



News Release

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Baker Hughes Reports Results for First Quarter 2000

HOUSTON, Texas April 26, 2000. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that net income for the three months ended March 31, 2000 was \$18.4 million or \$0.06 per share (diluted), compared to \$44.4 million or \$0.14 per share (diluted) for the three months ended March 31, 1999 and a net loss of \$(92.8) million or \$(0.28) per share (diluted) for the three months ended December 31, 1999. Results for the current quarter include the impact of gains, net of tax, related to the company's holdings of Tuboscope stock of \$4.6 million or \$0.02 per share (diluted). Operating profit after tax for the current quarter, excluding these gains, was \$13.8 million or \$0.04 per share (diluted). This compares with a loss of \$(8.3) million or \$(0.03) per share (diluted) for the fourth quarter of 1999, which excludes the impact of all non-operational items. (See Attachment 4 – Impact of Non-Operational Items.)

Revenue for the three months ended March 31, 2000 was \$1.157 billion, up 4.8% from the \$1.104 billion reported for the three months ended December 31, 1999 but down 4.7% from the \$1.214 billion reported for the three months ended March 31, 1999.

Earnings before interest, taxes, depreciation and amortization or EBITDA, excluding non-operational items, was \$227.8 million or \$0.69 per share (diluted) for the three months ended March 31, 2000 as compared to \$308.5 million or \$0.94 per share (diluted) for the three months ended March 31, 1999 and \$205.5 million or \$0.62 per share (diluted) for the three months ended December 31, 1999.

"I am greatly encouraged by the results for Baker Hughes' first quarter", said Joe B. Foster, interim chairman, president and CEO of Baker Hughes. "We exceeded our plan, which I believe to be a tough one, with most of the overachievement coming late in the quarter. All of our operating divisions showed revenue improvement compared with the fourth quarter of 1999 except Baker Petrolite, with its revenues down less than 1%. Pricing in North America, excluding Western Geophysical, was up about 3%. For the first time since the second quarter of 1998 we saw increases in operational earnings and cash flow generation compared to the prior sequential quarter. What's more, the two divisions which have been struggling the most – Western Geophysical and INTEQ – showed good turnarounds at the operating profit level."

Commenting on the outlook for the balance of 2000, Mr. Foster continued, "In March we saw the international rig count increase 8%. This is a hopeful sign that Eastern Hemisphere activity increases may be in the offing to complement the relatively robust levels in North America."



Dividends Declared

The company also announced today that the Baker Hughes Board declared the regular quarterly cash dividend of \$0.115 per share of common stock payable May 26, 2000, to holders of record May 8, 2000.

E&P Solutions

Harrison Lovegrove & Co. has been engaged to assist the company in the possible disposition of its equity interests in selected oil and gas properties. Exploration for and development of company owned oil and gas properties is not expected to be a core business of Baker Hughes in the future. However, depending on the proposals received, some or all of the properties offered may be retained.

Search Committee Report

Victor G. Beghini, chairman of the search committee appointed by the board to select a new chief executive officer, reported that the search committee is in the process of conducting interviews with CEO candidates and is pleased with its progress. A new CEO could be named in 30-60 days.

Conference Call

The company has scheduled a conference call to discuss the results of today's earnings announcement. The call will begin at 2:00 p.m. eastern daylight time, 1:00 p.m. central daylight time. To access the call please contact the conference call operator at (312) 470-0009, 10 to 15 minutes prior to the scheduled start time, and ask for the "Baker Hughes Conference Call." A replay will be available through May 2, 2000. The number for the replay is (402) 998-1311. The call and replay will also be webcast on www.streetevents.com.

