)
Total debt	455,465	443,824
Less: Amounts due within one year <sup>(1)</sup>	(124)	(237)
Long-term debt	\$ 455,341	\$ 443,587

<sup>(1)</sup> Short-term debt and the current portion of long-term debt are included in accrued liabilities in our balance sheets.

### Revolving Credit Facility Due October 2023

We and our wholly owned subsidiary, Exterran Energy Solutions, L.P. (“EESLP”), are parties to an amended and restated credit agreement (the “Credit Agreement”) consisting of a \$700.0 million revolving credit facility expiring in October 2023.

As of March 31, 2020, we had \$85.5 million in outstanding borrowings and \$20.9 million in outstanding letters of credit under our revolving credit facility. At March 31, 2020, taking into account guarantees through letters of credit, we had undrawn capacity of \$593.6 million under our revolving credit facility. Our Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Credit Agreement) on the last day of the fiscal quarter to no greater than 4.50 to 1.0. As a result of this limitation, \$415.2 million of the \$593.6 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of March 31, 2020.

### 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”). We guarantee the 2017 Notes on a senior unsecured basis. We may redeem the 2017 Notes at any time in cash, in whole or part, at certain redemption prices, including the applicable make-whole premium plus accrued and unpaid interest, if any, to the date of redemption.

## Note 7 - 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 during the three months ended March 31, 2020 and 2019, with pricing levels as of the date of valuation (in thousands):

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
Long-term note receivable <sup>(1)</sup>	\$ —	\$ —	\$ 15,039	\$ —	\$ —	\$ 14,697

<sup>(1)</sup> 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 6.2%. The undiscounted value of the note receivable, including interest, as of March 31, 2020 was \$15.5 million.

*Financial Instruments*

Our financial instruments consists of cash, restricted cash, receivables, payables and debt. At March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, the carrying amount of the 2017 Notes, excluding unamortized deferred financing costs, of \$375.0 million was estimated to have a fair value of \$251.1 million and \$371.0 million, respectively. Due to the variable rate nature of our revolving credit facility, the carrying value as of March 31, 2020 and 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 8 - Restructuring and Other Charges**

The energy industry's focus on cash flow, 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 \$1.2 million for the three months ended March 31, 2020. These charges are reflected as restructuring and other charges in our statements of operations and accrued liabilities on our balance sheets. The cost reduction plan is expected to be completed in the second half of 2020 and we expect to settle these charges within the next twelve months in cash. At this time, we cannot currently estimate the total restructuring costs that will be incurred as a result of this cost reduction plan.

In the second quarter of 2018, we initiated a relocation plan in the Latin American region to better align our contract operations business with our customers. As a result of this plan, during the three months ended March 31, 2019, we incurred restructuring and other charges of \$0.4 million related to relocation costs. 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.

The following table summarizes the changes to our accrued liability balance related to restructuring and other charges for the three months ended March 31, 2020 and 2019 (in thousands):

	Cost Reduction Plan	Relocation Plan	Total
Beginning balance at January 1, 2019	\$ —	\$ 309	\$ 309
Additions for costs expensed	—	384	384
Reductions for payments	—	(411)	(411)
Ending balance at March 31, 2019	\$ —	\$ 282	\$ 282
Beginning balance at January 1, 2020	\$ 2,281	\$ —	\$ 2,281
Additions for costs expensed, net	1,188	—	1,188
Reductions for payments	(321)	—	(321)
Foreign exchange impact	(289)	—	(289)
Ending balance at March 31, 2020	\$ 2,859	\$ —	\$ 2,859

The following table summarizes the components of charges included in restructuring and other charges in our statements of operations for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	2019
Employee termination benefits	\$ 335	\$ —
Consulting fees	200	—
Relocation costs	165	384
Other	488	—
Total restructuring and other charges	\$ 1,188	\$ 384

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	\$ 7,371
Relocation costs	907
Consulting fees	841
Other	488
Total restructuring and other charges	\$ 9,607

## Note 9 - Provision for Income Taxes

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.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21.0% and our effective tax rate of (105.8)% for the three months ended March 31, 2020: (i) a (53.4)% negative impact resulting primarily from rate differences between U.S. and foreign jurisdictions including foreign withholding taxes, (ii) a (19.9)% negative impact resulting from foreign currency devaluations in Argentina, and (iii) a (37.8)% negative impact resulting from the recording of valuation allowances recorded against U.S. deferred tax assets.

Our effective tax rate decreased for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 primarily due to a decrease in income before income taxes, an increase in valuation allowances recorded in the U.S., a decrease in foreign withholding tax and a decrease in tax related to foreign exchange movement in Argentina in 2019.

## Note 10 - Stockholders' Equity

### 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 three months ended March 31, 2019, we repurchased 268,500 shares of our common stock for \$4.7 million in connection with our share repurchase program. During the three months ended March 31, 2020, we did not repurchase any shares under this program. As of March 31, 2020, the remaining authorized repurchase amount under the share repurchase program was \$57.7 million. Additionally, treasury stock purchased during the three months ended March 31, 2020 and 2019 included shares withheld to satisfy employees' tax withholding obligations in connection with vesting of restricted stock awards.

## Note 11 - Stock-Based Compensation

### Stock Options

There were no stock options granted during the three months ended March 31, 2020.

### 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 three months ended March 31, 2020.

	Equity Awards		Liability Awards	
	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share
Non-vested awards, January 1, 2020	842	\$ 22.79	318	\$ 17.01
Granted	135	7.27	1,182	8.54
Vested	(400)	21.30	(79)	26.24
Cancelled	(198)	30.16	(14)	17.01
Non-vested awards, March 31, 2020	379	14.98	1,407	9.38

As of March 31, 2020, we estimate \$16.0 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 1.9 years.

## Note 12 - 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 loss per common share for the three months ended March 31, 2020 and 2019 (in thousands, except per share data):

	Three Months Ended March 31,	
	2020	2019
Numerator for basic and diluted net loss per common share:		
Loss from continuing operations	\$ (18,150)	\$ (5,557)
Income (loss) from discontinued operations, net of tax	(154)	163
Less: Net income attributable to participating securities	—	—
Net loss — used in basic and diluted net loss per common share	<u>\$ (18,304)</u>	<u>\$ (5,394)</u>
Weighted average common shares outstanding including participating securities	33,163	36,462
Less: Weighted average participating securities outstanding	(510)	(816)
Weighted average common shares outstanding — used in basic net loss per common share	32,653	35,646
Net dilutive potential common shares issuable:		
On exercise of options and vesting of restricted stock units	*	*
Weighted average common shares outstanding — used in diluted net loss per common share	<u>32,653</u>	<u>35,646</u>
Net loss per common share:		
Basic	<u>\$ (0.56)</u>	<u>\$ (0.15)</u>
Diluted	<u>\$ (0.56)</u>	<u>\$ (0.15)</u>

\* 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 three months ended March 31, 2020 and 2019 that were excluded from computing diluted net loss per common share as their inclusion would have been anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2020	2019
Net dilutive potential common shares issuable:		
On exercise of options where exercise price is greater than average market value	57	74
Net dilutive potential common shares issuable	<u>57</u>	<u>74</u>

## **Note 13 - Commitments and Contingencies**

### *Contingencies*

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 March 31, 2020 and December 31, 2019, we had accrued \$3.5 million and \$3.7 million, respectively, for the outcomes of non-income-based tax audits. 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 had as of that date, they have concluded their investigation and did not intend to recommend enforcement action by the SEC against us in connection with that matter.

#### *Indemnifications*

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.

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 14 - Reportable Segments

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 processing, treating, compression 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 equipment used in the treating and processing of crude oil, natural gas and water as well natural gas compression packages 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.

The following table presents revenue and other financial information by reportable segment for the three months ended March 31, 2020 and 2019 (in thousands):

Three Months Ended	Contract Operations	Aftermarket Services	Product Sales	Reportable Segments Total
March 31, 2020:				
Revenue	\$ 94,788	\$ 27,909	\$ 87,660	\$ 210,357
Gross margin <sup>(1)</sup>	63,328	6,728	3,221	73,277
March 31, 2019:				
Revenue	\$ 85,700	\$ 27,302	\$ 238,444	\$ 351,446
Gross margin <sup>(1)</sup>	57,109	6,584	28,909	92,602

<sup>(1)</sup> Gross margin is defined as revenue less cost of sales (excluding depreciation and amortization expense).

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

	Three Months Ended March 31,	
	2020	2019
<b>Income (loss) before income taxes</b>	<b>\$ (8,820)</b>	<b>\$ 3,583</b>
Selling, general and administrative	38,052	43,452
Depreciation and amortization	32,610	38,217
Restatement related charges	—	48
Restructuring and other charges	1,188	384
Interest expense	9,953	8,163
Other (income) expense, net	294	(1,245)
<b>Total gross margin</b>	<b>\$ 73,277</b>	<b>\$ 92,602</b>

## Item 2. 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 unaudited financial statements and the notes thereto included in the Condensed Consolidated Financial Statements in Part I, Item 1 ("Financial Statements") of this report and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019.*

### 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 the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2019, and those set forth from time to time in our filings with the Securities and Exchange Commission ("SEC"), which are available through our website at [www.exterran.com](http://www.exterran.com) and through the SEC's website at [www.sec.gov](http://www.sec.gov), as well as the following risks and uncertainties:

- 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;
- risks associated with natural disasters, pandemics and other public health crisis and other catastrophic events outside our control, including the continued spread and impact of, and the response to, the recent novel coronavirus ("COVID-19") outbreak;
- 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.

## General

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.

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 processing, treating, compression 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, sell and finance equipment used in the treating and processing of crude oil, natural gas and water as well as natural gas compression packages 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 the U.S. The Latin America region is primarily comprised of our operations in Argentina, Bolivia, Brazil and Mexico. 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, Singapore and Thailand.

We refer to the condensed 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.

## Financial Results of Operations

### Overview

### 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 global demand for hydrocarbons, including demand for liquefied natural gas. However, the recent global demand challenges presented by the COVID-19 pandemic and aggressive actions taken to contain it have caused severe downside volatility in the price for oil and a significant reduction in demand, as well as an oversupply, globally. In response, many energy companies are drastically reducing their capital spending in 2020 in order to maintain liquidity and returns. This will constrain the amount of new projects that customers sanction in the coming year and may result in the shutting in of existing oil and natural gas wells.

