Vision for the Future

# BAKER HUGHES

## Investor Presentation

February 15, 2012

# Forward-Looking Statements

Today's discussion may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including, without limitation, the expectations, beliefs, plans and objectives of Baker Hughes. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Our actual results or actions may differ materially from those projected in these forward-looking statements. For a summary of the specific risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to Baker Hughes' Annual Report on Form 10-K for the year ended December 31, 2010; Baker Hughes' subsequent quarterly report on Form 10-Q for the quarterly period ended March 31, 2011, June 30, 2011, September 30, 2011 and those set forth from time to time in our other filings with the Securities and Exchange Commission
(the "SEC"), which are available at the SEC's website at www.sec.gov and our website at www.bakerhughes.com/investor. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements.

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# Create Value

by being the service company that best anticipates, understands and exceeds our customers' expectations.

# Overview

- Financial Performance
- Market Outlook
- Technology

 

# Q4 2011 Financial Highlights

**Baker Hughes** Q4 Results

| | | |
|---|---|---|
| Revenue | $5.39 B | • Up 22% year over year<br>• Up 4% sequentially |
| Adjusted EBITDA | $1.18 B[1] | • Up 25% year over year[2]<br>• Up 3% sequentially[3] |
| GAAP Net Income | $314 MM | $0.72 per share |
| Add: Impairment of Trade Names | $220 MM | $0.50 per share |
| Adjusted Net Income (non-GAAP) | $534 MM | $1.22 per share |

1 *Q4 2011 excludes charges of $315 million before-tax ($220 million after-tax), the majority of which relates to the noncash impairment associated with the decision to minimize the use of the BJ Services trade name as part of our overall branding strategy for Baker Hughes.*

2 *Q4 2010 excludes acquisition-related charges of $56 million before-tax related to the acquisition of BJ Services, and gain on investments of $6 million before-tax ($4 million after-tax).*

3 *Q3 2011 excludes a loss of $40 million ($26 million after-tax) related to the early extinguishment of $500 million notes due in 2013.*

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# 2011 Financial Highlights

**Baker Hughes**
2011 Results

| | | |
|---|---|---|
| Revenue | $19.83 B | • Up 38% year over year |
| Adjusted EBITDA | $4.31 B[5] | • Up 64% year over year[6] |
| GAAP Net Income | $1.74 B | $3.97 per share |
| Less: Identified Items | | |
| - Impairment of trade names[1] | $220 MM | $0.50 per share |
| - Tax benefit on reorganization[2] | ($214 MM) | ($0.49) per share |
| - Loss on debt extinguishment[3] | $26 MM | $0.06 per share |
| - Expenses related to Libya[4] | $70 MM | $0.16 per share |
| Adjusted Net Income (non-GAAP) | $1.84 B | $4.20 per share |

1 *Charge of $315 million before-tax ($220 million after-tax) in the fourth quarter, the majority of which relates to the noncash impairment associated with the decision to minimize the use of the BJ Services trade name as part of our overall branding strategy for Baker Hughes.*
2 *Noncash tax benefit of $214 million associated with the reorganization of certain foreign subsidiaries in the third quarter.*
3 *Loss of $40 million before-tax ($26 million after-tax) related to the early extinguishment of $500 million notes due 2013 in the third quarter.*
4 *Expenses of $70 million (before and after-tax) associated with increasing the allowance for doubtful accounts and reserves for inventory and certain other assets in the second quarter as a result of civil unrest in Libya.*
5 *FY2011 excludes the same $315 million noncash impairment charge related to trade names , the $40 million loss related to the early extinguishment of notes, as well as the $70 million expenses related to Libya.*
6 *FY2010 excludes $134 million of acquisition-related costs associated to the acquisition of BJ Services. 2010 results include results of BJ Services starting from April 28, 2010.*

 

# North America Q4 Results

| North America | | |
|---|---|---|
| Revenue | PBT | PBT Margin |
| $2.82 B | $527 MM[1] | 19%[1] |
| • Up 28% year over year<br>• Up 4% sequentially | • Up $49 MM year over year<br>• Down $80 MM sequentially | • Down 367 bps sequentially |

- Pressure Pumping supply chain challenges
- We will address challenges
- Well positioned in the oil markets
- GOM deep water activity increasing

1 *Q4 2011 PBT and PBT margin exclude the noncash charges for impairment of trade names.*
*Source: January 24, 2012 News Release Table 5a*

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# Latin America Q4 Results

| Latin America | | |
|---|---|---|
| Revenue | PBT | PBT Margin |
| $600 MM | $86 MM[1] | 14%[1] |
| • Up 24% year over year<br>• Up 6% sequentially | • Up $43 MM year over year<br>• Up $15 MM sequentially | • Up 183 bps sequentially |

- Strong growth driven by Brazil & Andean Geomarkets
- Preferred provider for Artificial Lift
- First horizontal well in the pre-salt

1 *Q4 2011 PBT and PBT margin exclude the noncash charges for impairment of trade names.*
*Source: January 24, 2012 News Release Table 5a*

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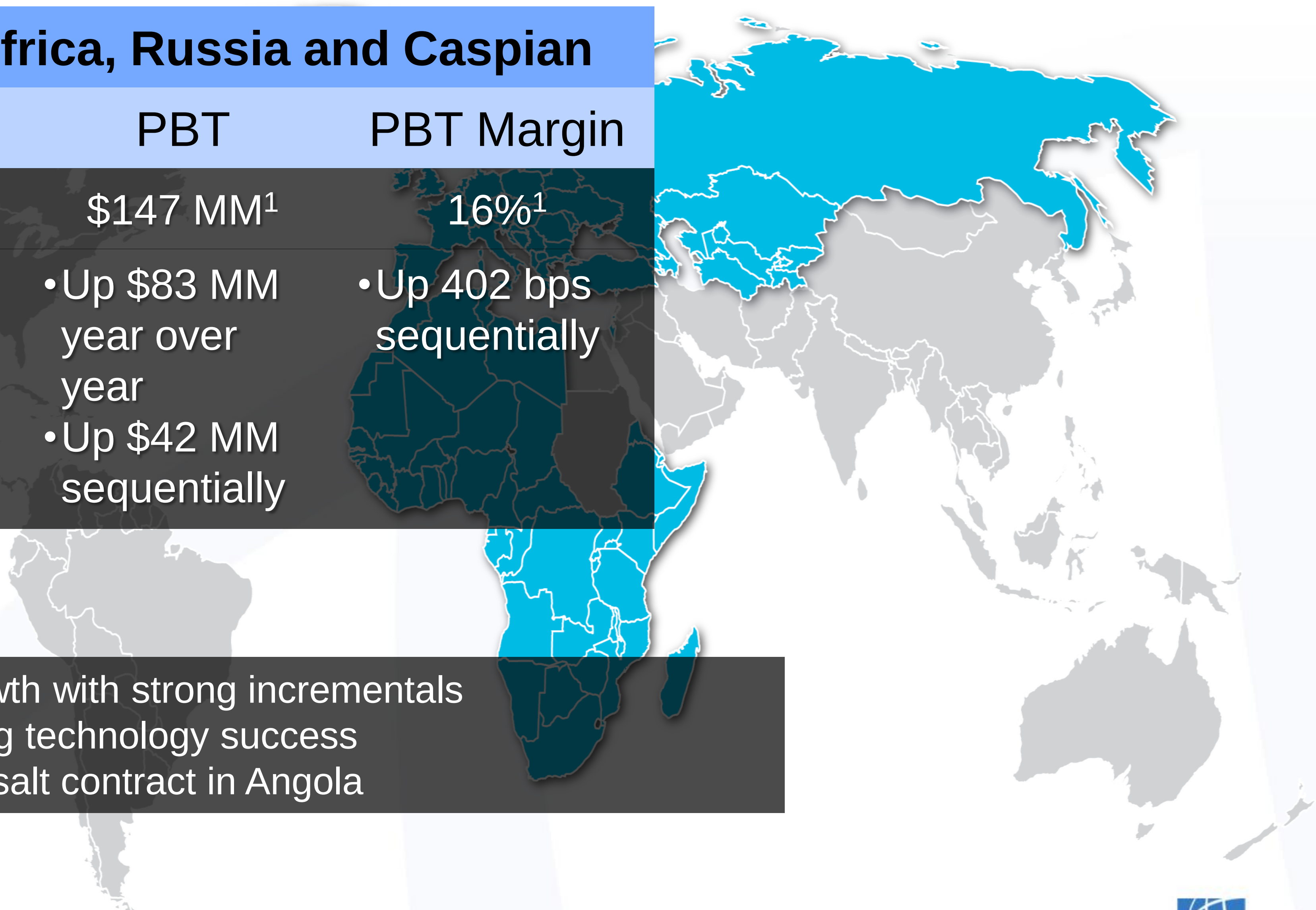
# EARC Q4 Results



| Europe, Africa, Russia and Caspian | | |
|---|---|---|
| Revenue | PBT | PBT Margin |
| $898 MM | $147 MM[1] | 16%[1] |
| • Up 13% year over year<br>• Up 6% sequentially | • Up $83 MM year over year<br>• Up $42 MM sequentially | • Up 402 bps sequentially |

