



## News Release

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## Baker Hughes Announces Year End Results

HOUSTON, Texas – February 13, 2003. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that income from continuing operations in accordance with generally accepted accounting principles (GAAP) for the year 2002 was \$223.7 million or \$0.66 per share (diluted) compared to \$418.1 million or \$1.24 per share (diluted) for the year 2001. The loss from continuing operations for the fourth quarter of 2002 was (\$2.3) million or (\$0.01) per share (diluted) compared to net income of \$115.8 million or \$0.34 per share (diluted) in the fourth quarter of 2001 and \$86.8 million or \$0.26 per share (diluted) in the third quarter of 2002. Net income for the year 2002 was \$168.9 million or \$0.50 per share (diluted) compared to \$438.0 million or \$1.30 per share (diluted) for the year 2001. Net loss for the fourth quarter of 2002 was (\$1.5) million or (\$0.01) per share (diluted) compared to net income of \$126.0 million or \$0.37 per share (diluted) in the fourth quarter of 2001 and \$64.7 million or \$0.19 per share (diluted) in the third quarter of 2002.

In December 2002, the company entered into exclusive negotiations for the sale of its interest in its oil producing operations in West Africa, and received \$10 million as a deposit. The sale is subject to the execution of a definitive sale agreement and is expected to close in the first quarter of 2003. Also, the company successfully completed the sale of the EIMCO division of the company's Baker Process segment in November of 2002. Accordingly, the company has classified and is now reporting both of these operations as discontinued businesses.

Income from continuing operations excluding the impact of non-operational items ("operating profit") was \$309.3 million or \$0.92 per share (diluted) for the year 2002 compared to \$472.7 million or \$1.40 per share (diluted) for the year 2001. Operating profit for the fourth quarter 2002 was \$84.5 million or \$0.25 per share (diluted) compared to \$86.8 million or \$0.26 per share (diluted) in the third quarter of 2002 and \$134.6 million or \$0.40 per share (diluted) in the fourth quarter of 2001. The prior year results have been adjusted to exclude the impact of goodwill amortization for comparative purposes. The non-operational item in the fourth quarter was a \$90.2 million pre-tax charge (\$86.8 million after-tax or \$0.26 per share), which is the company's 30% share of a restructuring charge announced by Schlumberger Ltd. in December 2002 relating to the companies' seismic joint venture, WesternGeco. Income from continuing operations is reconciled to operating profit in the section titled *Reconciliation of GAAP Results and Operating Results* in this news release.

Revenue for the year 2002 was \$5,020.4 million, compared to \$5,139.6 million for 2001. Revenue for the fourth quarter of 2002 was \$1,292.1 million, compared to \$1,315.5 million for the fourth quarter of 2001 and \$1,280.2 million for the third quarter of 2002. Oilfield Operations revenue for the year 2002 was \$4,901.5 million, compared to \$5,001.9 million for the year 2001. Oilfield Operations revenue for the fourth quarter of 2002 was \$1,262.5 million, down 2%, compared to \$1,287.7 million for the fourth quarter of 2001, and up 1% compared to \$1,251.1 million for the third quarter of 2002.

Michael E. Wiley, Baker Hughes Chairman, President, and Chief Executive Officer, said, "I was pleased with our fourth quarter operating results considering the relatively flat drilling and workover activity in the US, the impact of Tropical Storm Isidore and Hurricane Lili, and the ongoing turmoil in Venezuela.



Mr. Wiley continued, "We expect overall business activity to improve in 2003, although the timing of a North American recovery and the possibility of military action in Iraq and its impact remain uncertain. The situation in Venezuela will certainly have a negative impact on the first part of the year. Regardless of market conditions in 2003, we will continue to focus on delivering differential growth at superior margins by entering new growth markets, maintaining our focus on financial flexibility and discipline, and adding value for our customers through best-in class technology, performance and reliability."

### ***Financial Flexibility***

In September 2002, the Company's Board of Directors authorized the Company to repurchase up to \$275.0 million of its common stock. During the fourth quarter 2002, approximately 500,000 shares were purchased at an average price of \$28.76 per share and retired. The company has authorization remaining to purchase from time to time up to \$225.9 million in stock. During the fourth quarter, debt decreased slightly to \$1,547.8 million, and cash increased to \$143.9 million.