### 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 have decided that the U.S. compression fabrication business is non-core to our strategy going forward. 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 prices and the level of drilling and exploration activity in North America have been volatile. The Henry Hub spot price for natural gas was \$1.71 per MMBtu at March 31, 2020, which was 18% and 37% lower than the prices at December 31, 2019 and March 31, 2019, respectively, and the U.S. natural gas liquid composite price was \$4.84 per MMBtu for the month of January 2020, which was 9% and 26% lower than the prices for the month of December 2019 and March 2019, respectively. In addition, the West Texas Intermediate crude oil spot price as of March 31, 2020 was 66% lower than the price at December 31, 2019 and at March 31, 2019. Volatility in demand for energy and in commodity prices as well as an industry trend towards disciplined capital spending and improving returns have caused timing uncertainties in demand for our products 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 three months ended March 31, 2020 were \$12.9 million, which represents a decrease of 76% compared to the three months ended March 31, 2019.

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 product sales segment in international markets during the three months ended March 31, 2020 were \$445.1 million, which represents an increase of 1,233% compared to the three months ended March 31, 2019.

Aggregate booking activity levels for our product sales segment in North America and international markets during the three months ended March 31, 2020 were \$458.0 million, which represents an increase of 432% compared to the three months ended March 31, 2019, 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 customer order and 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 as necessary to protect our profitability. Additionally, volatility in commodity prices could continue to 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 continue to 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.

### **Impact of COVID-19 on our Business**

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption across most industries. Efforts to mitigate the spread of COVID-19 have also resulted in decreased energy demand and additional weakness in energy pricing.

The Company took proactive steps earlier in the first quarter to enable and verify the ability to ensure the safety of our employees while still carrying on the majority of business functions. These steps included:

- Establishing a daily global operating process to identify, monitor and discuss impacts to our business whether originating from governmental actions or as a direct result of employee illness;
- Investing in additional IT capabilities to enable employees to work remotely;
- Closing operations where and until assessments were completed to ensure we could operate in a safe manner;
- Reestablishing operations once safety mechanisms were in place. This included the acquisition of additional personal protective equipment and establishing screening and other workplace processes.

To date our actions in response to the pandemic and the primary impacts on our business are summarized below:

- As most of our operations are considered essential by local government authorities, the Company's service operations that are provided under long-term contracts have to a large extent continued to operate under normal conditions;
- We are following local governmental guidance for viral spread mitigation, including having many of our employees who would traditionally work in an office work from home;
- We have put in place additional health and safety measures to protect our employees, customers and other parties who are working at our operating sites;
- Although early in the year we recorded significant new product sales bookings, more recently we have seen a decrease in purchasing activity from our customers which we believe is due to both the work at home mitigation measures our customers are also taking and weakness in commodity prices, causing us to lower our expectations for additional new bookings in 2020;
- Given travel restrictions and other mitigation efforts, certain of our employees have not been able to travel to work assignments, therefore although we have taken additional steps to be able to continue to provide services required by our customers, some services will be delayed until mitigation measures are eased;
- While our operations have been impacted by lower product sale bookings in 2019 and we started cost reduction efforts even prior to the current pandemic, we have continued our efforts to optimize our cost structure to align with the expected demand in our business including making work force reductions and/or managing work hours at some of our manufacturing facilities;
- We are responding to customers request to save costs by collaborating with them on how we can manage costs and/or optimize the projects performance to potentially improve our and their results;



- We evaluated our accounts receivable and given the current energy environment and expected impact to the financials of our customers, we increased our reserve for uncollectible accounts by \$2.8 million;
- Given COVID-19's impact on demand for energy and decreased commodity prices which impact our customer's capital spending, we tested our long-term assets for impairment and concluded that no impairment was indicated;
- As many of our suppliers have increased delivery times including as a result of disruptions in shipping, we are working with customers on revising expected due-dates for delivery.

While the pandemic did not materially adversely affect the Company's financial results and business operations in the Company's first fiscal quarter ended March 31, 2020, we are unable to predict the impact that COVID-19 will have on its long-term financial position and operating results due to numerous uncertainties. The long-term impact of the pandemic on our customers and the global economy will depend on various factors, including the scope, severity and duration of the pandemic. A prolonged economic downturn or recession resulting from the pandemic could adversely affect many of our customers which could, in turn, adversely impact our business, financial condition and results of operations. The Company will continue to assess the evolving impact of the COVID-19 pandemic and intends to make adjustments to its responses accordingly.

## Operating Highlights

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

	March 31, 2020	December 31, 2019	March 31, 2019
<b>Contract Operations Backlog:</b>			
Contract operations services	\$ 1,352,627	\$ 1,252,001	\$ 1,357,411
<b>Product Sales Backlog:</b>			
Compression equipment	\$ 142,679	\$ 160,946	\$ 367,226
Processing and treating equipment	465,535	69,912	161,206
Production equipment	15	593	—
Other product sales	40,051	46,501	25,059
Total product sales backlog	\$ 648,280	\$ 277,952	\$ 553,491

## Summary of Results

### Revenue.

Revenue during the three months ended March 31, 2020 and 2019 was \$210.4 million and \$351.4 million, respectively. The decrease in revenue during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was due to a decrease in revenue in our product sales segment primarily due to an overall decline in bookings, partially offset by an increase in revenue in our contract operations segment.

### Net loss.

We generated a net loss of \$18.3 million and \$5.4 million during the three months ended March 31, 2020 and 2019, respectively. The increase in net loss during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a decrease in gross margin for our product sales segment, an increase in interest expenses and an increase of foreign currency losses of \$1.4 million, partially offset by a decrease in selling, general and administrative ("SG&A") expense, an increase in gross margin for our contract operations segment and a decrease in depreciation and amortization expense.

### EBITDA, as adjusted.

Our EBITDA, as adjusted, was \$33.8 million and \$50.2 million during the three months ended March 31, 2020 and 2019, respectively. EBITDA, as adjusted, during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 decreased primarily due to a decrease in gross margin for our product sales segment, partially offset by a decrease in SG&A and an increase in gross margin for our contract operations segment.

EBITDA, as adjusted, is a non-GAAP financial measure. For a reconciliation of EBITDA, as adjusted, to net loss, its most directly comparable financial measure calculated and presented in accordance with GAAP, please read "— Non-GAAP Financial Measures" included elsewhere in this Quarterly Report.

## The Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

### Contract Operations (dollars in thousands)

	Three Months Ended March 31,		Change	% Change
	2020	2019		
Revenue	\$ 94,788	\$ 85,700	\$ 9,088	11 %
Cost of sales (excluding depreciation and amortization expense)	31,460	28,591	2,869	10 %
Gross margin	\$ 63,328	\$ 57,109	\$ 6,219	11 %
Gross margin percentage <sup>(1)</sup>	67 %	67 %	— %	— %

<sup>(1)</sup> Defined as gross margin divided by revenue.

The increase in revenue during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to increases in revenue of \$6.1 million and \$2.5 million in the Middle East and Africa region and the Latin America region, respectively. The revenue increase in the Middle East and Africa region was primarily due to the start-up of a project that was not operating in the prior year period. The revenue increase in the Latin America region was primarily driven by an increase of \$6.7 million in Brazil for the sale of equipment pursuant to a customer purchase of contracted equipment during the current year period, partially offset by the impact of foreign currency exchange rates and, a \$4.4 million increase in Bolivia primarily driven by the start-up of a project during the second half of 2019. These revenue increases in the Latin America region were partially offset by a decrease of \$8.4 million in Mexico from the sale of equipment pursuant to a customer exercised purchase option during the fourth quarter of 2019 and the impact of renegotiations on a contract extension that resulted in lower revenue in the current year period. Gross margin increased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due to the revenue increases explained above. Gross margin percentage during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 remained flat.

### Aftermarket Services (dollars in thousands)

	Three Months Ended March 31,		Change	% Change
	2020	2019		
Revenue	\$ 27,909	\$ 27,302	\$ 607	2 %
Cost of sales (excluding depreciation and amortization expense)	21,181	20,718	463	2 %
Gross margin	\$ 6,728	\$ 6,584	\$ 144	2 %
Gross margin percentage	24 %	24 %	— %	— %

The increase in revenue during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to increases in part sales and operation and maintenance services, offset by a decrease in installation services. Gross margin increased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 primarily due to the revenue increase explained above. Gross margin percentage during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 remained flat.

**Product Sales**  
(dollars in thousands)

	Three Months Ended March 31,		Change	% Change
	2020	2019		
Revenue	\$ 87,660	\$ 238,444	\$ (150,784)	(63)%
Cost of sales (excluding depreciation and amortization expense)	84,439	209,535	(125,096)	(60)%
Gross margin	\$ 3,221	\$ 28,909	\$ (25,688)	(89)%
Gross margin percentage	4 %	12 %	(8)%	(67)%

The decrease in revenue during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to decreases in revenue of \$123.6 million and \$35.3 million in the North America and Middle East and Africa regions, respectively, partially offset by an increase in revenue of \$10.6 million in the Asia Pacific region. The decrease in revenue in the North America region was primarily due to decreases of \$95.5 million and \$28.2 million in compression revenue and processing and treating equipment revenue, respectively, due to an overall decline in bookings. The decrease in revenue in the Middle East and Africa region was primarily due to a decrease of \$49.3 million in processing and treating equipment revenue due to nearing completion on a specific project, partially offset by increases of \$7.9 million and \$5.5 million in compression revenue and water solutions revenue, respectively. The increase in revenue in the Asia Pacific region was primarily due to an increase of \$11.0 million in compression revenue. Gross margin decreased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due to the revenue decrease explained above and higher expenses on a specific project in the Middle East and Africa region. Gross margin percentage during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 decreased 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)

	Three Months Ended March 31,		Change	% Change
	2020	2019		
Selling, general and administrative	\$ 38,052	\$ 43,452	\$ (5,400)	(12)%
Depreciation and amortization	32,610	38,217	(5,607)	(15)%
Restatement related charges	—	48	(48)	(100)%
Restructuring and other charges	1,188	384	804	209 %
Interest expense	9,953	8,163	1,790	22 %
Other (income) expense, net	294	(1,245)	1,539	(124)%

*Selling, general and administrative*

SG&A expense decreased during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 primarily due to a decrease in compensation and associated costs and a decrease in third-party professional expenses. SG&A expense as a percentage of revenue was 18% and 12% during the three months ended March 31, 2020 and 2019, respectively.