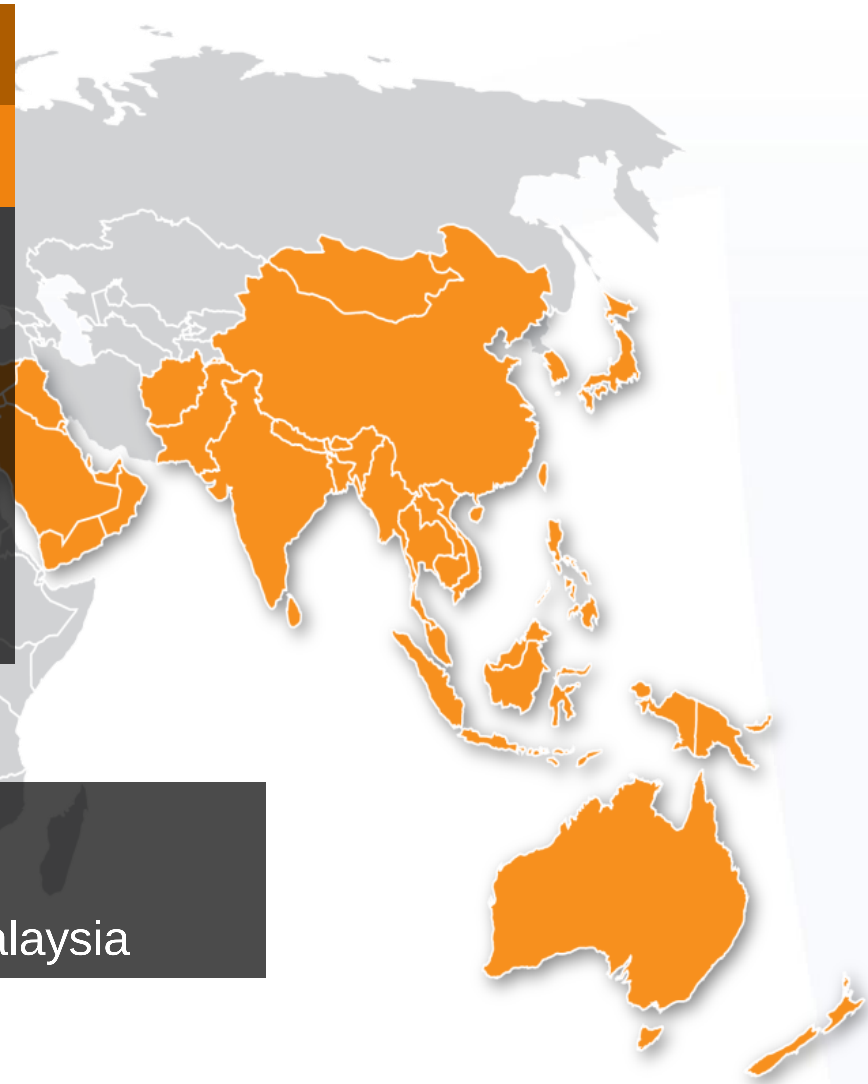
- Revenue growth with strong incrementals
- Norway drilling technology success
- Awarded pre-salt contract in Angola

1 *Q4 2011 PBT and PBT margin exclude the noncash charges for impairment of trade names.*
*Source: January 24, 2012 News Release Table 5a*

# MEAP Q4 Results

| Middle East, Asia Pacific | | |
|---|---|---|
| Revenue | PBT | PBT Margin |
| $752 MM | $117 MM[1] | 16%[1] |
| • Up 14% year over year<br>• Up 6% sequentially | • Up $49 MM year over year<br>• Up $33 MM sequentially | • Up 369 bps sequentially |



- Delivered strong results in each geomarket
- New Iraq project
- Completed BHI Integrated Operations project in Malaysia

1 *Q4 2011 PBT and PBT margin exclude the noncash charges for impairment of trade names.*
*Source: January 24, 2012 News Release Table 5a*

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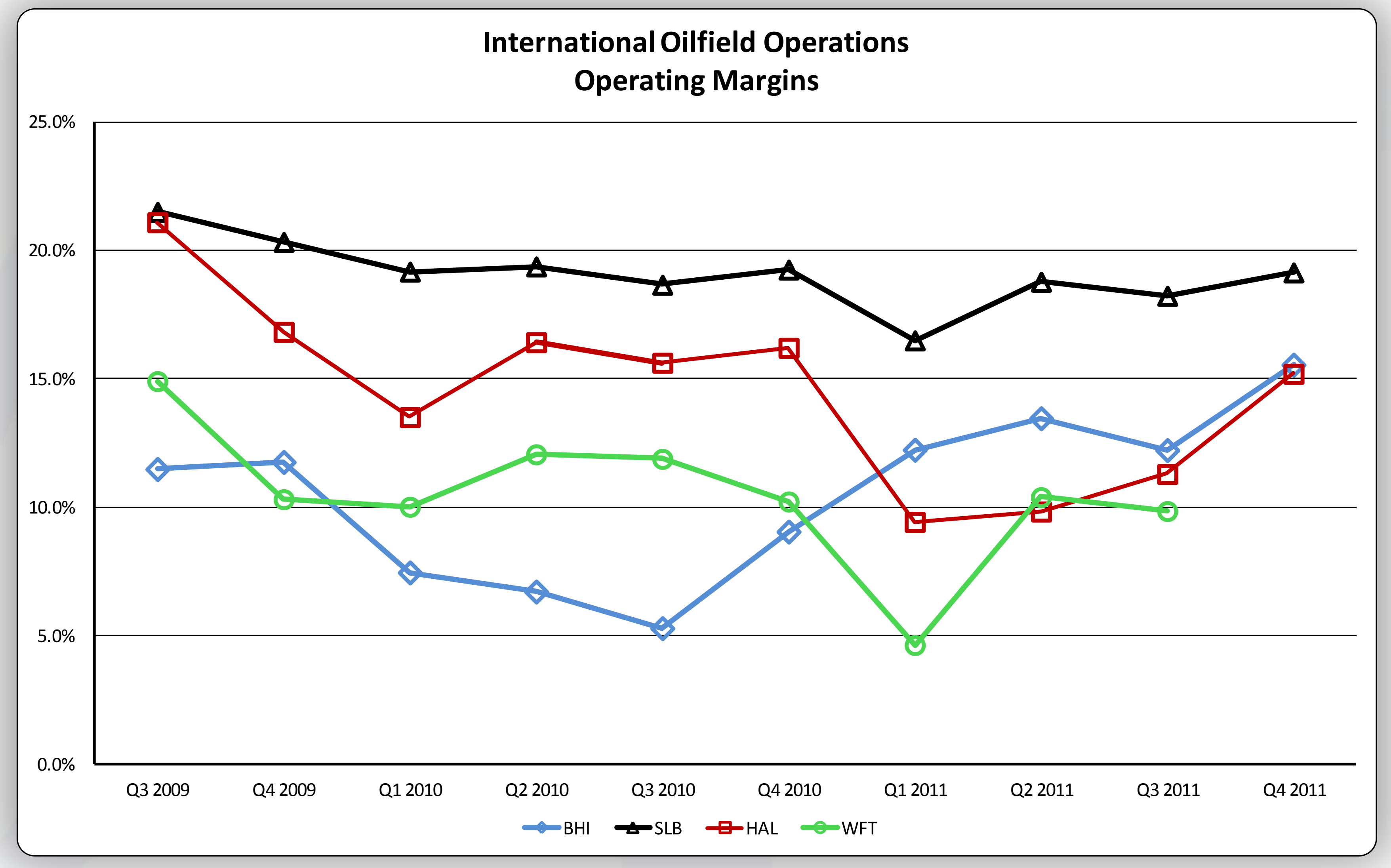
# Industrial and Other Q4 Results

| Industrial and Other | | |
|---|---|---|
| Revenue | PBT | PBT Margin |
| $316 MM | $28 MM[1] | 9%[1] |
| • Up 12% year over year<br>• Down 6% sequentially | • Flat year over year and sequentially | • Up 53 bps sequentially |