## Financial Information

(In millions, except per share amounts)

UNAUDITED

	Three Months Ended		
	December 31,		September 30,
	2002	2001	2002
Revenues	\$ 1,292.1	\$ 1,315.5	\$ 1,280.2
Costs and Expenses:			
Costs of revenues	940.1	927.6	909.2
Selling, general and administrative	201.7	192.6	214.1
Restructuring charge	-	(4.2)	-
Total costs and expenses	1,141.8	1,116.0	1,123.3
Operating income	150.3	199.5	156.9
Equity in income (loss) of affiliates	(90.2)	6.9	1.5
Interest expense	(28.1)	(29.7)	(27.3)
Interest income	1.6	9.2	1.5
Income from continuing operations before income taxes	33.6	185.9	132.6
Income taxes	(35.9)	(70.1)	(45.8)
Income (loss) from continuing operations	(2.3)	115.8	86.8
Discontinued operations:			
Income (loss) from operations of EIMCO and E&P	1.8	10.2	(0.9)
Loss on disposal of EIMCO	(1.0)	-	(21.2)
Income (loss) from discontinued operations	0.8	10.2	(22.1)
Net income (loss)	\$ (1.5)	\$ 126.0	\$ 64.7
Basic earnings per share:			
Income (loss) from continuing operations	\$ (0.01)	\$ 0.34	\$ 0.26
Income (loss) on discontinued operations	0.00	0.03	(0.07)
Net income (loss)	\$ (0.01)	\$ 0.37	\$ 0.19
Diluted earnings per share:			
Income (loss) from continuing operations	\$ (0.01)	\$ 0.34	\$ 0.26
Income (loss) on discontinued operations	0.00	0.03	(0.07)
Net income (loss)	\$ (0.01)	\$ 0.37	\$ 0.19
Shares outstanding, basic (millions)	335.8	335.9	337.3
Shares outstanding, diluted (millions)	336.8	337.0	338.1
Depreciation, depletion and amortization expense (excluding amortization of goodwill in 2001)	\$ 77.0	\$ 74.0	\$ 76.8
Capital expenditures	\$ 105.7	\$ 114.5	\$ 75.1
<b>Calculation of EBIT and EBITDA:</b>			
Income from continuing operations before income taxes	\$ 33.6	\$ 185.9	\$ 132.6
Interest expense	28.1	29.7	27.3
Restructuring charges	-	(4.2)	-
Restructuring charge recorded in equity income of affiliates	90.2	10.3	-
Earnings before interest expense and taxes (EBIT)	151.9	221.7	159.9
Total depreciation, depletion and amortization expense <sup>1</sup>	77.0	88.2	76.8
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	\$ 228.9	\$ 309.9	\$ 236.7

<sup>1</sup>Prior periods have been adjusted to include amortization of goodwill associated with equity method investments.



## Financial Information

(In millions, except per share amounts)