*Depreciation and amortization*

Depreciation and amortization expense during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 decreased primarily due to a decrease in depreciation expense of approximately \$9.4 million in the current year period resulting from the sale of equipment on a contract operations contract in the Latin America region in the fourth quarter of 2019 and a decrease of \$2.0 million in compressor equipment for equipment that was impaired in the fourth quarter of 2019. This decrease was partially offset by an increase of \$5.2 million in depreciation for installation costs on contract operations projects that were not operating in the prior year period. Capitalized installation costs included, among other things, civil engineering, piping, electrical instrumentation and project management 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 \$1.2 million during the three months ended March 31, 2020.

In the second quarter of 2018, we initiated a relocation plan in the Latin America region to better align our contract operations business with our customers. As a result of this plan, during the three months ended March 31, 2019, we incurred restructuring and other charges of \$0.4 million primarily related to relocation costs.

#### *Interest expense*

The increase in interest expense during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a higher average balance of long-term debt and a decrease in capitalized interest. During the three months ended March 31, 2020 and 2019, the average daily outstanding borrowings of long-term debt were \$488.1 million and \$484.2 million, respectively.

#### *Other (income) expense, net*

The change in other (income) expense, net, was primarily due to foreign currency losses of \$1.4 million during the three months ended March 31, 2020 compared to foreign currency gains, net of losses on foreign currency derivatives, of \$0.1 million during the three months ended March 31, 2019. Foreign currency losses and gains included translation gains of \$1.1 million and translation gains, net of losses on foreign currency derivatives of \$0.2 million during the three months ended March 31, 2020 and 2019, respectively, related to the currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations.

### **Income Taxes** (dollars in thousands)

	<b>Three Months Ended March 31,</b>		<b>Change</b>	<b>% Change</b>
	<b>2020</b>	<b>2019</b>		
Provision for income taxes	\$ 9,330	\$ 9,140	\$ 190	2 %
Effective tax rate	(105.8) %	255.1 %	(360.9) %	(141) %

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.

The following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21.0% and our effective tax rate for the three months ended March 31, 2020: (i) a (53.4)% negative impact resulting primarily from rate differences between U.S. and foreign jurisdictions including foreign withholding taxes, (ii) a (19.9)% negative impact resulting from foreign currency devaluations in Argentina, and (iii) a (37.8)% negative impact resulting from the recording of valuation allowances recorded against U.S. deferred tax assets.

### **Discontinued Operations** (dollars in thousands)

	<b>Three Months Ended March 31,</b>		<b>Change</b>	<b>% Change</b>
	<b>2020</b>	<b>2019</b>		
Income (loss) from discontinued operations, net of tax	\$ (154)	\$ 163	\$ (317)	(194) %

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

Income (loss) from discontinued operations, net of tax, during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 decreased primarily due to a \$0.4 million decrease in income from Belleli EPC. For further details on our discontinued operations, see [Note 3](#) to the Financial Statements.

## Liquidity and Capital Resources

Our unrestricted cash balance was \$18.1 million at March 31, 2020 compared to \$16.7 million at December 31, 2019. Working capital increased to \$121.0 million at March 31, 2020 from \$109.3 million at December 31, 2019. The increase in working capital was primarily due to decreases in accounts payable and accrued liabilities, partially offset by an increase in contract liabilities and decreases in accounts receivables and contract assets. The decrease in accounts payable was largely caused by the timing of purchases and payments to suppliers during the current year period. The increase in contract liabilities were primarily driven by the progression of product sales activity in the Middle East and Africa region. The decrease in accrued liabilities was due to a decrease in accrued compensation benefits. The decrease in accounts receivables was primarily due to lower product sales activity in North America and the decrease in contract assets was primarily driven by the timing of billings on contract operations services in Latin 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):

	Three Months Ended March 31,	
	2020	2019
Net cash provided by (used in) continuing operations:		
Operating activities	\$ 9,449	\$ 49,025
Investing activities	(16,861)	(72,549)
Financing activities	10,552	23,186
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(513)	(402)
Discontinued operations	(1,177)	16
Net change in cash, cash equivalents and restricted cash	\$ 1,450	\$ (724)

**Operating Activities.** The decrease in net cash provided by operating activities during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily attributable to a decrease in cash received from upfront billings on contract operations projects. Working capital changes during the three months ended March 31, 2020 included a decrease of \$50.8 million in accounts payable and other liabilities and an increase of \$27.2 million in contract liabilities. Working capital changes during the three months ended March 31, 2019 included an increase of \$24.1 million in contract liabilities, an increase of \$19.4 million in inventory and a decrease of \$17.2 million in contract assets.

**Investing Activities.** The decrease in net cash used in investing activities during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily attributable to a \$59.3 million decrease in capital expenditures. The decrease in capital expenditures was primarily driven by an increased focus on cash management throughout the regions.

**Financing Activities.** The decrease in net cash provided by financing activities during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily attributable to a decrease in net borrowings of \$18.5 million on our long-term debt, partially offset by a decrease of \$5.9 million in purchases of treasury stock.

**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.

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 \$85 million to \$95 million in capital expenditures during 2020, including (1) approximately \$65 million to \$75 million on contract operations growth capital expenditures and (2) approximately \$20 million on equipment maintenance capital related to our contract operations business and other capital expenditures.

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

During the three months ended March 31, 2020 and 2019, the average daily outstanding borrowings of long-term debt were \$488.1 million and \$484.2 million, respectively. The weighted average annual interest rate on outstanding borrowings under our revolving credit facility at March 31, 2020 and 2019 was 3.0% 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 March 31, 2020, we had \$85.5 million in outstanding borrowings and \$20.9 million in outstanding letters of credit under our revolving credit facility. At March 31, 2020, taking into account guarantees through letters of credit, we had undrawn capacity of \$593.6 million under our revolving credit facility. Our Amended Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Amended Credit Agreement) on the last day of the fiscal quarter to no greater than 4.50 to 1.0. As a result of this limitation, \$415.2 million of the \$593.6 million of undrawn capacity under our revolving credit facility was available for additional borrowings as of March 31, 2020.

The 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 Credit Agreement) of 2.25 to 1.00; a maximum total leverage ratio (as defined in the Credit Agreement) of 4.50 to 1.00; and a maximum senior secured leverage ratio (as defined in the Credit Agreement) of 2.75 to 1.00. As of March 31, 2020, we maintained a 5.5 to 1.0 interest coverage ratio, a 2.4 to 1.0 total leverage ratio and a 0.4 to 1.0 senior secured leverage ratio. As of March 31, 2020, we were in compliance with all financial covenants under the Credit Agreement.

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”). We guarantee the 2017 Notes on a senior unsecured basis. We may redeem the 2017 Notes at any time in cash, in whole or part, at certain redemption prices, including the applicable make-whole premium plus accrued and unpaid interest, if any, to the date of redemption.

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 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.

### **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 (“Parent”). The 2017 Notes and Parent’s guarantee are:

- Senior unsecured obligations of each of the Issuers and the Parent, as applicable;
- Equal in right of payment with all of the existing and future senior unsecured indebtedness and senior unsecured guarantees of each of the Issuers and the Parent, as applicable;
- Senior in right of payment to all subordinated indebtedness and subordinated guarantees of each of the Issuers and the Parent, as applicable;
- Effectively junior in right of payment to all existing and future secured indebtedness and secured guarantees of each of the Issuers and the Parent, as applicable, to the extent of the value of the assets securing such indebtedness or guarantees; and
- Structurally junior in right of payment to all existing and future indebtedness, guarantees and other liabilities (including trade payables) and any preferred equity of each of the Parent’s subsidiaries (other than the Issuers) that are not guarantors of the 2017 Notes.

Parent’s guarantee will be automatically and unconditionally released and discharged upon (i) the merger of the Parent into the Issuers, (ii) a legal defeasance, covenant defeasance or satisfaction and discharge of the indenture governing the 2017 Notes or (iii) the liquidation or dissolution of the Parent, provided in each case no default or event of default has occurred and is continuing under the indenture governing the 2017 Notes.

Federal bankruptcy and state fraudulent transfer laws permit a court to void all or a portion of the obligations of the Parent pursuant to its guarantee, or to subordinate the Parent’s obligations under its guarantee to claims of the Parent’s other creditors, reducing or eliminating the ability to recover under the guarantee. Although laws differ among jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, the guarantee could be voided as a fraudulent transfer or conveyance if (i) the guarantee was incurred with the intent of hindering, delaying or defrauding creditors or (ii) the Parent received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and either (x) the Parent was insolvent or rendered insolvent by reason of the incurrence of the guarantee or subsequently became insolvent for other reasons, (y) the incurrence of the guarantee left the Parent with an unreasonably small amount of capital to carry on the business, or (z) the Parent intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature. A court would likely find that Parent did not receive reasonably equivalent value or fair consideration for its guarantee if it determined that the Parent did not substantially benefit directly or indirectly from the issuance of the 2017 Notes. If a court were to void a guarantee, noteholders would no longer have a claim against the Parent. In addition, the court might direct noteholders to repay any amounts that you already received from the Parent. Parent’s guarantee contains a provision intended to limit the Parent’s liability under the guarantee to the maximum amount that the Parent could incur without causing the incurrence of obligations under its guarantee to be deemed a fraudulent transfer. This provision may not be effective to protect the guarantee from being voided under fraudulent transfer law.

All consolidated subsidiaries of Exterran other than the Issuers are collectively referred to as the “Non-Guarantor Subsidiaries.” The 2017 Notes are structurally subordinated to any indebtedness and other liabilities (including trade payables) of any of the Non-Guarantor Subsidiaries. The Non-Guarantor Subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the 2017 Notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Holders of the 2017 Notes will have no claim as a creditor against any Non-Guarantor Subsidiaries. In the event of bankruptcy, liquidation or reorganization of any of the Non-Guarantor Subsidiaries, such subsidiaries will pay current outstanding obligations to the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Parent or the Issuers. As a result, in the context of a bankruptcy, liquidation or reorganization, holders of the 2017 Notes would likely receive less, ratably, than holders of indebtedness and other liabilities (including trade payables of such entities).



The Parent and EESLP are also parties to our credit agreement, which covenants with which the Parent, 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. These covenants may impact the ability of the Parent and EESLP to repay the 2017 Notes or amounts owing under Parent's guarantee.