1 *Q4 2011 PBT and PBT margin exclude the noncash charges for impairment of trade names.*
*Source: January 24, 2012 News Release Table 5a*

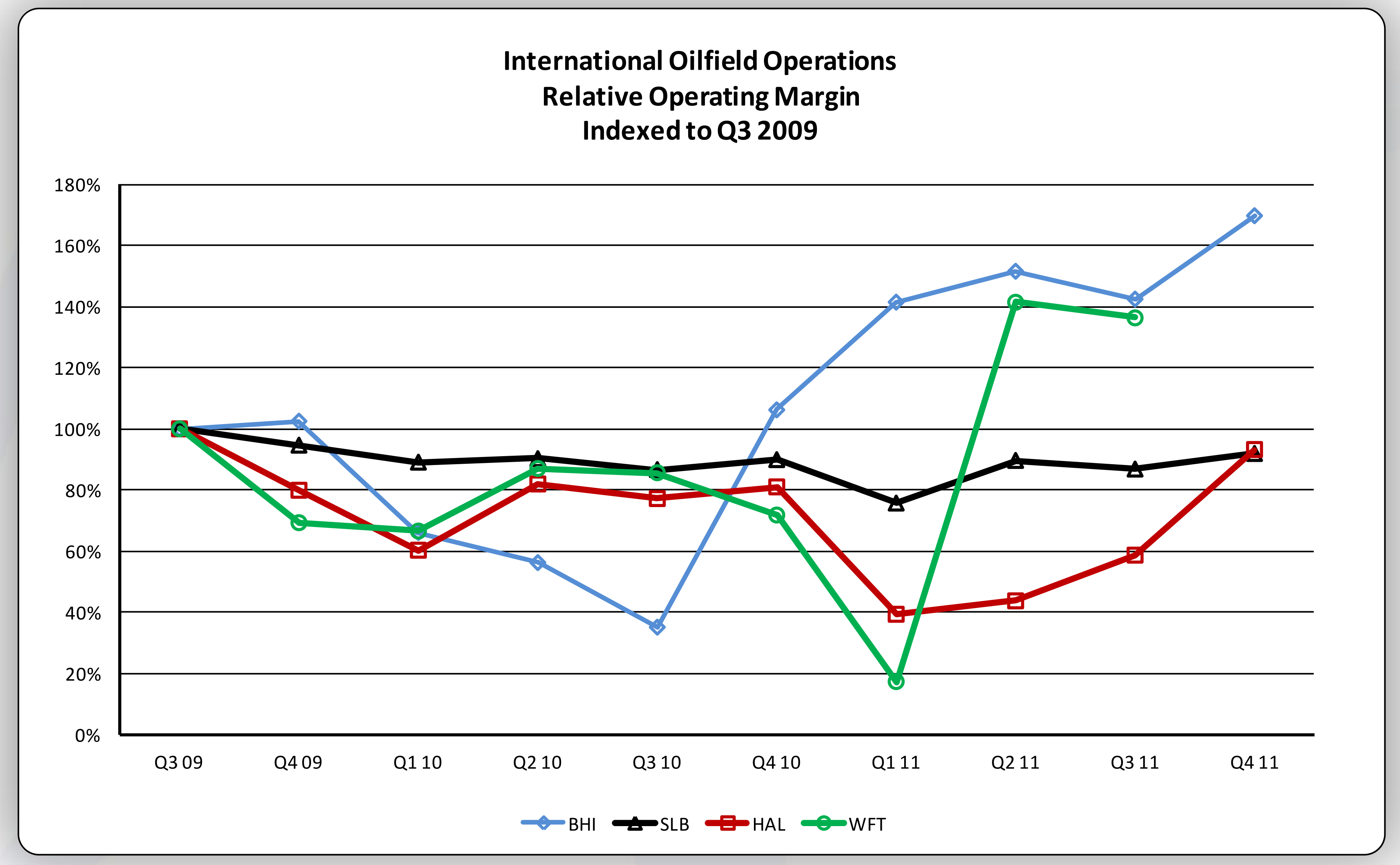
# Closing the Gap on International Margins




*BHI results prior to Q3 2010 are pro forma and include the results of BHI and BJ Services combined*