UNAUDITED

	Twelve Months Ended	
	December 31,	
	2002	2001
Revenues	\$ 5,020.4	\$ 5,139.6
Costs and Expenses:		
Costs of revenues	3,625.7	3,655.9
Selling, general and administrative	840.6	781.7
Restructuring charge	(1.9)	1.8
Gain on disposal of assets	-	(2.4)
Total costs and expenses	4,464.4	4,437.0
Operating income	556.0	702.6
Equity in income (loss) of affiliates	(69.7)	45.8
Interest expense	(111.2)	(126.4)
Interest income	5.3	11.9
Income from continuing operations before income taxes	380.4	633.9
Income tax	(156.7)	(215.8)
Income from continuing operations	223.7	418.1
Discontinued operations:		
Income from operations of EIMCO and E&P	10.0	20.6
Loss on disposal of EIMCO	(22.3)	-
Income (loss) from discontinued operations	(12.3)	20.6
Income before extraordinary loss and cumulative effect of accounting change	211.4	438.7
Extraordinary loss, net of tax	-	(1.5)
Cumulative effect of accounting change, net of tax	(42.5)	0.8
Net income	\$ 168.9	\$ 438.0
Basic earnings per share:		
Income from continuing operations	\$ 0.66	\$ 1.25
Income (loss) from discontinued operations, net of tax	(0.04)	0.06
Extraordinary loss, net of tax	-	-
Cumulative effect of accounting change, net of tax	(0.12)	-
Net income	\$ 0.50	\$ 1.31
Diluted earnings per share:		
Income from continuing operations, net of tax	\$ 0.66	\$ 1.24
Income (loss) from discontinued operations, net of tax	(0.04)	0.06
Extraordinary loss, net of tax	-	-
Cumulative effect of accounting change, net of tax	(0.12)	-
Net income	\$ 0.50	\$ 1.30
Shares outstanding, basic (millions)	336.8	335.6
Shares outstanding, diluted (millions)	337.9	337.4
Depreciation, depletion and amortization expense (excluding amortization of goodwill in 2001)	\$ 301.6	\$ 278.3
Capital expenditures	\$ 316.7	\$ 303.5
<b>Calculation of EBIT and EBITDA:</b>		
Income from continuing operations before income taxes	\$ 380.4	\$ 633.9
Interest expense	111.2	126.4
Restructuring charges	(1.9)	1.8
Gain on disposal of assets	-	(2.4)
Restructuring charge recorded in equity income of affiliates	90.2	10.3
Earnings before interest expense and taxes (EBIT)	579.9	770.0
Total depreciation, depletion and amortization expense <sup>1</sup>	301.6	329.9
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	\$ 881.5	\$ 1,099.9

<sup>1</sup> Prior periods have been adjusted to include amortization of goodwill associated with equity method investments.



## Consolidated Condensed Balance Sheets

(In millions)	UNAUDITED December 31, 2002	AUDITED December 31, 2001
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 143.9	\$ 38.7
Accounts receivable, net	1,110.6	1,268.8
Inventories	1,032.0	1,031.9
Other current assets	204.7	235.4
Assets of discontinued operations	64.3	231.9
Total current assets	2,555.5	2,806.7
Investment in affiliates	872.0	929.0
Property, net	1,354.7	1,297.0
Goodwill	1,226.6	1,248.3
Intangible assets, net	136.8	136.5
Other assets	255.2	258.7
Total assets	\$ 6,400.8	\$ 6,676.2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 389.2	\$ 537.2
Short-term borrowings and current portion of long-term debt	123.5	12.2
Accrued employee compensation	254.0	311.4
Other current liabilities	267.4	272.2
Liabilities of discontinued operations	46.0	85.6
Total current liabilities	1,080.1	1,218.6
Long-term debt	1,424.3	1,682.4
Deferred income taxes	166.7	204.4
Other long-term liabilities	332.5	243.0
Stockholders' equity:		
Common stock	335.8	336.0
Capital in excess of par value	3,111.6	3,119.3
Retained earnings	196.3	182.3
Accumulated other comprehensive loss	(246.5)	(309.8)
Total stockholders' equity	3,397.2	3,327.8
Total liabilities and stockholders' equity	\$ 6,400.8	\$ 6,676.2



## Segment Highlights

Operational highlights for the three months and years ended December 31, 2002 and December 31, 2001 and the three months ended September 30, 2002 are detailed below. All results are unaudited and shown in millions.

### Comparison of Quarters -- Year over Year (for the three months ended December 31, 2002 and 2001)

	Revenue		Operating Profit Before Tax	
	Q4 2002	Q4 2001	Q4 2002	Q4 2001
Oilfield Operations, excluding WesternGeco	\$ 1,262.5	\$ 1,287.7	\$ 193.5	\$ 239.9
WesternGeco	-	-	(0.8)	17.1
Oilfield Operations	1,262.5	1,287.7	192.7	257.0
Process Operations	29.6	27.8	(4.1)	(6.3)
Corporate, net interest and other	-	-	(64.8)	(58.7)
Non-operational items <sup>1</sup>	-	-	(90.2)	(6.1)
Total	\$ 1,292.1	\$ 1,315.5	\$ 33.6	\$ 185.9