Attachments

Attachment 1 -- Operational Highlights

Attachment 2 – Division Highlights

Attachment 3 – Geographic Highlights

Attachment 4 – Impact of Non-Operational Items



Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Three Months Ended		
	March 31,		December 31,
	2000	1999	1999
Revenues	\$ 1,157.3	\$ 1,214.4	\$ 1,103.9
Costs of revenues	920.6	937.1	973.9
Selling, general and administrative	174.4	171.6	169.7
Unusual charge, net	-	-	46.7
Total costs and expenses	1,095.0	1,108.7	1,190.3
Operating income	62.3	105.7	(86.4)
Interest expense	(42.1)	(38.7)	(40.0)
Interest income	0.5	2.2	0.3
Gain on trading securities	7.1	-	31.5
Income (loss) from continuing operations before income taxes	27.8	69.2	(94.6)
Income tax benefit (provision)	(9.4)	(23.4)	13.1
Income (loss) from continuing operations	18.4	45.8	(81.5)
Income (loss) from discontinued operations, net of tax	-	(1.4)	(11.3)
Net income (loss)	\$ 18.4	\$ 44.4	\$ (92.8)
Basic earnings per share:			
Income (loss) from continuing operations	\$ 0.06	\$ 0.14	\$ (0.25)
Income (loss) from discontinued operations	-	-	(0.03)
Net income (loss)	\$ 0.06	\$ 0.14	\$ (0.28)
Diluted earnings per share:			
Income (loss) from continuing operations	\$ 0.06	\$ 0.14	\$ (0.25)
Income (loss) from discontinued operations	-	-	(0.03)
Net income (loss)	\$ 0.06	\$ 0.14	\$ (0.28)
Depreciation, depletion and amortization expense	\$ 165.0	\$ 200.6	\$ 177.8
Capital expenditures	\$ 195.7	\$ 221.3	\$ 108.3
Shares outstanding, basic (millions)	329.9	327.2	329.2
Shares outstanding, diluted (millions)	330.6	327.5	329.2
Earnings before interest expense and taxes (EBIT) ¹	\$ 62.8	\$ 107.9	\$ 27.7
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA) ¹	\$ 227.8	\$ 308.5	\$ 205.5

¹Computed excluding non-operational items.



Forward Looking Statements

This press release and its attachments 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 “could”, “may be”, “expected”, “scheduled”, “designed” and “will” and similar expressions are intended to identify forward-looking statements. Baker Hughes’ expectations regarding its outlook for its business, improved profitability and growth in the business 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 effect of competition; the level of petroleum industry exploration and production expenditures; world economic conditions, including (without limitation) the ability of Asian countries to grow their respective economies; price of, and the demand for, crude oil and natural gas; drilling activity; weather; the legislative environment in the United States and other countries; OPEC policy; conflict in the Middle East and other major petroleum-producing or consuming regions, the development of technology that lowers overall finding and development costs and the condition of the capital and equity markets and the timing of any of the foregoing.

Baker Hughes is a leading supplier of reservoir-centered products, services and systems to the worldwide oil and gas industry.

NOT INTENDED FOR BENEFICIAL HOLDERS



Attachment 1 - Operational Highlights

Operational Highlights for the three month period ended March 31, 2000.

Year over Year (for the 3 months ended March 31, 2000 and 1999) UNAUDITED				
	Revenue (\$ millions)		Operating Profit Before Tax (\$ millions)	
	March 2000	March 1999	March 2000	March 1999
Oilfield Operations	\$ 1,157.3	\$ 1,214.4	\$ 91.6	\$ 129.3
Corporate, interest and other	-	-	(63.8)	(60.1)
Total	\$ 1,157.3	\$ 1,214.4	\$ 27.8	\$ 69.2

Sequential (for the 3 months ended March 31, 2000 and December 31, 1999) UNAUDITED				
	Revenue (\$ millions)		Operating Profit Before Tax (\$ millions)	
	March 2000	December 1999	March 2000	December 1999
Oilfield Operations	\$ 1,157.3	\$ 1,103.9	\$ 91.6	\$ 51.0
Corporate, interest and other	-	-	(63.8)	(63.3)
Total	\$ 1,157.3	\$ 1,103.9	\$ 27.8	\$ (12.3)

Results for the March 2000 quarter, compared to the March 1999 quarter, reflect the impact of lower international exploration and production spending. Oilfield operating profit before tax for the March 2000 quarter was down 29% compared to the three months ended March 31, 1999. Excluding seismic operations, which remains particularly weak, from both periods, oilfield operating profit before tax for the March 2000 quarter was up 6% over the March 1999 quarter.