### Summarized Financial Information (in thousands)

As a result of the Parent's guarantee, we are presenting the following summarized financial information for the Issuers' and Parent (collectively referred to as "the Obligated Group") pursuant to Rule 13-01 of Regulation S-X, *Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*. For purposes of the following summarized financial information, transactions between the Parent and the Issuers, presented on a combined basis, have been eliminated and information for the Non-Guarantor Subsidiaries have been excluded. Amounts due from or due to the Non-Guarantor Subsidiaries and other related parties, as applicable, have been separately presented within the summarized financial information.

	Three Months Ended March 31, 2020
<b>Summarized Statement of Operations:</b>	
Revenues <sup>(1)</sup>	\$ 97,104
Cost of sales <sup>(1)</sup>	81,972
Loss from continuing operations	(35,384)
Net loss	(35,384)

<sup>(1)</sup> Includes \$24.5 million of revenue and \$16.6 million of cost of sales for intercompany sales from the Obligated Group the Non-Guarantor Subsidiaries.

	March 31, 2020	December 31, 2019
<b>Summarized Balance Sheet:</b>		
<b>ASSETS</b>		
Intercompany receivables due from non-guarantors	\$ 171,768	\$ 177,649
Total current assets	328,559	353,431
Total long-term assets	245,377	249,732
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Intercompany payables due to non-guarantors	\$ 398,243	\$ 399,645
Total current liabilities	528,083	552,941
Long-term liabilities	510,225	495,829

**Unrestricted Cash.** Of our \$18.1 million unrestricted cash balance at March 31, 2020, \$16.9 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 three months ended March 31, 2019, we repurchased 268,500 shares of our common stock for \$4.7 million in connection with our share repurchase program. During the three months ended March 31, 2020, we did not repurchase any shares under this program. As of March 31, 2020, 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.

## Non-GAAP Financial Measures

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 loss to EBITDA, as adjusted (in thousands):

	Three Months Ended March 31,	
	2020	2019
<b>Net loss</b>	<b>\$ (18,304)</b>	<b>\$ (5,394)</b>
(Income) loss from discontinued operations, net of tax	154	(163)
Depreciation and amortization	32,610	38,217
Restatement related charges	—	48
Restructuring and other charges	1,188	384
Interest expense	9,953	8,163
Gain on currency exchange rate remeasurement of intercompany balances	(1,121)	(238)
Provision for income taxes	9,330	9,140
<b>EBITDA, as adjusted</b>	<b>\$ 33,810</b>	<b>\$ 50,157</b>

## Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

## Item 3. 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 three months ended March 31, 2020, the Argentine Peso depreciated by approximately 7% and Brazilian Real depreciated by approximately 22%. 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 currency exchange rates. These operations may also 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 \$1.4 million and foreign currency gains of \$0.7 million in our statements of operations during the three months ended March 31, 2020 and 2019, respectively. Our foreign currency gains and losses are primarily due to exchange rate fluctuations related to monetary asset 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 are the Brazilian Real and Canadian Dollar, which loans carried U.S. dollars balances of \$18.2 million and \$25.2 million, respectively, as of March 31, 2020. Foreign currency losses included translation gains of \$1.1 million and \$0.4 million during the three months ended March 31, 2020 and 2019, respectively, related to the functional currency remeasurement of our foreign subsidiaries' non-functional currency denominated intercompany obligations. During the three months ended March 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 \$0.7 million during the three months ended March 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.

#### **Item 4. Controls and Procedures**

This Item 4 includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Exchange Act included in this Quarterly Report as Exhibits 31.1 and 31.2.

##### ***Management's Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed 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 SEC rules and forms, and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2020. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to management, and made known to our principal executive officer and principle financial officer, on a timely basis to ensure that it is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

##### ***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 last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. 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 had as of that date, they have concluded their investigation and did not intend to recommend enforcement action by the SEC against us in connection with that matter.

### Item 1A. Risk Factors

There have been no material changes or updates to our risk factors that were previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, except as follows:

***Natural disasters, public health crises, including the COVID-19 pandemic, and other catastrophic events outside of our control may adversely affect our business or the business of third parties on which we depend.***

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In response to the pandemic, governmental authorities have mandated shutdowns, travel restrictions, social distancing requirements, stay at home orders and advisories and other restrictions. The COVID-19 pandemic and aggressive actions taken in response to it have negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption across most industries, including ours.

The extent to which the coronavirus pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our customers and customer demand for our products, solutions, and services; our ability to sell and provide our products, solutions, and services, including as a result of supplier disruptions, travel restrictions and people working from home; the ability of our customers to pay for our products, solutions, and services; and any closures of our and our customers' offices and facilities.

We are following local governmental guidance for viral spread mitigation, including having many of our employees who would traditionally work in an office work from home, and have put in place additional health and safety measures to protect our employees, customers and other parties who are working at our operating sites. However, the ability of our employees and our suppliers' and customers' employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19, or as a result of the mitigation measures noted above, which may affect our ability to fulfill our obligations to our customers. See *Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of COVID-19 on our Business* for further discussion of our response to, and the possible impact of, the COVID-19 pandemic on our business.

Many countries have significantly shut down their economies to mitigate the spreading of the virus, thus impacting consumer spending including reduced demand for oil and natural gas. This could indirectly impact the demand for and pricing of our products and services and negatively impact our operating results. Further deterioration in economic conditions, as a result of the COVID-19 pandemic or otherwise, could lead to a further or prolonged decline in demand for our products and services and negatively impact our business. For example, customers may slow down decision making, delay planned work or seek to terminate or renegotiate existing agreements. The pandemic may also impact financial markets and corporate credit markets which could adversely impact our access to financing or the terms of any such financing. These types of events are unpredictable and can materially affect our business, financial condition, results of operations and cash flows.

***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. However, this forum selection clause will not preclude or limit the scope of exclusive federal or concurrent jurisdiction for actions brought under the Exchange Act, the Securities Act or the respective rules and regulations promulgated thereunder.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) Not applicable.

(b) Not applicable.

(c) The following table summarizes our repurchases of equity securities during the three months ended March 31, 2020:

Period	Total Number of Shares Repurchased <sup>(1)</sup>	Average Price Paid Per Unit	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Approximate Dollar Value of Shares yet to be Purchased Under the Publicly Announced Plans or Programs <sup>(2)</sup>
January 1, 2020 - January 31, 2020	1,820	\$ 7.83	—	\$ 57,726,011
February 1, 2020 - February 29, 2020	165	5.37	—	57,726,011
March 1, 2020 - March 31, 2020	112,740	7.27	—	57,726,011
Total	114,725	\$ 7.28	—	\$ 57,726,011

<sup>(1)</sup> Total number of shares repurchased includes 114,725 shares withheld to satisfy employees' tax withholding obligations in connection with vesting of restricted stock awards during the period.

<sup>(2)</sup> 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.

## **Item 3. Defaults Upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit No.	Description
2.1	<a href="#">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</a>
2.2	<a href="#">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 Annual Report on Form 10-K for the year ended December 31, 2015</a>
10.1	<a href="#">Chai Trust Agreement, dated February 29, 2020, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 2, 2020</a>
10.2†*	<a href="#">Exterran Corporation 2020 Omnibus Incentive Plan, incorporated by reference to Appendix C to the Registrant's Definitive Proxy Statement filed on March 18, 2020</a>
10.3†*	<a href="#">Form of Award Notice and Agreement for Performance Cash-Settled Units pursuant to the 2015 Stock Incentive Plan</a>
10.4†*	<a href="#">Form of Award Notice and Agreement for Time-Vested Cash-Settled Restricted Stock pursuant to the 2015 Stock Incentive Plan</a>
10.5†*	<a href="#">Form of Award Notice and Agreement for Common Stock Award for Non-Employee Directors pursuant to the 2015 Stock Incentive Plan</a>
22.1*	<a href="#">List of Guarantor Subsidiaries</a>
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">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</a>
32.2**	<a href="#">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</a>
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.
†	Management contract or compensation plan or arrangement.
*	Filed herewith.
**	Furnished, not filed.

## SIGNATURES

Pursuant to the requirements 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

Date: May 11, 2020

By: /s/ DAVID A. BARTA

David A. Barta

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

## EXTERRAN CORPORATION

AWARD NOTICE AND AGREEMENT  
PERFORMANCE CASH-SETTLED UNITS

Exterran Corporation (the “**Company**”) has granted to you a Performance Award (your “**Award**”) under the Exterran Corporation 2015 Stock Incentive Plan (as may be amended from time to time, the “**Plan**”). All capitalized terms not explicitly defined in this Award Notice and Agreement (the “**Award Notice**”) but defined in the Plan shall have the respective meanings ascribed to them in the Plan.

The main terms of your Award are as follows:

**1. Award.** You have been granted a number of performance units (the “**Performance Units**”), the payout of which is based on the attainment of certain performance measures as described herein. The Award is granted at Target (as defined on Exhibit A); however, the actual number of Performance Units that become earned and payable hereunder may be greater or less than your Target Award. “**Target Award**” means the number of Performance Units that would be earned by you if the Performance Measures (as specified on Exhibit A) are met at the applicable target level at the end of the Performance Period.

**2. Grant Date.** The Grant Date of this Award is the date of approval by the Board of Directors of the Company or an appropriate committee of the Board of Directors.

**3. Vesting.** Subject to Sections 4, 5 and 6 below, your Award will become payable (as provided in Section 6) at 0% to 200% of the Performance Units based on achievement by the Company of the applicable pre-determined Performance Measures over the applicable performance period (the “**Performance Period**”). The Performance Units subject to this Award will vest on the second anniversary of the Grant Date (“**Vest Date**”); however, except as set forth in Sections 4 and 5 below, you must remain in continuous service as an Employee of the Company or one of its Affiliates at all times from the Grant Date up to and including the applicable Vest Date for the Award to vest.

Exhibit A hereto provides (a) the Performance Period for your Award, (b) an explanation of the Company's Performance Measures and (c) the percentage of the Award that you may earn, if any, based on the achievement of the Performance Measures.

**4. Termination of Service.**

(a) Subject to Sections 4(b) and 4(c) below, if your status as an Employee with the Company or an Affiliate terminates for any reason, the unvested portion of your Award will be automatically cancelled and forfeited on the date of such termination unless the Committee directs otherwise.

(b) If your status as an Employee of the Company or an Affiliate terminates as a result of your death or Disability, your Target Award will immediately vest in full and all restrictions applicable to your Award will cease as of that date. Any such date on which such accelerated vesting occurs pursuant to this Section 4(b) is referred to in this Award Notice as an “**Accelerated Vest Date**”. Not later than the sixtieth (60th) day following the Accelerated Vest Date, you will receive a lump sum cash payment equal to your Target Award multiplied by the Fair Market Value of a share of Common Stock on the Accelerated Vest Date, less applicable taxes and withholdings.