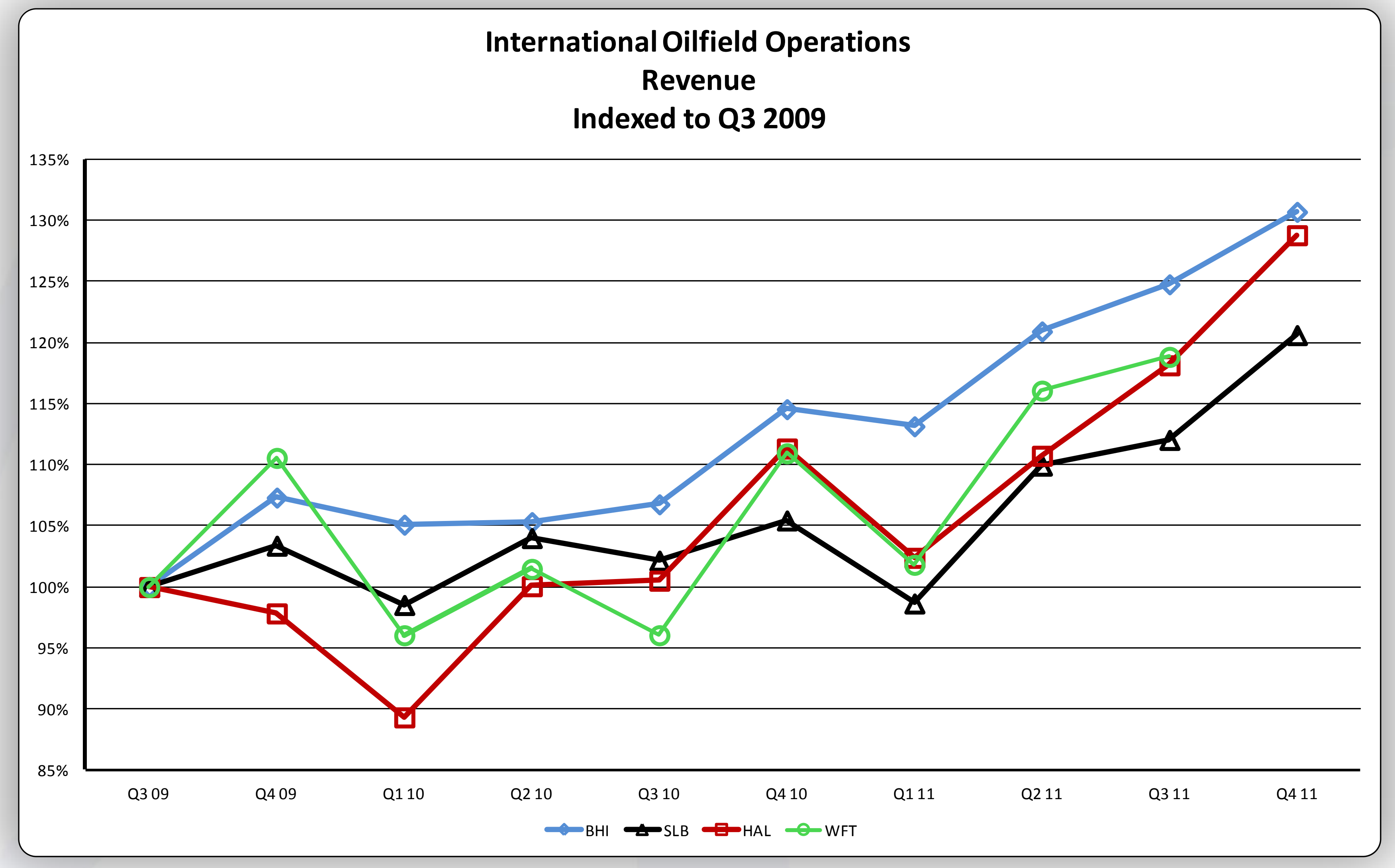
 

# Closing the Gap on International Margins



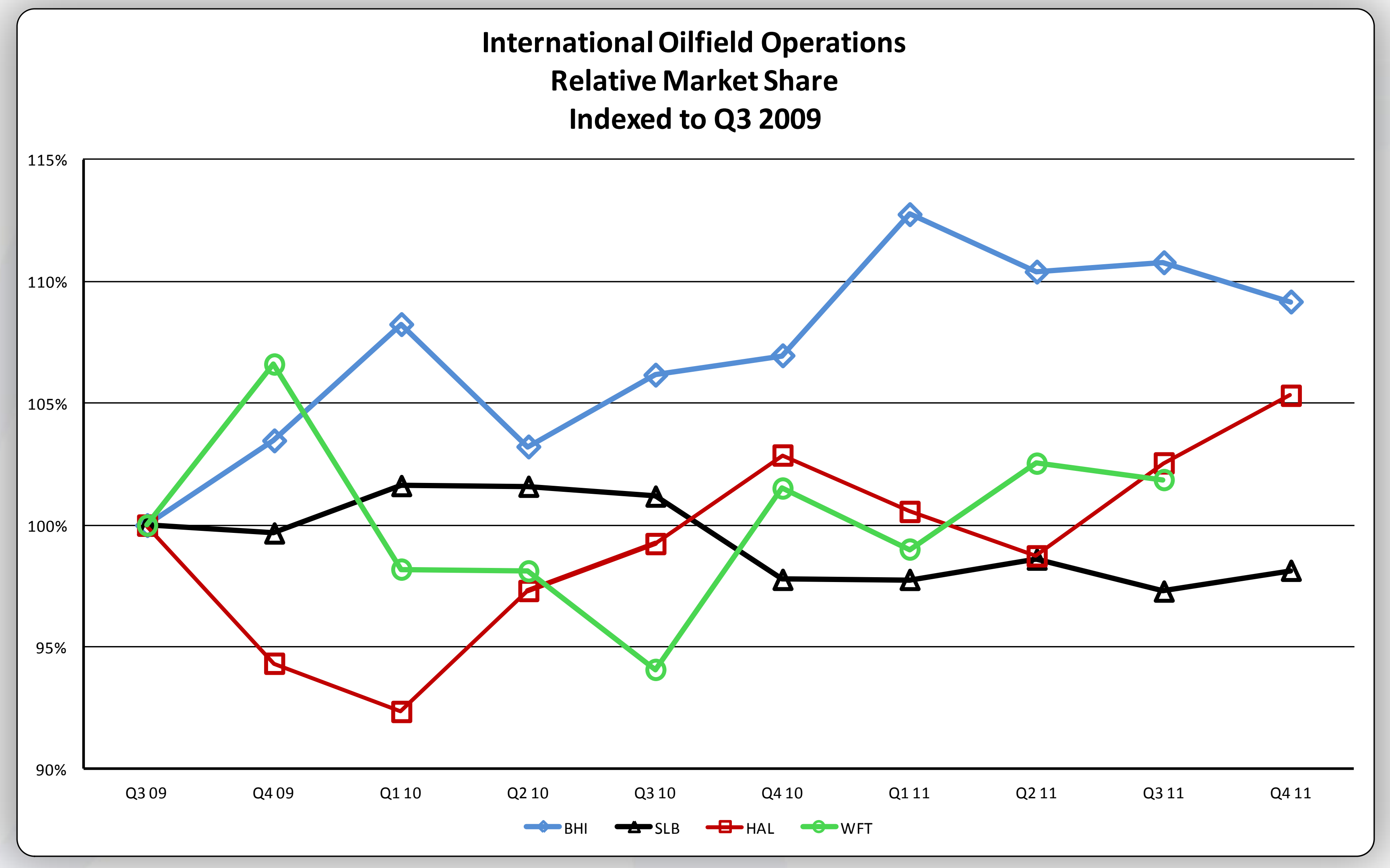

*BHI results prior to Q3 2010 are pro forma and include the results of BHI and BJ Services combined*

# International Revenue Growth




*BHI results prior to Q3 2010 are pro forma and include the results of BHI and BJ Services combined*

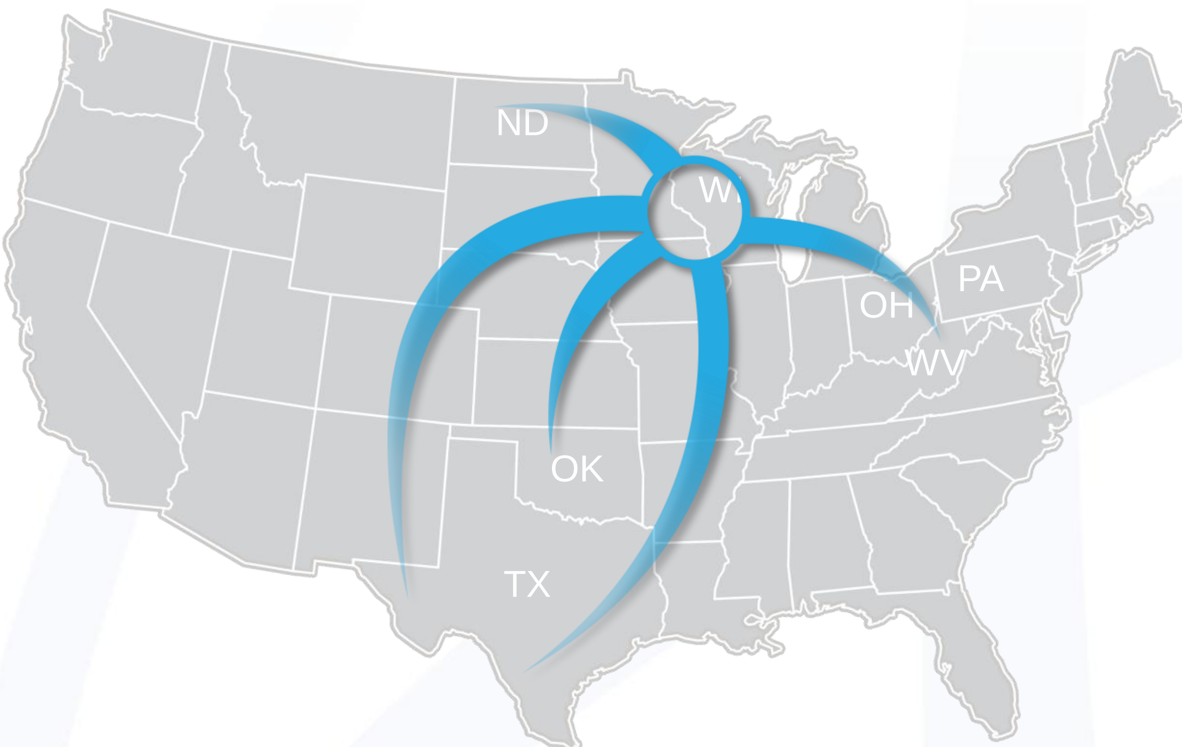
# Relative International Market Share




*BHI results prior to Q3 2010 are pro forma and include the results of BHI and BJ Services combined.*
*Q4 2011 share is calculated using estimated revenue results for Weatherford based on current consensus as they have not yet released financial results.*