### Comparison of Quarters -- Sequential (for the three months ended December 31, 2002 and September 30, 2002)

	Revenue		Operating Profit Before Tax	
	Q4 2002	Q3 2002	Q4 2002	Q3 2002
Oilfield Operations, excluding WesternGeco	\$ 1,262.5	\$ 1,251.1	\$ 193.5	\$ 196.8
WesternGeco	-	-	(0.8)	(0.5)
Oilfield Operations	1,262.5	1,251.1	192.7	196.3
Process Operations	29.6	29.1	(4.1)	(3.5)
Corporate, net interest and other	-	-	(64.8)	(60.2)
Non-operational items <sup>1</sup>	-	-	(90.2)	-
Total	\$ 1,292.1	\$ 1,280.2	\$ 33.6	\$ 132.6

### Comparison of Years (for the twelve months ended December 31, 2002 and 2001)

	Revenue		Operating Profit Before Tax	
	2002	2001	2002	2001
Oilfield Operations, excluding WesternGeco	\$ 4,901.5	\$ 5,001.9	\$ 715.8	\$ 847.3
WesternGeco	-	-	14.6	55.6
Oilfield Operations	4,901.5	5,001.9	730.4	902.9
Process Operations	118.9	137.7	(12.0)	(15.1)
Corporate, net interest and other	-	-	(249.7)	(244.2)
Non-operational items <sup>1</sup>	-	-	(88.3)	(9.7)
Total	\$ 5,020.4	\$ 5,139.6	\$ 380.4	\$ 633.9

<sup>1</sup>See *Reconciliation of GAAP Results and Operating Results*.



## ***Oilfield Operations Segment***

Unless otherwise noted, all comments in this section refer to Baker Hughes Oilfield Operations, excluding WesternGeco.

The following table details the percentage change in revenue in the December 2002 quarter compared to the December 2001 quarter and September 2002 quarter.

<b>Comparison of Revenue</b>		
<b>For the Three Months Ended December 31, 2002 Compared to the Three Months Ended</b>		
	UNAUDITED December 31, 2001	September 30, 2002
Product Line		
INTEQ	-2%	-3%
Baker Atlas	-2%	2%
Baker Oil Tools	-5%	-2%
Baker Petrolite	5%	3%
Centrilift	-1%	12%
Hughes Christensen	-11%	-1%
Geography		
North America	-9%	-1%
Western Hemisphere	-11%	-2%
Eastern Hemisphere	9%	4%

Revenue for the fourth quarter of 2002 decreased 2% compared to the fourth quarter of 2001 and increased 1% compared to the third quarter of 2002. Sequentially, revenues increased at Baker Atlas, Baker Petrolite and Centrilift. The sequential improvement at Centrilift was particularly noteworthy, as strong sales of ESP equipment continue in this relatively high crude oil price environment.

The pre-tax operating margin was 15.3% for the fourth quarter of 2002 compared to 15.7% in the third quarter of 2002 as sequential improvements at Hughes Christensen and Centrilift were offset by modest declines at the other divisions. The operating margin was 18.6% for the fourth quarter a year ago. Centrilift showed an improvement in operating profits offset by declines in the other divisions compared to the fourth quarter a year ago. The operating margin for the year 2002 was 14.6% compared to 16.9% in 2001.

In February 2003 the company completed the second step of a two part transaction which resulted in Baker Atlas acquiring certain assets and intellectual property of the borehole seismic acquisition business of Compagnie Generale Geophysique ("CGG") and the formation of a venture for processing and interpreting borehole seismic data. Baker Hughes owns 51% of the venture.

## ***Process Operations Segment***

Process revenues were \$29.6 million in the fourth quarter of 2002, compared to \$27.8 million the fourth quarter of 2001, and \$29.1 million in the third quarter of 2002. Operating profit before tax was lower primarily because of delays on a large municipal order and manufacturing variances. The sale of the EIMCO division of Process Operations was completed in November 2002.

## ***Corporate, Net Interest and Other***

Corporate, net interest and other expenses were \$64.8 million in the December 2002 quarter, up \$6.1 million from the December 2001 quarter and up \$4.6 million from the September 2002 quarter. The increase in the December 2002 quarter, as compared to the December 2001 quarter, was due primarily to decreased interest income in the fourth quarter of 2002. The increase in the December 2002 quarter, compared to the September 2002 quarter, was due to increased corporate general and administrative expenses and foreign exchange losses.



## Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Factors affecting these forward-looking statements are detailed below under Forward-Looking Statements. These statements do not include the potential impact of any acquisition, disposition, merger or joint venture that could occur in the future. Information regarding WesternGeco is based upon information that WesternGeco has provided to Baker Hughes. Information derived from this information is subject to the accuracy of the information that WesternGeco provided. Additionally, any forward-looking statements relating to WesternGeco are also subject to the factors listed in Forward-Looking Statements in this news release.

- Oilfield revenues are expected to be up 4% to 6% for the year 2003 as compared to the year 2002. Oilfield revenues are expected to be up 1% to 3% in the first quarter of 2003 compared to the first quarter of 2002 and down 4% to 6% in the first quarter of 2003 compared to the fourth quarter of 2002.
- WesternGeco is expected to contribute \$15 to \$20 million in pre-tax profit for the year 2003 (compared to \$14.6 million in 2002) and \$0 to \$3 million in the three months ended March 31, 2003.
- Process is expected to post a \$10 to \$15 million pre-tax loss for the year 2003. Process is expected to lose \$4 to \$6 million in the first quarter of 2003.
- Corporate and other expenses, excluding interest expense, are expected to be between \$150 and \$160 million for the year 2003 or approximately \$37 to \$42 million per quarter.
- Net interest expense is expected to be between \$100 and \$108 million for the year 2003 or approximately \$25 to \$27 million per quarter.
- Income from continuing operations per share (diluted) is expected to be between \$1.00 and \$1.10 for the year 2003. Income from continuing operations per share (diluted) is expected to be between \$0.17 and \$0.20 for the three months ended March 31, 2003.
- Capital spending is expected to be between \$330 and \$350 million for the year 2003. Baker Hughes' expectation regarding its level of capital expenditures is only its forecast regarding this matter. This forecast may be substantially different from actual results. In addition to the factors described in Forward-Looking Statements-General Outlook below, the following factors could affect levels of capital expenditures: the accuracy of the company's estimates regarding its spending requirements; the occurrence of any unanticipated acquisition or research and development opportunities; changes in the company's strategic direction; and the need to replace any unanticipated losses in capital assets.
- Depreciation and amortization expense is expected to be between \$330 and \$350 million for 2003. Baker Hughes' expectation regarding its depreciation and amortization expense is only its forecast regarding this matter. This forecast may be substantially different from actual results, which could be impacted by an unexpected increase in the company's assets that are subject to depreciation or amortization or an unexpected casualty, impairment or other loss in those assets.
- The tax rate on operating results for the 12 months ended December 31, 2003 is expected to be approximately 37.0%. Baker Hughes' expectation regarding its tax rate is only its forecast regarding this matter. This forecast may be substantially different from actual results. In addition to the factors described in Forward-Looking Statements-General Outlook below, the following factors could affect the tax rate: the level and sources of the profitability of the company; changes in tax laws or tax rates in the jurisdictions in which the company operates; and the ability of the company to fully utilize tax loss carry-forwards and credits in various jurisdictions.





## Impact of SFAS 142 on Prior Year Operating Results

The following table is a reconciliation of previously reported operating profit and earnings per share to the pro forma amounts, which are adjusted for the exclusion of amortization related to goodwill and goodwill associated with equity method investments. The table also reflects the impact of classifying EIMCO and the oil producing property in West Africa as discontinued.