(c) In the event your status as an Employee is terminated and the Committee desires in its discretion to accelerate vesting of your Award, you agree that, in consideration of the Committee's agreement to vest your Award, if required you will execute an additional agreement containing additional obligations pertaining to the Company.

**5. Corporate Change.** Notwithstanding anything to the contrary in this Award Notice, this section will govern the vesting of your Award on and after the date a Corporate Change is consummated.

(a) If, in connection with a Corporate Change, the Company's successor replaces your existing Award (a "**Replaced Award**") with a Replacement Award, and your employment is thereafter terminated by the Company (or the Company's successor) without Cause within 18 months following the Corporate Change, then the unvested portion of your Replacement Award, if any, as of the date of your termination of employment will become 100% vested and free of all restrictions, with payment made not later than the sixtieth (60th) day following your termination of employment; provided that if the level of performance achieved by the Company with respect to the Performance Measures in Section 6 below has not been determined, then such Performance Measures shall be deemed satisfied as if target performance was achieved. In general, a Replacement Award means a substitute award that, compared to the award being replaced, is of the same type of award, has at least an equal intrinsic value, has vesting that continues on the same terms, and has other terms and conditions are not less favorable to the holder of the Award.

(b) If, in connection with a Corporate Change, the Company's successor does not provide a Replacement Award to replace your existing Award, then the unvested portion of your Award, if any, will immediately become 100% vested and free of all restrictions, with payment made not later than the sixtieth (60th) day following the Corporate Change; provided that if the level of performance achieved by the Company with respect to the Performance Measures in Section 6 below has not been determined, then such Performance Measures shall be deemed satisfied as if target performance was achieved.

(c) An Award shall qualify as a Replacement Award if: (i) it is of the same type as the Replaced Award (or, it is of a different type as the Replaced Award, provided that the Committee, as constituted immediately prior to the Corporate Change, finds such type acceptable); (ii) it has an intrinsic value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Corporate Change or another entity that is affiliated with the Company or its successor following the Corporate Change; (iv) its terms and conditions comply with Section 6(a); (v) vesting conditions continue on the same terms as set forth in the Replaced Award; and (vi) its other terms and conditions are not less favorable to the holder of the Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Corporate Change). Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 6(c) are satisfied shall be made by the Committee, as constituted immediately before the Corporate Change, in its sole discretion.

**6. Determination of Earned Units, Settlement and Payment.** As soon as administratively practicable following the conclusion of the Performance Period, the Committee shall certify in writing the level of performance achieved by the Company with respect to the Performance Measures (the "**Achievement Percentage**"). The actual number of Performance Units earned under your individual Award (the "**Earned Units**") shall be determined by the Committee (or any officer of the Company to whom authority to determine such adjustment is delegated by the Committee) and based on the Company's Achievement Percentage and your Target Award. Not later than the sixtieth (60th) day following the applicable Vest Date of such Earned Units, you will receive payment a lump sum cash payment equal to the number of the vested Earned Units multiplied by the Fair Market Value of a share of Common Stock on the Vest Date, less applicable taxes and withholding.



Except as provided below, this Award is intended to be exempt under Section 409A of the Code ("**Section 409A**") under the short-term deferral exclusion and will be interpreted and operated consistent with such intent. If, for any reason, the Company determines that this Award is subject to Section 409A, the Company shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or this Award Notice, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Company determines are necessary or appropriate to provide for either the Performance Units to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

**7. No Stockholder Rights.** The Performance Units represent an unfunded, unsecured and contingent right to receive payment. You have no rights as a stockholder with respect to any Performance Units.

**8. Non-Transferability.** You cannot sell, transfer, pledge, exchange, hypothecate or otherwise dispose of your Award except as otherwise set forth in Paragraph XV(i) of the Plan.

**9. No Right to Continued Service.** Nothing in this Award Notice guarantees your continued status as an Employee or other service provider of the Company or any of its Affiliates or interferes in any way with the right of the Company or its Affiliates to terminate your status as an Employee or other service provider at any time.

**10. Data Privacy.** You consent to the collection, use, processing and transfer of your personal data as described in this paragraph. You understand that the Company and/or its Affiliates hold certain personal information about you (including your name, address and telephone number, date of birth, social security number, social insurance number, etc.) for the purpose of administering the Plan ("**Data**"). You also understand that the Company and/or its Affiliates will transfer this Data amongst themselves as necessary for the purpose of implementing, administering and managing your participation in the Plan, and that the Company and/or its Affiliates may also transfer this Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for these purposes. You also understand that you may, at any time, review the Data, require any necessary changes to the Data or withdraw your consent in writing by contacting the Company. You further understand that withdrawing your consent may affect your ability to participate in the Plan.

**11. Withholding.** Your Award is subject to applicable income and/or social insurance tax withholding obligations (including, without limitation, any applicable FICA, employment tax or other social security contribution obligations), and the Company and its Affiliates may, in their sole discretion, withhold a sufficient amount from the amount that is otherwise payable to you pursuant to your Award to satisfy any such withholding obligations. If necessary, the Company reserves the right to withhold from your regular earnings an amount sufficient to meet the withholding obligations.

**12. Plan Governs.** This Award Notice is subject to the terms of the Plan, a copy of which is available at no charge through your stock account or which will be provided to you upon request as indicated in Section 18. All the terms and conditions of the Plan, as may be amended from time to time, and any rules, guidelines and procedures that may from time to time be established pursuant to the Plan, are hereby incorporated into this Award Notice including, but not limited to, Paragraphs XV(i) ("**Section 409A of the Code**") and XV(j) ("**Clawback**") thereof. In the event of a discrepancy between this Award Notice and the Plan, the Plan shall govern.

**13. Adjustment.** This Award shall be subject to adjustment as provided in Paragraph XIII of the Plan.

**14. Modifications.** The Company may, without your consent, make any change to this Award Notice that is not materially adverse to your rights under this Award Notice or the Plan.

**15. Non-Solicitation/Non-Competition/Confidentiality/Non-Disparagement Agreement.** The greatest assets of the Company and its affiliates ("**Exterran**" in this Section 15) are its employees, directors, customers, and confidential information. In recognition of the increased risk of unfairly losing any of these assets, Exterran has adopted this Non-Solicitation/Non-Competition/Confidentiality/Non-Disparagement Agreement as set forth in this Section 15, the terms of which you accept and agree to by accepting the Award.

In order to assist you with your employment-related duties, Exterran has provided and shall continue to provide you with access to confidential and proprietary operational information and other confidential information which is either information not known by actual or potential competitors and third parties or is proprietary information of Exterran ("**Confidential Information**"). Such Confidential Information shall include, without limitation, information regarding Exterran's customers and suppliers, employees, business operations, product lines, services, pricing and pricing formulae, machines and inventions, research, knowhow, manufacturing and fabrication techniques, engineering and product design specifications, financial information, business plans and strategies, information derived from reports and computer systems, work in progress, marketing and sales programs and strategies, cost data, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of Exterran. You agree, during your service as an Employee and at all times thereafter, not to use, divulge, or furnish or to make accessible to any third party, company, or other entity or individual, without Exterran's written consent, any Confidential Information of Exterran, except as required by your job-related duties to Exterran.

a. You agree that whenever your service as an Employee of Exterran ends for any reason, (i) you shall return to Exterran all documents containing or referring to Exterran's Confidential Information as may be in your possession and/or control, with no request being required; and (ii) you shall return all Exterran computers, mobile computing devices, handheld devices, phones and similar equipment, hardware and software, and all Exterran property, files, records, documents, drawings, specifications, lists, equipment and other similar items relating to Exterran's business coming into your possession and/or control during your employment, with no request being required. You further agree that if company property is in electronic form on a personal computer or device, you will delete all such information from the devices.

b. In connection with your acceptance of the Award under the Plan, and in exchange for the consideration provided hereunder, and in consideration of Exterran disclosing and providing access to Confidential Information, you agree that you will not, during your service as an Employee or other service provider of Exterran, and for one year thereafter, directly or indirectly, for any reason, for your own account or on behalf of or together with any other person, entity or organization (i) call on or otherwise solicit, cause, encourage or induce any natural person who is employed by Exterran in any capacity for employment by another company (including, for this purpose, contracting with any person who was an independent contractor (excluding consultant) of Exterran on the date of your employment or during the six (6)-month period preceding the termination of your employment), or (ii) solicit any established customer of Exterran or other service provider of Exterran or interfere with the relationship of Exterran with its established customers or other service providers without, any of those cases, the prior written consent of Exterran.

c. In connection with your acceptance of the Award under the Plan, and in exchange for the consideration provided hereunder, and in consideration of Exterran disclosing and providing access to Confidential Information, you agree that you will not, during your service as an Employee or other service provider of Exterran, and for one year thereafter, accept employment or engage in any business activity (whether as a principal, partner, joint venturer, agent, employee, salesperson, consultant, independent contractor, director, or officer) with a "Competitor" (as defined below) of Exterran where such employment or activity would involve your (i) providing, selling or attempting to sell, or assisting in the sale or attempted sale of, any services or products competitive with or similar to those services or products with which you had any involvement, and/or regarding which you had access to any information, during your service as an Employee or other service provider of Exterran (including any products or services being researched or developed by Exterran during your service as an Employee or other service provider of Exterran), or (ii) providing or performing services that are similar to any services that you provided to or performed for Exterran during your service as an Employee or other service provider of Exterran.

For purposes of this Section 15(d), a "Competitor" is any business or entity that, at any time during the one-year period following your separation from employment, provides or seeks to provide, any products or services similar or related to any products sold or any services provided by Exterran. "Competitor" includes, without limitation, any company or business relating to the provision of oil, water and natural gas processing and treatment in the oil and gas industry, including compression, water and power products and services, and midstream infrastructure contract operations and product sales and the supply of aftermarket parts and services globally.