# Enhancing Pressure Pumping Efficiency

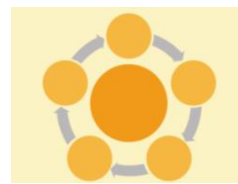




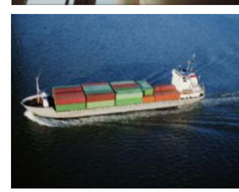
Improve Workforce Utilization


Increase Sand Supply


Enhance Rail and Transport Logistics


Integrated Supply Chain Model Improves Decision Making


Enhance Local Rail, Storage and Infrastructure

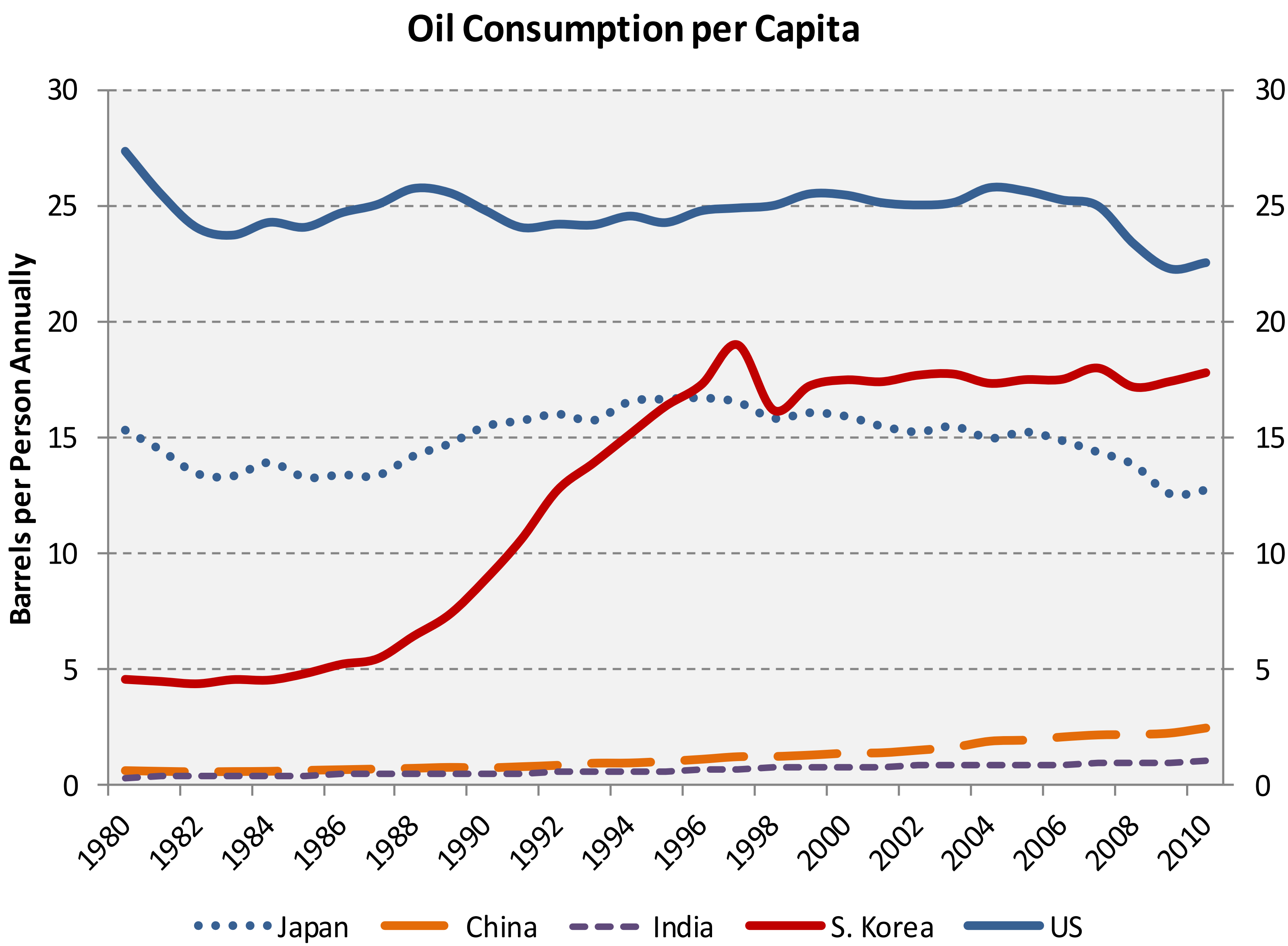

Increase Direct Source of Guar


Strengthen Existing Fleet Capability

# Enhancing Pressure Pumping Efficiency

| Initiative | Description | Timing | Lower Raw Material Costs | Lower Freight Costs | Utilization Enhancement |
|---|---|---|---|---|---|
| Increase Sand Supply | Contract additional sand supply | H2 2012 | | ✓ | ✓ |
| Streamline Guar Supply | Re-evaluate supply chain network | H2 2012 | ✓ | ✓ | ✓ |
| Increase Acid Supply | Grow Local Capacity | H2 2012 | ✓ | | ✓ |
| Enhance Rail and Transport Logistics | Additional Rail Cars, Consolidate Freight Suppliers | H2 2012 | | ✓ | ✓ |
| Improve Trans loading Capability | New Locations, Larger rail car capacity, Increase storage, Faster turnaround times | H2 2012 | | ✓ | ✓ |
| Strengthen Existing Fleets | Increase critical components on site to improve fleet utilization | H2 2012 | | | ✓ |
| Improve Workforce Utilization | Optimize revenue generating hours | H1 2012 / H2 2012 | | | ✓ |
| Build out Local Infrastructure | Fleet Repair and Maintenance Facilities to handle larger capacity | H2 2012 | | | ✓ |
| Integrated Supply Chain Model | Maps Multiple Demand Signals against Supply Capability to improve decision making | Complete | ✓ | ✓ | ✓ |
| Address System Challenges | Optimize SAP deployment for Pressure Pumping to improve decision making | 2012 / 2013 | ✓ | ✓ | ✓ |
| Blue Wellbore | Increase % of Integrated BHI Service Team on Location | Continuous | | | ✓ |