(in millions, except earnings per share)		Operating Profit	Income Taxes	Operating Profit	Diluted Earnings
UNAUDITED		Before Tax		After Tax	per Share
Q1 2001	Operating profit	\$ 108.7	\$ (34.9)	\$ 73.8	\$ 0.22
	Goodwill amortization	10.6	(1.3)	9.3	0.03
	Goodwill amortization associated with equity method investments	2.0	(0.1)	1.9	0.01
	Pro forma operating profit	<u>\$ 121.3</u>	<u>\$ (36.3)</u>	<u>\$ 85.0</u>	<u>\$ 0.26</u>
Q2 2001	Operating profit	\$ 150.0	\$ (48.4)	\$ 101.6	\$ 0.30
	Goodwill amortization	10.5	(1.3)	9.2	0.03
	Goodwill amortization associated with equity method investments	2.0	(0.1)	1.9	0.01
	Pro forma operating profit	<u>\$ 162.5</u>	<u>\$ (49.8)</u>	<u>\$ 112.7</u>	<u>\$ 0.34</u>
Q3 2001	Operating profit	\$ 192.9	\$ (63.5)	\$ 129.4	\$ 0.38
	Goodwill amortization	10.4	(1.2)	9.2	0.03
	Goodwill amortization associated with equity method investments	1.9	(0.1)	1.8	-
	Pro forma operating profit	<u>\$ 205.2</u>	<u>\$ (64.8)</u>	<u>\$ 140.4</u>	<u>\$ 0.41</u>
Q4 2001	Operating profit	\$ 192.0	\$ (70.1)	\$ 121.9	\$ 0.36
	Goodwill amortization	12.2	(1.4)	10.8	0.03
	Goodwill amortization associated with equity method investments	2.0	(0.1)	1.9	0.01
	Pro forma operating profit	<u>\$ 206.2</u>	<u>\$ (71.6)</u>	<u>\$ 134.6</u>	<u>\$ 0.40</u>
2001	Operating profit	\$ 643.6	\$ (216.9)	\$ 426.7	\$ 1.27
	Goodwill amortization	43.7	(5.2)	38.5	0.11
	Goodwill amortization associated with equity method investments	7.9	(0.4)	7.5	0.02
	Pro forma operating profit	<u>\$ 695.2</u>	<u>\$ (222.5)</u>	<u>\$ 472.7</u>	<u>\$ 1.40</u>



## Reconciliation of GAAP Results and Operating Results

The following tables reconcile GAAP and operating results referenced in this news release. Reconciliation of other prior periods can be found on the company's website at [www.bakerhughes.com/investor](http://www.bakerhughes.com/investor).

### Reconciliation of GAAP Results and Operating Results for the 12 Months Ended December 31, 2002

UNAUDITED (in millions except earnings per share)	Recorded As	Profit Before Tax	Tax	Profit After Tax	Diluted Earnings Per Share
Income from continuing operations		\$ 380.4	\$ (156.7)	\$ 223.7	\$ 0.66
Non-operational items:					
Reversal of excess severance accrual at Bird Machine in Germany	Restructuring charges	(1.9)	0.7	(1.2)	0.00
BHI share of the WesternGeco venture restructuring charge	Equity in income of affiliates	90.2	(3.4)	86.8	0.26
Operating profit, excluding impact of non-operational items		\$ 468.7	\$ (159.4)	\$ 309.3	\$ 0.92

### Reconciliation of GAAP Results and Operating Results for the 12 Months Ended December 31, 2001

UNAUDITED (in millions except earnings per share)	Recorded As	Profit Before Tax	Tax	Profit After Tax	Diluted Earnings Per Share
Income from continuing operations		\$ 633.9	\$ (215.8)	\$ 418.1	\$ 1.24
Non-operational items:					
Reversal of excess E&P charges	Restructuring charges	(4.2)	-	(4.2)	(0.01)
Gain on sale of interest in joint venture	Gain on disposal of assets	(3.4)	1.0	(2.4)	(0.01)
Severance at Bird Machine in Germany	Restructuring charges	6.0	(2.2)	3.8	0.01
Loss on sale of Baker Atlas product line	Gain on disposal of assets	1.0	0.1	1.1	0.01
BHI share of the WesternGeco non-recurring charge	Equity in income of affiliates	10.3	-	10.3	0.03
Operating profit, excluding impact of non-operational items		\$ 643.6	\$ (216.9)	\$ 426.7	\$ 1.27



**Reconciliation of GAAP Results and Operating Results for the**  
3 Months Ended December 31, 2002

UNAUDITED <i>(in millions except earnings per share)</i>	Recorded As	Profit Before Tax	Tax	Profit After Tax	Diluted Earnings Per Share
Income from continuing operations		\$ 33.6	\$ (35.9)	\$ (2.3)	\$ (0.01)
Non-operational items:					
BHI share of the WesternGeco venture restructuring charge	Equity in income of affiliates	90.2	(3.4)	86.8	0.26
Operating profit, excluding impact of non-operational items		\$ 123.8	\$ (39.3)	\$ 84.5	\$ 0.25