The restrictions set forth in this Section 15(d) will be limited to the geographic areas (i) where you performed services for Exterran, (ii) where you solicited or served the customers or clients of Exterran, or (iii) otherwise impacted or influenced by your provision of services to Exterran. Notwithstanding the foregoing, you may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (A) such securities are traded on any national securities exchange or the National Association of Securities Dealers Automatic Quotation System or equivalent non-U.S. securities exchange, (B) you are not a controlling person of, or a member of a group which controls, such entity and (C) you do not, directly or indirectly, own three percent (3%) or more of any class of securities of such entity.

d. Subject to Section 16 below, you agree that you will not, directly or indirectly, make any public or private statements (whether orally, in writing, via electronic transmission or otherwise) that disparage, denigrate or malign Exterran or any of its affiliates; any of the businesses, activities, operations, affairs, reputations or prospects of any of the foregoing; or any of the respective officers, employees, directors, managers, partners, agents, members or shareholders of any of the foregoing.

e. You agree that (i) the terms of this Section 15 are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Section 15 are ancillary or a part of; (ii) the consideration provided by Exterran under this Section 15 is not illusory; (iii) the restrictions of this Section 15 are necessary and reasonable for the protection of the legitimate business interests and goodwill of Exterran; and (iv) the consideration given by Exterran under this Section 15, including without limitation, the provision by Exterran of

Confidential Information to you, gives rise to Exterran's interests in the covenants set forth in this Section 15.

f. You and Exterran agree that it was both parties' intention to enter into a valid and enforceable agreement. You agree that if any covenant contained in this Section 15 is found by a court of competent jurisdiction 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 Exterran, then the court 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 Exterran.

g. In the event that Exterran determines that you have breached or attempted or threatened to breach any term of this Section 15, in addition to any other remedies at law or in equity Exterran may have available to it, it is agreed that Exterran shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without necessity of (i) proving irreparable harm, (ii) establishing that monetary damages are inadequate, or (iii) posting any bond with respect thereto) against you prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach. You agree that the period during which the covenants contained in this Section 15 are in effect shall be computed by excluding from such computation any time during which you are in violation of any provision of this Section 15.

h. You hereby acknowledge that the Award being granted to you under the Plan is an extraordinary item of compensation and is not part of, nor in lieu of, your ordinary wages for services you may render to Exterran.

i. You understand that your obligations under this Section 15 are independent of and do not affect the enforceability of any other restrictive covenants by which you have agreed to be bound in any other agreement with Exterran.

j. Notwithstanding any other provision of this Award, the provisions of this Section 15 shall be governed, construed and enforced in accordance with the laws of the State of Texas, without giving effect to the conflict of law principles thereof. Any action or proceeding seeking to enforce any provision of this Section 15 shall be brought only in the courts of the State of Texas or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Texas, and the parties consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

**16. Protected Rights.** Notwithstanding any other provision of this Award Notice, nothing contained in this Award Notice limits your 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. You understand that this Award Notice does not limit your 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 Exterran.

**17. Defend Trade Secrets Act.** You are hereby notified 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.

**18. Additional Information.** If you require additional information concerning your Award, contact [compensation@exterran.com](mailto:compensation@exterran.com), UBS at 1-877-313-6669, or log in online at [www.ubs.com/onesource/extn](http://www.ubs.com/onesource/extn).

**19. Clawback.** The Award shall be subject to the provisions of any clawback or recoupment policy adopted by the Company's Board of Directors 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.

**20. Amendment.** Nothing in this Award Notice shall amend any provision of any Severance Benefit Agreement or Change of Control Agreement of any executive, including any provision relating to forfeiture or cancellation of an unvested Award in Section 4.

**21. Acceptance.** If you agree with the terms and conditions of this Award, please indicate your online acceptance in UBS One Source by selecting "Accept." To reject the Award, select "Reject." **Please note that if you reject the Award or do not accept the Award within 30 days of the Grant Date, the Award will be forfeited.**

**EXTERRAN CORPORATION AWARD NOTICE  
PERFORMANCE UNITS  
EXHIBIT A**

**2020 PERFORMANCE-BASED OBJECTIVES AND CONDITIONS**

**Performance Period** The two-year period commencing on January 1, 2020 and ending on December 31, 2021.

**Performance Measures**

Performance will be based on financial measures, as follows:

**I. EBITDA, as adjusted % Rate – 50% weight**

1. EBITDA, as adjusted, divided by Total Revenue (defined from financial statements)

a. **"EBITDA, as adjusted"** defined 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.

*provided, however*, that adjustments to EBITDA may be made by the Committee:

i. Upon acquisitions or dispositions approved by the Board or a Board committee, the Committee may change threshold, target and maximum amounts; and

ii. Unusual items or non-recurring items are subject to Committee determination in its discretion in its end-of-year evaluation as to whether actual results may change performance or threshold, target or maximum amounts, including but not limited to restatement related charges, proceeds from sale of joint venture assets, loss on sale of business, and penalties from Brazilian tax programs.

**II. Backlog ROA – 50% weight**

1. Margin backlog divided by PP&E + Inventory

Performance Levels	Below Threshold 0% payout	Threshold 50% payout	Target 100% payout	Maximum 200% payout
EBITDA, % Rate	TBD*	TBD*	TBD*	TBD*
Backlog ROA	TBD*	TBD*	TBD*	TBD*

Straight line interpolation will be used between Threshold and Target and between Target and Maximum performance levels. No amount shall be paid if the Achievement Percentage is determined to be less than the Threshold level.

\* Subject to Board Approval

## EXTERRAN CORPORATION

AWARD NOTICE AND AGREEMENT  
TIME-VESTED CASH-SETTLED RESTRICTED STOCK UNITS

Exterran Corporation (the “**Company**”) has granted to you restricted stock units under the Exterran Corporation 2015 Stock Incentive Plan (as may be amended from time to time, the “**Plan**”). Each restricted stock unit shall be issued in tandem with a corresponding Dividend Equivalent, which shall entitle you to payments in accordance with Section 2 below. All capitalized terms not explicitly defined in this Award Notice and Agreement (the “**Award Notice**”) but defined in the Plan shall have the respective meanings ascribed to them in the Plan.

The material terms of your Award are as follows:

1. **Award.** You have been granted restricted stock units (the “**Award**” or “**RSUs**”), each with a tandem grant of a Dividend Equivalent, subject to these terms and conditions.
2. **Dividend Equivalents.** Each RSU granted hereunder is hereby granted in tandem with a corresponding Dividend Equivalent, which Dividend Equivalent shall remain outstanding from the Grant Date until the earlier of the payment or forfeiture of the RSU to which it corresponds (the “**Dividend Equivalent Period**”). Each Dividend Equivalent shall entitle you to receive payments, subject to and in accordance with this Award Notice, in an amount equal to each dividend (including any extraordinary or other non-recurring dividend), in each case, that (a) is made by the Company in respect of the share of Common Stock underlying the RSU to which such Dividend Equivalent relates, and (b) has an applicable Dividend Date (as defined below) occurring during the Dividend Equivalent Period. Such amounts (if any) shall be payable as and when vested RSUs underlying such Dividend Equivalent are paid. Notwithstanding the foregoing, upon the payment or forfeiture of a RSU, the Dividend Equivalent granted in tandem with such paid or forfeited RSU and the Dividend Equivalent Period shall terminate with respect to such RSU. For the avoidance of doubt, a Dividend Equivalent will only entitle you to payments relating to dividends with an applicable Dividend Date occurring between the Grant Date and the date on which you receive payment in respect of the RSU to which it corresponds in accordance with Section 7 below (or, if earlier, the date on which you forfeit the RSU to which it corresponds). The Dividend Equivalents and any amounts that may become distributable in respect thereof shall be treated separately from the RSUs and the rights arising in connection therewith for purposes of Section 409A of the Code (including for purposes of the designation of the time and form of payments required by Section 409A of the Code). For purposes of this Award Notice, “**Dividend Date**” shall mean, with respect to any dividend made in respect of the Common Stock of the Company, the date preceding the ex-dividend date applicable to such dividend.
3. **Grant Date.** The Grant Date of this Award is the date on which this Award is approved by the Board of Directors of the Company or an appropriate committee of the Board of Directors.
4. **Vesting.** This Award is subject to a vesting schedule. One third of the RSUs subject to the Award will vest on each of the first, second and third anniversaries of the Grant Date (each such date, a “**Vest Date**”); however, except as set forth in Sections 5 and 6 below, you must remain in continuous service as an Employee of the Company or one of its Affiliates at all times from the Grant Date up to and including the applicable Vest Date for the applicable portion of the Award to vest.
5. **Termination of Service.**
  - (a) Subject to Sections 5(b) and 5(c) below, if your status as an Employee of the Company or an Affiliate terminates for any reason, the unvested portion of your Award and the Dividend Equivalents corresponding with such unvested portion of your Award will be automatically cancelled and forfeited on the date of such termination unless the Committee directs otherwise.
  - (b) If your status as an Employee of the Company or an Affiliate terminates as a result of your death or Disability, the unvested portion of your Award will immediately vest in full and all restrictions applicable to your Award will cease as of that date. Any such date on which such accelerated vesting occurs pursuant to this Section 5(b) is referred to in this Award Notice as an “**Accelerated Vest Date**”.

(c) In the event your status as an Employee is terminated and the Committee desires in its discretion to accelerate vesting of your Award, you agree that, in consideration of the Committees' agreement to vest your Award, if required, you will execute an additional agreement containing additional obligations pertaining to the Company.

**6. Corporate Change.** Notwithstanding anything to the contrary in this Award Notice, this section will govern the vesting of your Award on and after the date a Corporate Change is consummated.

(a) If, in connection with a Corporate Change, the Company's successor replaces your existing Award (the "**Replaced Award**"), with a Replacement Award, and your employment is thereafter terminated by the Company (or the Company's successor) without Cause within 18 months following the Corporate Change, then the unvested portion of your Replacement Award, if any, as of the date of your termination of employment will become 100% vested and free of all restrictions, with payment made not later than the sixtieth (60<sup>th</sup>) day following your termination of employment.

(b) If, in connection with a Corporate Change, the Company's successor does not provide a Replacement Award to replace your existing Award, then the unvested portion of your Award, if any, will immediately become 100% vested and free of all restrictions, with payment made not later than the sixtieth (60<sup>th</sup>) day following the Corporate Change.

(c) An Award shall qualify as a Replacement Award if: (i) it is of the same type as the Replaced Award (or, it is of a different type as the Replaced Award, provided that the Committee, as constituted immediately prior to the Corporate Change, finds such type acceptable); (ii) it has an intrinsic value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Corporate Change or another entity that is affiliated with the Company or its successor following the Corporate Change; (iv) its terms and conditions comply with Section 6(a); (v) vesting conditions continue on the same terms as set forth in the Replaced Award; and (vi) its other terms and conditions are not less favorable to the holder of the Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Corporate Change). Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 6(c) are satisfied shall be made by the Committee, as constituted immediately before the Corporate Change, in its sole discretion.