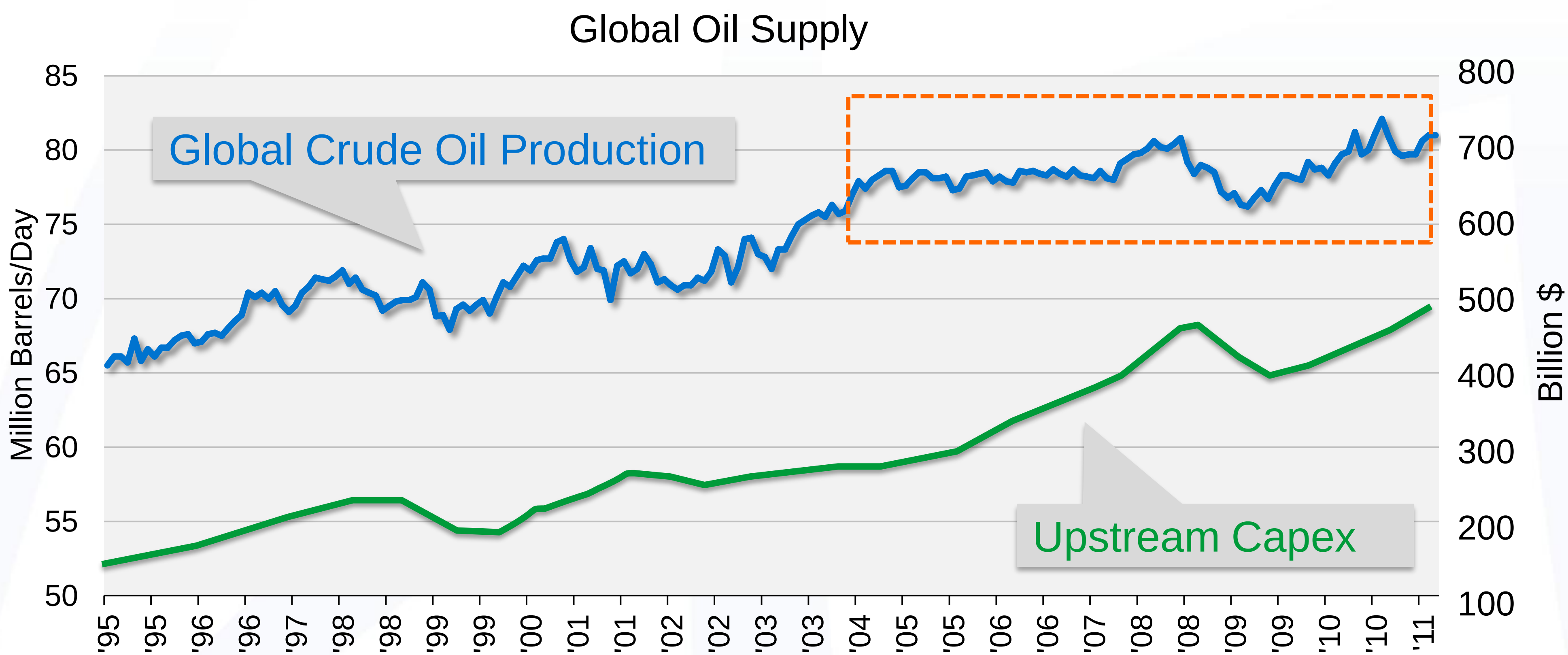
# Long Term Demand Growth Intact




Source: IMF, BP Statistical Review, Bloomberg

# Global Oil Supply Challenge



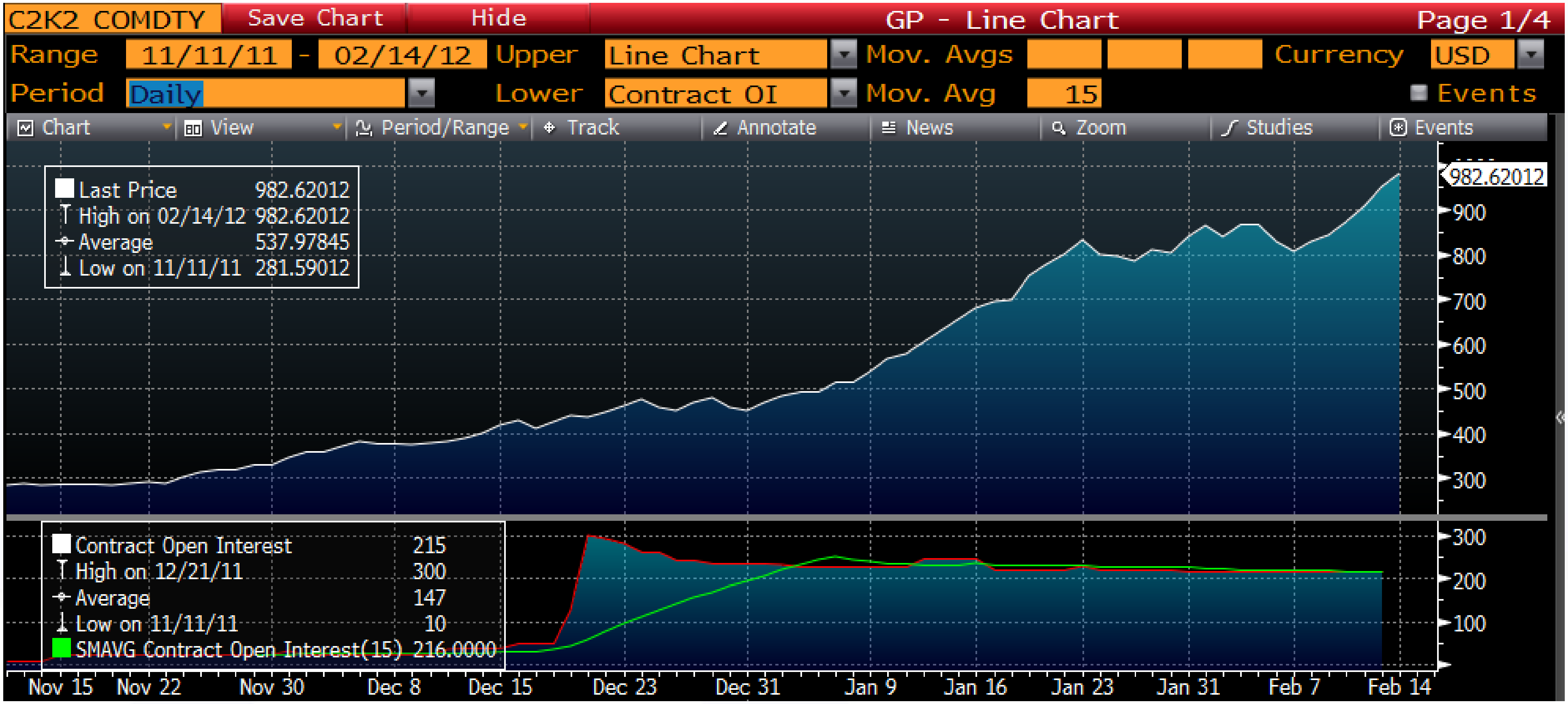

*Source: EIA, Barclays*

# Rapid North America Rig Count Transition


*Source: BHI Rig Count, Bloomberg*

# Commodity Price Escalation - Guar




*Source: Bloomberg*

# North America Pressure Pumping Market Outlook

- Supply and Demand Outlook
  - ~15,000K Horsepower in the market today
  - 3,000 – 4,000K Horsepower added throughout 2012
  - Shift to Oil should drive increase in Demand of ~20% due to increasing service intensity
- Pricing
  - Pricing power has declined over last 12 months
  - Remains very soft in gas basins but overall flat in oil / liquids rich basins
  - Short term softness may persist due to more rapid shift from gas to oil
- Long Term Strength
  - Oil / Liquids Rich basins could support oil directed rig count >2,500 rigs
  - Constraint to growth, new rigs and mid-stream takeaway capacity