**Reconciliation of GAAP Results and Operating Results for the**  
3 Months Ended December 31, 2001

UNAUDITED <i>(in millions except earnings per share)</i>	Recorded As	Profit Before Tax	Tax	Profit After Tax	Diluted Earnings Per Share
Income from continuing operations		\$ 185.9	\$ (70.1)	\$ 115.8	\$ 0.34
Non-operational items:					
Reversal of excess E&P charges	Restructuring charges	(4.2)	-	(4.2)	(0.01)
BHI share of the WesternGeco non-recurring charge	Equity in income of affiliates	10.3	-	10.3	0.03
Operating profit, excluding impact of non-operational items		\$ 192.0	\$ (70.1)	\$ 121.9	\$ 0.36

### **Conference Call**

The company has scheduled a conference call to discuss the results of today's earnings announcement. The call will begin at 8:30 A.M. Eastern time, 7:30 A.M. Central time. To access the call, which is open to the public, please contact the conference call operator at 706-643-3468, 20 minutes prior to the scheduled start time, and ask for the "Baker Hughes Conference Call." A replay will be available through Thursday, February 20, 2003. The number for the replay is 706-645-9291 and the access code is 7196856. The call and replay will also be webcast on [www.bakerhughes.com/investor](http://www.bakerhughes.com/investor).

### **Forward-Looking Statements**

This news release (and oral statements made regarding the subjects of this release, including on the conference call announced herein) contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "expect," "expected," "will be," "will," and similar expressions are intended to identify forward-looking statements.

General Outlook – Oilfield Segment: Baker Hughes' expectation regarding its outlook for its oilfield businesses (including, without limitation, the company's oilfield operations and its minority interest in its production and refining process equipment venture), changes in profitability and growth in those businesses and the oil and gas industry are only its forecasts regarding these matters. These forecasts may be substantially different from actual results, which are affected by the following factors: the level of petroleum industry exploration and



production expenditures; drilling rig and oil and gas industry manpower and equipment availability; the company's ability to implement and effect price increases for its products and services; the company's ability to control its costs; the availability of sufficient manufacturing capacity and subcontracting capacity at forecasted costs to meet the company's revenue goals; the effect of competition, particularly the ability of the company to introduce new technology on its forecasted schedule and at its forecasted cost; the ability of the company's competitors to capture market share, the company's ability to retain or increase its market share; the completion of the company's proposed West African disposition; world economic conditions; the price of, and the demand for, crude oil and natural gas; drilling activity; seasonal weather conditions that affect the demand for energy and severe weather conditions that affect exploration and production activities; the legislative and regulatory environment in the United States and other countries in which the company operates; OPEC policy and the adherence by OPEC nations to their OPEC production quotas; war or extended period of international conflict, particularly involving the United States, Middle East or other major petroleum-producing or consuming regions; acts of war or terrorism; civil unrest or in-country security concerns where the company operates; the development of technology by Baker Hughes or its competitors that lowers overall finding and development costs; new laws and regulations that could have a significant impact on the future operations and conduct of all businesses as a result of the financial deterioration and bankruptcies of large U.S. entities; labor-related actions, including strikes, slowdowns and facility occupations; the condition of the capital and equity markets in general; adverse foreign exchange fluctuations and adverse changes in the capital markets in international locations where the company operates; and the timing of any of the foregoing.

**Oilfield Pricing Changes:** Baker Hughes expectation's regarding pricing changes for its products and services are only its expectations regarding pricing. Actual pricing changes could be substantially different from the company's expectations, which are affected by many of the factors listed above in "General Outlook – Oilfield Segment," as well as existing legal and contractual commitments to which the company is subject.

**General Outlook – Process Segment:** Baker Hughes' expectations in this news release regarding its outlook for its process segment and improvement and growth in Process' businesses and its markets are only its forecasts regarding these matters. These forecasts may be substantially different from actual results, which are affected by the following factors: the effect of competition; the health of the markets of the company's customers, including, without limitation, the production and refining, industrial, chemical, municipal wastewater and mining markets; the level of customer expenditures and investment, especially in the oil and gas, industrial, chemical, municipal wastewater and mining markets; the company's ability to control its costs; the ability of the company's competitors to capture market share; the company's ability to retain or increase its market share; world economic conditions; the legislative and regulatory environment in the United States and other countries in which the company operates; the condition of the capital and equity markets and the timing of any of the foregoing.

Baker Hughes is a leading provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry.

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