**7. Payment.** As soon as administratively practicable after your RSUs vest, but in no event later than the sixtieth (60<sup>th</sup>) day following the applicable Vest Date or Accelerated Vest Date, you will receive a lump sum cash payment in respect of each vested RSU equal to the Fair Market Value of a share of Common Stock on the applicable Vest Date or Accelerated Vest Date of such vested RSU, less applicable taxes and withholdings.

This Award and the Dividend Equivalents are intended to be exempt under Section 409A of the Code ("**Section 409A**") under the short-term deferral exclusion and will be interpreted and operated consistent with such intent. If, for any reason, the Company determines that this Award and/or the Dividend Equivalents are subject to Section 409A, the Company shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or this Award Notice, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Company determines are necessary or appropriate to provide for either the RSUs and/or the Dividend Equivalents to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

**8. No Stockholder Rights.** You will not have the right to vote the shares of Common Stock underlying your RSUs at any time, or, except as otherwise provided herein with respect to the payment of Dividend Equivalents with respect to the shares of Common Stock underlying your RSUs, dividends, to enjoy any other stockholder rights.

**9. Non-Transferability.** You cannot sell, transfer, pledge, exchange, hypothecate or otherwise dispose of your RSUs or your Dividend Equivalents except as otherwise set forth in Paragraph XV(i) of the Plan.

**10. No Right to Continued Service.** Nothing in this Award Notice guarantees your continued service as an Employee or other service provider of the Company or any of its Affiliates or



interferes in any way with the right of the Company or its Affiliates to terminate your status as an Employee or other service provider at any time.

**11. Data Privacy.** You consent to the collection, use, processing and transfer of your personal data as described in this paragraph. You understand that the Company and/or its Affiliates hold certain personal information about you (including your name, address and telephone number, date of birth, social security number, social insurance number, etc.) for the purpose of administering the Plan ("**Data**"). You also understand that the Company and/or its Affiliates will transfer this Data amongst themselves as necessary for the purpose of implementing, administering and managing your participation in the Plan, and that the Company and/or its Affiliates may also transfer this Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for these purposes. You also understand that you may, at any time, review the Data, require any necessary changes to the Data or withdraw your consent in writing by contacting the Company. You further understand that withdrawing your consent may affect your ability to participate in the Plan.

**12. Withholding.** Your Award is subject to applicable income and/or social insurance tax withholding obligations (including, without limitation, any applicable FICA, employment tax or other social security contribution obligations), and the Company and its Affiliates may, in their sole discretion, withhold a sufficient amount from the amount that is otherwise payable to you pursuant to your Award and/or Dividend Equivalents to satisfy any such withholding obligations. If necessary, the Company reserves the right to withhold from your regular earnings an amount sufficient to meet the withholding obligations.

**13. Plan Governs.** This Award Notice is subject to the terms of the Plan, a copy of which is available at no charge through your stock account or which will be provided to you upon request as indicated in Section 19. All the terms and conditions of the Plan, as may be amended from time to time, and any rules, guidelines and procedures which may from time to time be established pursuant to the Plan, are hereby incorporated into this Award Notice, including, but not limited to, Paragraphs XV(l) ("Section 409A of the Code") and XV(j) ("Clawback") thereof. In the event of a discrepancy between this Award Notice and the Plan, the Plan shall govern.

**14. Adjustment.** This Award and the Dividend Equivalents shall be subject to adjustment as provided in Paragraph XIII of the Plan.

**15. Modifications.** The Company may, without your consent, make any change to this Award Notice that is not materially adverse to your rights under this Award Notice or the Plan.

**16. Non-Solicitation/Non-Competition/Confidentiality/Non-Disparagement Agreement.** The greatest assets of the Company and its affiliates ("**Exterran**" in this Section 16) are its employees, directors, customers, and confidential information. In recognition of the increased risk of unfairly losing any of these assets, Exterran has adopted this Non-Solicitation/Non-Competition/Confidentiality/Non-Disparagement Agreement as set forth in this Section 16, the terms of which you accept and agree to by accepting the Award.

i. In order to assist you with your employment-related duties, Exterran has provided and shall continue to provide you with access to confidential and proprietary operational information and other confidential information which is either information not known by actual or potential competitors and third parties or is proprietary information of Exterran ("**Confidential Information**"). Such Confidential Information shall include, without limitation, information regarding Exterran's customers and suppliers, employees, business operations, product lines, services, pricing and pricing formulae, machines and inventions, research, knowhow, manufacturing and fabrication techniques, engineering and product design specifications, financial information, business plans and strategies, information derived from reports and computer systems, work in progress, marketing and sales programs and strategies, cost data, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of Exterran. You agree, during your service as an Employee and at all times thereafter, not to use, divulge, or furnish or to make accessible to any third party, company, or other entity or individual, without Exterran's written consent, any Confidential Information of Exterran, except as required by your job-related duties to Exterran.

ii. You agree that whenever your status as an Employee of Exterran ends for any reason, (i) you shall return to Exterran all documents containing or referring to Exterran's

Confidential Information as may be in your possession and/or control, with no request being required; and (ii) you shall return all Exterran computers, mobile computing devices, handheld devices, phones and similar equipment, hardware and software, and all Exterran property, files, records, documents, drawings, specifications, lists, equipment and other similar items relating to Exterran's business coming into your possession and/or control during your employment, with no request being required. You further agree that if company property is in electronic form on a personal computer or device, you will delete all such information from the devices.

iii. In connection with your acceptance of the Award under the Plan, and in exchange for the consideration provided hereunder, and in consideration of Exterran disclosing and providing access to Confidential Information, you agree that you will not, during your service as an Employee or other service provider of Exterran, and for one year thereafter, directly or indirectly, for any reason, for your own account or on behalf of or together with any other person, entity or organization (i) call on or otherwise solicit, cause, encourage or induce any natural person who is employed by Exterran in any capacity for employment by another company (including, for this purpose, contracting with any person who was an independent contractor (excluding consultant) of Exterran on the date of your employment or during the six (6)-month period preceding the termination of your employment), or (ii) solicit any established customer of Exterran or other service provider of Exterran or interfere with the relationship of Exterran with its established customers or other service providers without, in any of those cases, the prior written consent of Exterran.

iv. In connection with your acceptance of the Award under the Plan, and in exchange for the consideration provided hereunder, and in consideration of Exterran disclosing and providing access to Confidential Information, you agree that you will not, during your service as an Employee or other service provider of Exterran, and for one year thereafter, accept employment or engage in any business activity (whether as a principal, partner, joint venturer, agent, employee, salesperson, consultant, independent contractor, director, or officer) with a "Competitor" (as defined below) of Exterran where such employment or activity would involve your (i) providing, selling or attempting to sell, or assisting in the sale or attempted sale of, any services or products competitive with or similar to those services or products with which you had any involvement, and/or regarding which you had access to any information, during your service as an employee or other service provider of Exterran (including any products or services being researched or developed by Exterran during your service as an employee or other service provider of Exterran), or (ii) providing or performing services that are similar to any services that you provided to or performed for Exterran during your service as an employee or other service provider of Exterran.

For purposes of this Section 16(d), a "**Competitor**" is any business or entity that, at any time during the one-year period following your separation from employment, provides or seeks to provide, any products or services similar or related to any products sold or any services provided by Exterran. "**Competitor**" includes, without limitation, any company or business relating to the provision of oil, water and natural gas processing and treatment in the oil and gas industry, including compression, water and power products and services, and midstream infrastructure contract operations and product sales and the supply of aftermarket parts and services globally.

The restrictions set forth in this Section 16(d) will be limited to the geographic areas (i) where you performed services for Exterran, (ii) where you solicited or served the customers or clients of Exterran, or (iii) otherwise impacted or influenced by your provision of services to Exterran. Notwithstanding the foregoing, you may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (A) such securities are traded on any national securities exchange or the National Association of Securities Dealers Automatic Quotation System or equivalent non-U.S. securities exchange, (B) you are not a controlling person of, or a member of a group which controls, such entity and (C) you do not, directly or indirectly, own three percent (3%) or more of any class of securities of such entity.

v. Subject to Section 17 below, you agree that you will not, directly or indirectly, make any public or private statements (whether orally, in writing, via electronic transmission or

otherwise) that disparage, denigrate or malign Exterran or any of its affiliates; any of the businesses, activities, operations, affairs, reputations or prospects of any of the foregoing; or any of the respective officers, employees, directors, managers, partners, agents, members or shareholders of any of the foregoing.

vi. You agree that (i) the terms of this Section 16 are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Section 16 are ancillary or a part of; (ii) the consideration provided by Exterran under this Section 16 is not illusory; (iii) the restrictions of this Section 16 are necessary and reasonable for the protection of the legitimate business interests and goodwill of Exterran; and (iv) the consideration given by Exterran under this Section 16, including without limitation, the provision by Exterran of Confidential Information to you, gives rise to Exterran's interests in the covenants set forth in this Section 16.

vii. You and Exterran agree that it was both parties' intention to enter into a valid and enforceable agreement. You agree that if any covenant contained in this Section 16 is found by a court of competent jurisdiction 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 Exterran, then the court 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 Exterran.

viii. In the event that Exterran determines that you have breached or attempted or threatened to breach any term of this Section 16, in addition to any other remedies at law or in equity Exterran may have available to it, it is agreed that Exterran shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without necessity of (i) proving irreparable harm, (ii) establishing that monetary damages are inadequate, or (iii) posting any bond with respect thereto) against you prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach. You agree that the period during which the covenants contained in this Section 16 are in effect shall be computed by excluding from such computation any time during which you are in violation of any provision of this Section 16.

ix. You hereby acknowledge that the Award being granted to you under the Plan is an extraordinary item of compensation and is not part of, nor in lieu of, your ordinary wages for services you may render to Exterran.

x. You understand that your obligations under this Section 16 are independent of and do not affect the enforceability of any other restrictive covenants by which you have agreed to be bound in any other agreement with Exterran.

xi. Notwithstanding any other provision of this Award, the provisions of this Section 16 shall be governed, construed and enforced in accordance with the laws of the State of Texas, without giving effect to the conflict of law principles thereof. Any action or proceeding seeking to enforce any provision of this Section 16 shall be brought only in the courts of the State of Texas or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Texas, and the parties consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

**17. Protected Rights.** Notwithstanding any other provision of this Award Notice, nothing contained in this Award Notice limits your 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. You understand that this Award Notice does not limit your 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 Exterran.