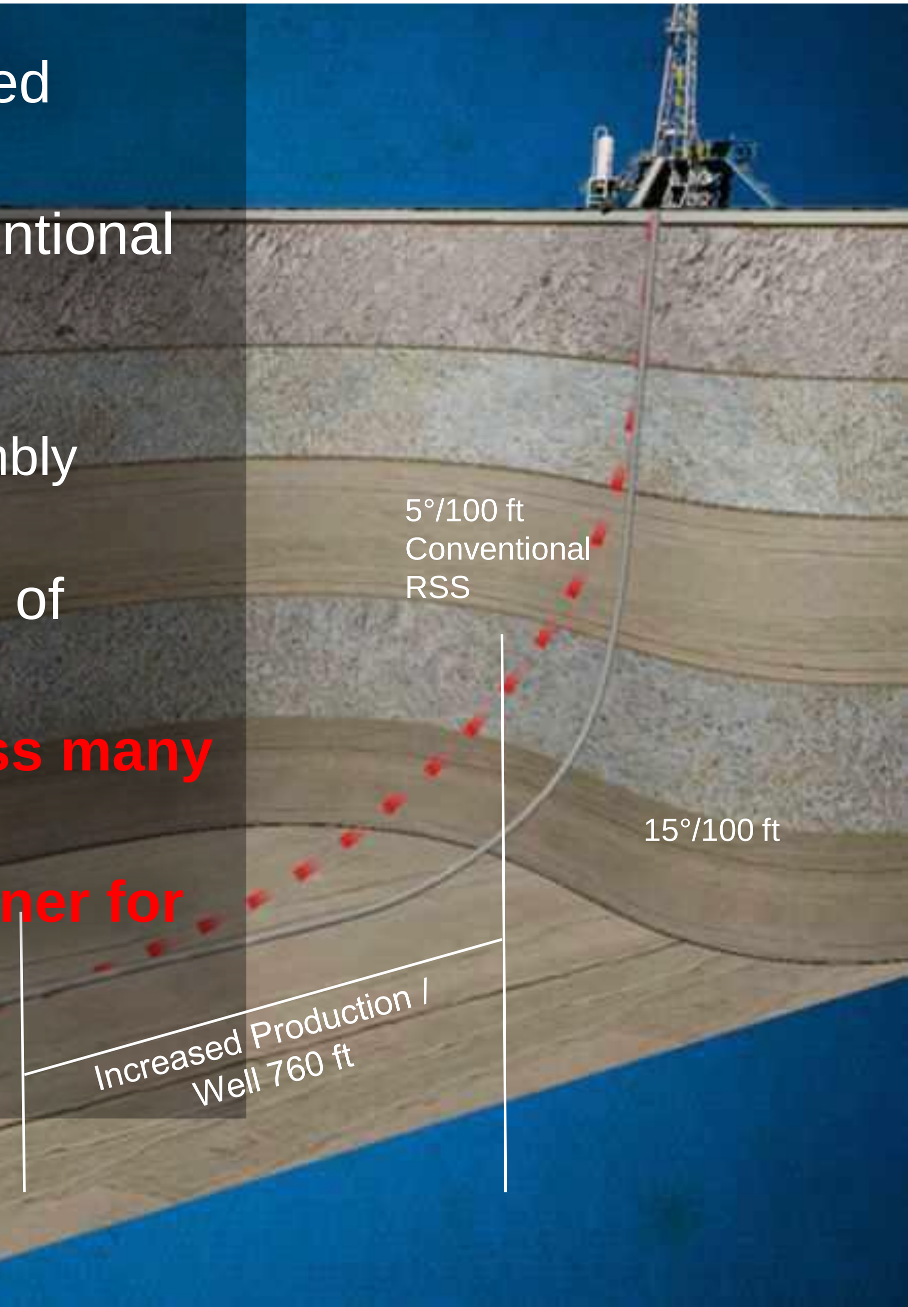
 

# International Market Outlook

- Market Growth
  - 11% rig count growth 2012 vs. 2011
  - Largest areas of growth in Middle East and Latin America
  - Revenue growth in-line with rig count
- Pricing
  - Remains elusive on larger multi-year contracts
  - Incrementals ~20% from Q4 2012 vs. Q4 2011
  - Pricing power required to drive stronger incrementals
- Long Term Strength
  - Challenge to grow production from existing fields
  - Ramping demand in developing world and oil exporting countries
  - Constructive Deep Water rig count growth
  - Recent exploration success in Africa encouraging but will take time to evolve

# AutoTrak™ Curve Rotary Steerable System

- High build rate, fully integrated land-based drilling system
- Increases drilling performance vs. conventional motor systems
  - Eliminates orienting / sliding for steering
  - Saves trips to change bottomhole assembly for different directional profiles
- Rate of penetration improved by a factor of three
- **150+ Runs to date – records set across many major basins**
- **Selected as 2011 World Oil award winner for "Best Drilling Technology"**



# Kymera™ Hybrid Bit Technology

- Compared to Roller Cone Bit:
  - Increased ROP potential
  - Less axial vibration (bit bounce)
  - Lower WOB requirement
- Compared to PDC Bit:
  - Less, more consistent drilling torque
  - Improved durability in interbedded formations
  - Better dynamics & directional control

**Summary of Success:**

- Up to 62% improved drilling rates
- Run lengths extended by over 200%
- Days-on-well reduced by 25 days
- Over 260 runs in 13 countries to date
- More than 216,000 feet & over 13,600 hours

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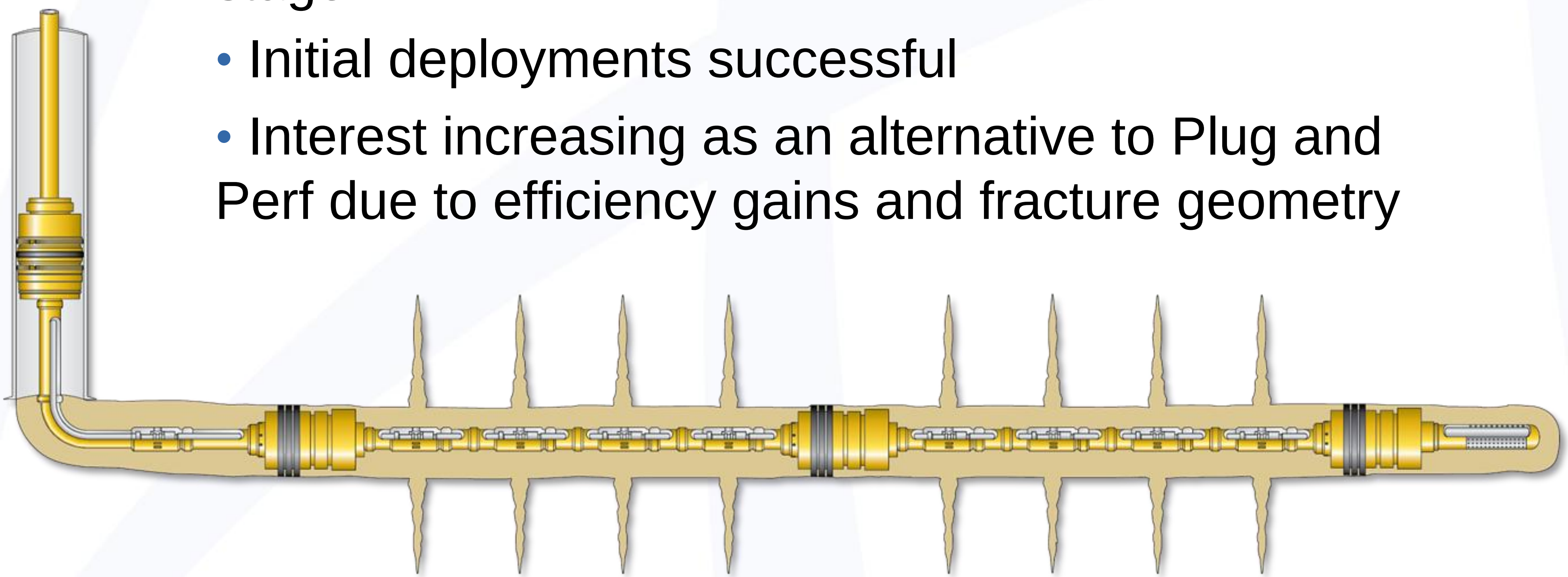
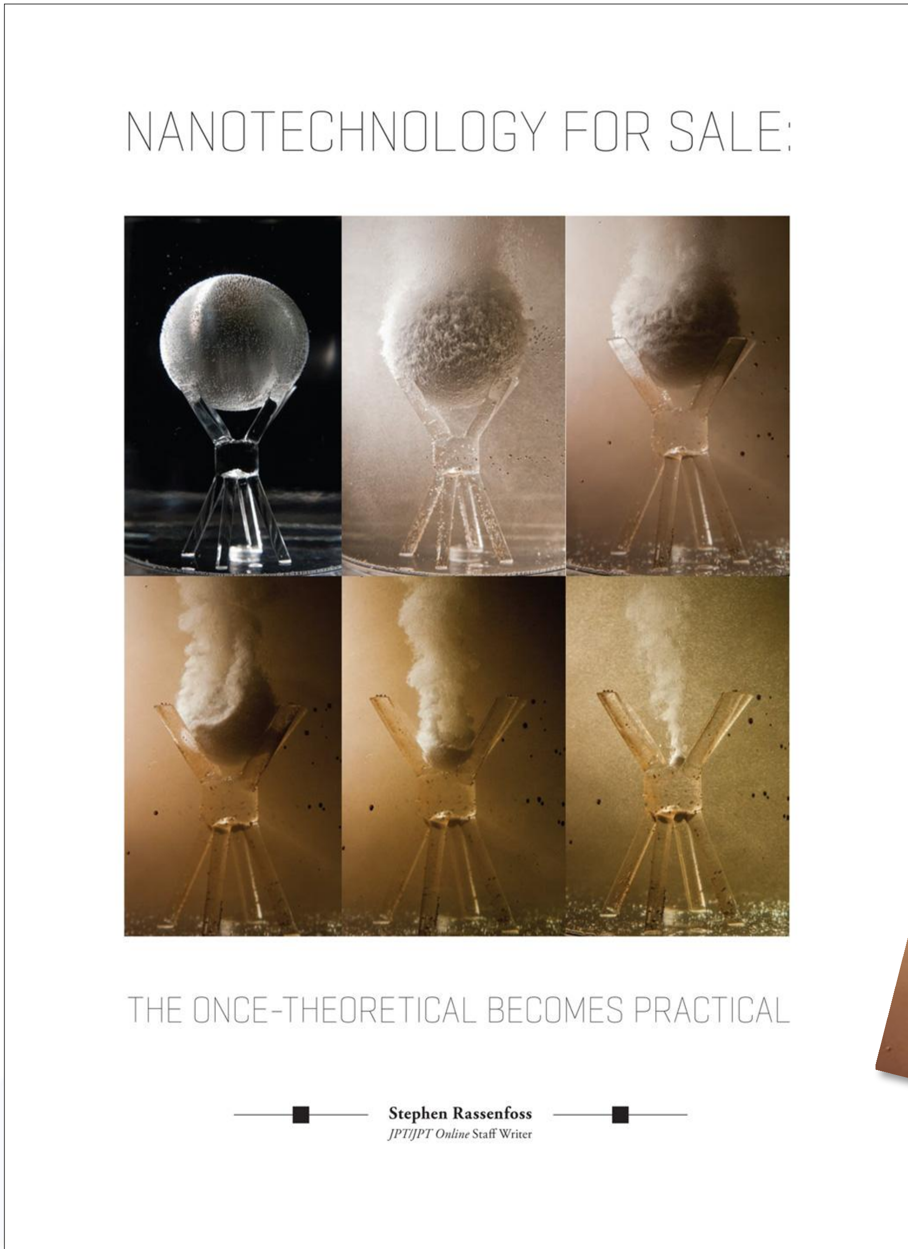
# FracPoint™ Multi-Port Completion System

- Sliding Sleeve Completion with multiple frac initiation points per stage
- Up to 17 Stages with multiple sliding sleeves per stage
- Initial deployments successful
- Interest increasing as an alternative to Plug and Perf due to efficiency gains and fracture geometry



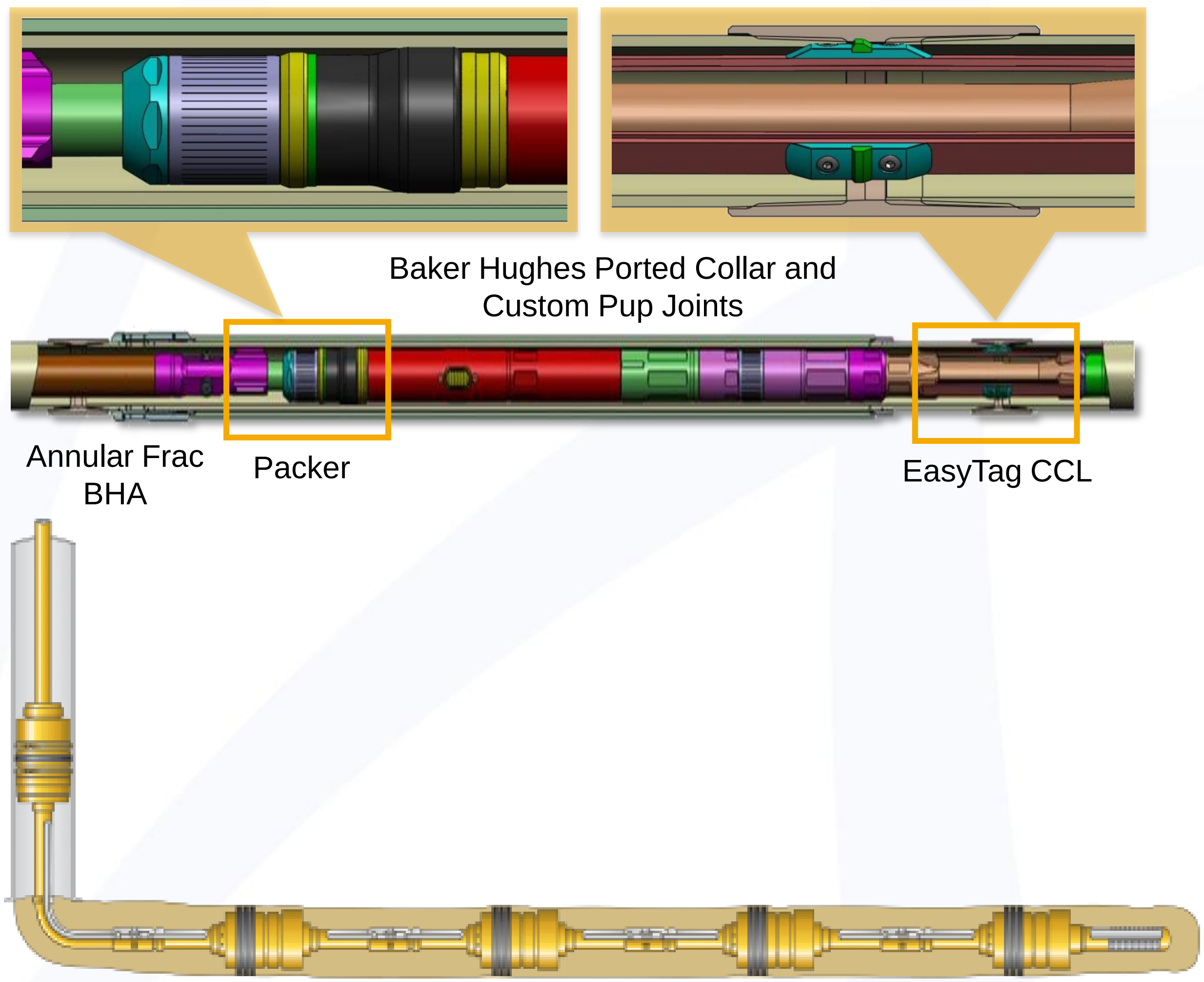
# In-Tallic Disintegrating Balls




# OptiPort™

Baker Hughes OptiPort™

Coiled Tubing Annular Frac Completion Systems




- Unlimited number of stages
- Optimized distance between stages
- Reduced fracturing horsepower (more smaller stages at lower rates)
- Faster fracturing jobs

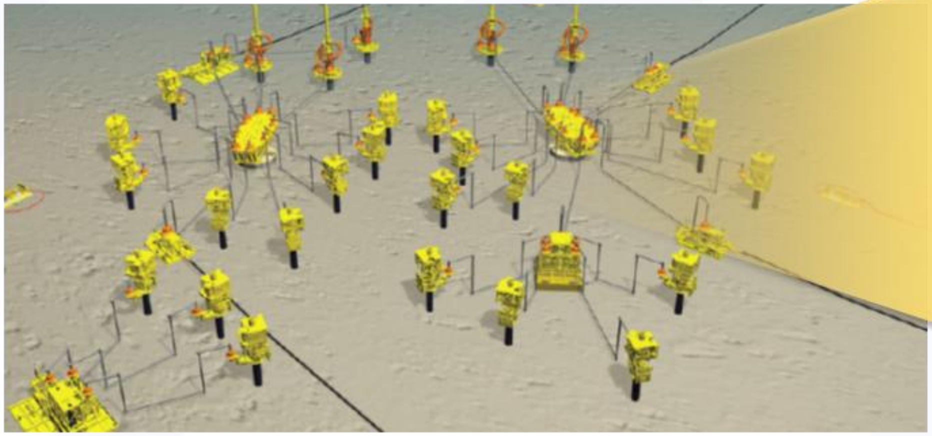
 

# Deep Water Subsea Boosting Systems

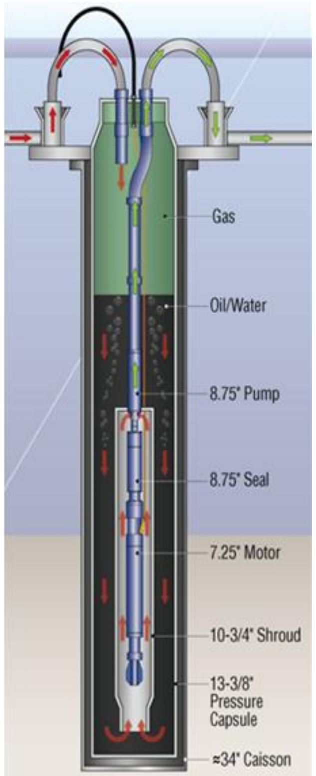
- Super Major in Ultra-Deep Water Gulf of Mexico
  - Water depth - 9,600ft (2,880m)
- ESP located at sea-bed
  - Multi-phase Boosting system with Gas Separation
- Process Capacity: Up to 33,000 BPD per Pump system
  - 5 Boosting Stations – 125,000 BPD system capacity
- Baker Hughes Chemical Solution to ensure integrity of production system

**World's deepest application of seabed separating and ESP boosting system**

***Perdido Subsea Infrastructure***



***ESP Caisson Installation***




Images Courtesy of FMC Technologies Inc.

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