**18. Defend Trade Secrets Act.** You are hereby notified 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.

**19. Additional Information.** If you require additional information concerning your Award, contact [compensation@exterran.com](mailto:compensation@exterran.com), UBS at 877.313.6669 or log in online at [www.ubs.com/onesource/extn](http://www.ubs.com/onesource/extn).

**20. Clawback.** The Award shall be subject to the provisions of any clawback or recoupment policy adopted by the Company's Board of Directors from time to time, including without limitation the Incentive-Based Compensation Recoupment Policy adopted by the Company's Board of Directors effective on January 1, 2019.

**21. Amendment.** Nothing in this Award Notice shall amend any provision of any Severance Benefit Agreement or Change of Control Agreement of any executive, including any provision relating to forfeiture or cancellation of an unvested Award in Section 4.

**22. Acceptance.** If you agree with the terms and conditions of this Award, please indicate your acceptance online in UBS One Source by selecting "Accept." To reject the Award, select "Reject." **Please note that if you reject the Award or do not accept the Award within 30 days of the Grant Date, the Award will be forfeited.**

## EXTERRAN CORPORATION

AWARD NOTICE  
COMMON STOCK AWARD FOR NON-EMPLOYEE DIRECTORS

Exterran Corporation (the "**Company**") has granted to you an Other Stock-Based Award consisting of shares of Common Stock under the Exterran Corporation 2015 Stock Incentive Plan (as may be amended from time to time, the "**Plan**"), subject to the terms and conditions set forth in this Award Notice (the "**Award Notice**") and the Plan. Unless otherwise defined herein, capitalized terms used in this Award Notice shall have the respective meanings ascribed to them in the Plan.

The material terms of your Award are as follows:

1. **Award.** You have been granted shares of the Company's Common Stock (the "**Award**" or "**Stock**") subject to these terms and conditions.
2. **Grant Date.** The Grant Date of your Award is the date on which this Award is approved by the Board of Directors of the Company or an appropriate committee of the Board of Directors.
3. **Stockholder Rights.** The Company will register the Stock in your name. You will have the right to vote your Stock and receive dividends, if any.
4. **No Right to Continued Service.** Nothing contained in this Award Notice shall confer upon you any right to continued service (as a member of the Board or otherwise), or limit in any way the right of the Board to terminate or modify the terms of your service at any time.
5. **Data Privacy.** You consent to the collection, use, processing and transfer of your personal data as described in this paragraph. You understand that the Company and/or its Affiliates hold certain personal information about you (including your name, address and telephone number, date of birth, social security number, social insurance number, etc.) for the purpose of administering the Plan ("**Data**"). You also understand that the Company and/or its Affiliates will transfer this Data amongst themselves as necessary for the purpose of implementing, administering and managing your participation in the Plan, and that the Company and/or its Affiliates may also transfer this Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You authorize them to receive, possess, use, retain and transfer the Data, in electronic or other form, for these purposes. You also understand that you may, at any time, review the Data, require any necessary changes to the Data or withdraw your consent in writing by contacting the Company. You further understand that withdrawing your consent may affect your ability to participate in the Plan.
6. **Withholding.** To the extent required by law, the Company and its Affiliates will withhold a sufficient number of shares of Common Stock that are otherwise issuable to you pursuant to your Award to satisfy any required tax withholding obligations.
7. **Plan Governs.** Your Award and this Award Notice are subject to the terms of the Plan, a copy of which is available at no charge through your stock account or which will be provided to you upon request as indicated in Section 13. All the terms and conditions of the Plan, as may be amended from time to time, and any rules, guidelines and procedures which may from time to time be established pursuant to the Plan, are hereby incorporated into this Award Notice. In the event of a discrepancy between this Award Notice and the Plan, the Plan shall govern.
8. **Adjustment.** This Award shall be subject to adjustment as provided in Paragraph XIII of the Plan.

**9. Modifications.** The Company may, without your consent, make any change to this Award Notice that is not materially adverse to your rights under this Award Notice.

**10. Non-Solicitation/Confidentiality/Non-Disparagement Agreement.** The greatest assets of the Company and its affiliates ("**Exterran**" in this Section 10) are its employees, directors, customers, and confidential information. In recognition of the increased risk of unfairly losing any of these assets, Exterran has adopted this Non-Solicitation/Confidentiality/Non-Disparagement Agreement as set forth in this Section 10, the terms of which you acknowledge and agree to in exchange for the consideration provided by this Award and access to the Company's confidential information.

a. In order to assist you with your duties, Exterran has provided and shall continue to provide you with access to confidential and proprietary operational information and other confidential information which is either information not known by actual or potential competitors and third parties or is proprietary information of Exterran ("**Confidential Information**"). Such Confidential Information shall include, without limitation, information regarding Exterran's customers and suppliers, employees, business operations, product lines, services, pricing and pricing formulae, machines and inventions, research, knowhow, manufacturing and fabrication techniques, engineering and product design specifications, financial information, business plans and strategies, information derived from reports and computer systems, work in progress, marketing and sales programs and strategies, cost data, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of Exterran. You agree, during your service to Exterran and at all times thereafter, not to use, divulge, or furnish or to make accessible to any third party, company, or other entity or individual, without Exterran's written consent, any Confidential Information of Exterran, except as required by your job-related duties to Exterran.

b. You agree that whenever your status as a member of the Board ends, (i) you shall return to Exterran all documents containing or referring to Exterran's Confidential Information as may be in your possession and/or control, with no request being required; and (ii) you shall return all Exterran computers, mobile computing devices, handheld devices, phones and similar equipment, hardware and software, and all Exterran property, files, records, documents, drawings, specifications, lists, equipment and other similar items relating to Exterran's business coming into your possession and/or control during your service as a member of the Board or otherwise, with no request being required. You further agree that if company property is in electronic form on a personal computer or device, you will delete all such information from the devices.

c. You agree that you will not, during your service to Exterran, and for one year thereafter, directly or indirectly, for any reason, for your own account or on behalf of or together with any other person, entity or organization (i) call on or otherwise solicit, cause, encourage or induce any natural person who is employed by Exterran in any capacity for employment by another company (including, for this purpose, contracting with any person who was an independent contractor (excluding consultant) of Exterran on the date of your employment or during the six (6)-month period preceding the termination of your employment), or (ii) solicit any established customer of Exterran or other service provider of Exterran or interfere with the relationship of Exterran with its established customers or other service providers without, in any of those prior cases, the prior written consent of Exterran.

d. You agree that (i) the terms of this Section 10 are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Section 10 are ancillary or a part of; (ii) the consideration provided by Exterran under this Section 10 is not illusory; (iii) the restrictions of this Section 10 are necessary and reasonable for the protection of the legitimate business interests and goodwill of Exterran; and (iv) the Award and other consideration given by Exterran under this Section 10, including without limitation, the provision

by Exterran of Confidential Information to you, gives rise to Exterran's interests in the covenants set forth in this Section 10.

e. Subject to Section 11 below, you agree that you will not, directly or indirectly, make any public or private statements (whether orally, in writing, via electronic transmission or otherwise) that disparage, denigrate or malign Exterran or any of its affiliates; any of the businesses, activities, operations, affairs, reputations or prospects of any of the foregoing; or any of the respective officers, employees, directors, managers, partners, agents, members or shareholders of any of the foregoing.

f. You and Exterran agree that it was both parties' intention that the terms of this Section 10 are binding and enforceable. You agree that if any covenant contained in this Section 10 is found by a court of competent jurisdiction 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 Exterran, then the court 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 Exterran.

g. In the event that Exterran determines that you have breached or attempted or threatened to breach any term of this Section 10, in addition to any other remedies at law or in equity Exterran may have available to it, it is agreed that Exterran shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without necessity of (i) proving irreparable harm, (ii) establishing that monetary damages are inadequate, or (iii) posting any bond with respect thereto) against you prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach. You agree that the period during which the covenants contained in this Section 10 are in effect shall be computed by excluding from such computation any time during which you are in violation of any provision of this Section 10.

h. You understand that the obligations in this Section 10 are independent of and do not affect the enforceability of any other restrictive covenants by which you have agreed to be bound in any other agreement with Exterran.

i. Notwithstanding any other provision of this Award, the provisions of this Section 10 shall be governed, construed and enforced in accordance with the laws of the State of Texas, without giving effect to the conflict of law principles thereof. Any action or proceeding seeking to enforce any provision of this Section 10 shall be brought only in the courts of the State of Texas or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Texas, and the parties consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

**11. Protected Rights.** Notwithstanding any other provision of this Award Notice, nothing contained in this Award Notice limits your 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. You understand that this Award Notice does not limit your 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 Exterran.

**12. Defend Trade Secrets Act.** You are hereby notified 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.

**13. Additional Information.** If you require additional information concerning your Award, contact [compensation@exterran.com](mailto:compensation@exterran.com), UBS at 1-877-313-6669, or log in online at [www.ubs.com/onesource/extn](http://www.ubs.com/onesource/extn).

**14. Clawback.** The Award shall be subject to the provisions of any clawback or recoupment policy adopted by the Company's Board of Directors from time to time, including without limitation the Incentive-Based Compensation Recoupment Policy adopted by the Company's Board of Directors effective on January 1, 2019.



**List of Guarantor and Issuer to the 8.125% Senior Notes due May 2025**  
**As of March 31, 2020**

<b>Company</b>		<b>Incorporation</b>
Exterran Corporation	Parent Guarantor	United States
EESLP LP LLC	Issuer	United States
EES Finance Corp.	Issuer	United States

**Certification**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andrew J. Way, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 11, 2020

By: /s/ ANDREW J. WAY

Name: Andrew J. Way

Title: Chief Executive Officer  
(Principal Executive Officer)

**Certification**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David A. Barta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 11, 2020

By: /s/ DAVID A. BARTA

Name: David A. Barta

Title: Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

**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 Quarterly Report on Form 10-Q of Exterran Corporation (the “Company”) for the quarter ended March 31, 2020 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: May 11, 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.

**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 Quarterly Report on Form 10-Q of Exterran Corporation (the “Company”) for the quarter ended March 31, 2020 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: May 11, 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.