Sequentially, March 2000 results were stronger than the December 1999 quarter, reflecting increased exploration and production spending in the United States and Canada, and improved results from Western Geophysical, offset partially by lower customer spending internationally. Pricing has stabilized in the international market while in North America Baker Hughes oilfield divisions, excluding Western Geophysical, realized an estimated average 3% price increase.

Corporate expense, including interest expense, was \$63.8 million for the three months ended March 31, 2000, compared to \$60.1 million for the three months ended March 31, 1999 and \$63.3 million for the three months ended December 31, 1999. An increase in net interest expense and severance expense, partially offset by a \$7.1 million gain related to the company's holdings of Tuboscope stock, was responsible for the year over year and sequential variances.



Attachment 2 - Division Highlights

- **Western Geophysical** was near breakeven in the March 2000 quarter as a result of slight activity improvements and vigorous cost cutting efforts. Revenue was down 22% in the March 2000 quarter compared to the March 1999 quarter and up 7% sequentially compared to the December 1999 quarter. Proprietary acquisition revenue in the March quarter improved relative to the December 1999 quarter while data processing revenue remained stable and multi-client revenue softened.
- **Baker Hughes INTEQ** returned to profitability in the March 2000 quarter. Revenue in the March 2000 quarter was down 7% compared to the March 1999 quarter, as a 12 % increase in North America was more than offset by a weak international market. Sequentially, March 2000 revenues were up a little more than 1% over December 1999.
- **Baker Atlas'** revenue in the March 2000 quarter improved 9% compared to the March 1999 quarter due to strong growth in revenue from the Western Hemisphere that more than offset a decline in revenue from the Eastern Hemisphere. Sequentially, revenue in the first quarter of 2000 improved 11% from the fourth quarter of 1999. Operating profit margins in the three months ended March 31, 2000 showed improvement over both the three months ended March 31, 1999 and the three months ended December 31, 1999.
- **Hughes Christensen's** revenue for the three months ended March 31, 2000 was up 6% from the quarter ended March 31, 1999 as a 37% increase in North America revenue more than offset a 14% decline in the rest of the world. The operating margin in the March 2000 quarter improved compared to both the March 1999 quarter and December 1999 quarter.
- **Baker Oil Tools'** revenue for the March 2000 quarter was down 7% compared to the March 1999 quarter as a 23% increase in North American revenue, failed to offset a 21% decline in revenue from all other markets. Both revenue and operating margin improved sequentially in the March 2000 quarter compared to the December 1999 quarter.
- **Centrilift's** revenue for the March 2000 quarter improved 4% and 3% compared to the March 1999 and December 1999 quarters, respectively. The operating margin in the March 2000 quarter was flat with the March 1999 quarter but improved compared to the December 1999 quarter.
- **Baker Petrolite's** revenue was down 6% in the first quarter of 2000 compared to the unusually strong first quarter of 1999 and flat with the fourth quarter of 1999.
- **E&P Solutions** performance in the first quarter of 2000 was positively impacted by higher crude prices which resulted in improved revenues and operating profit compared to both the first quarter and fourth quarter of 2000.



Attachment 3 - Geographic Highlights

The table sets forth the geographic distribution of oilfield revenue changes and the BHI rig count changes by geographic region.

UNAUDITED Geographic Region	3 months ended Mar 00 vs. Mar 99	
	Revenue	Rigs
North America	1%	48%
Latin America	4%	5%
Europe	-22%	-16%
Middle East	-15%	-3%
Asia Pacific	-11%	-15%
Africa	19%	-24%
Outside North America	-9%	-7%
TOTAL	-5%	25%

Revenue by geographic area reflects the strength of the recovery in North America, which accounted for 44% of Baker Hughes' revenue in the first quarter of 2000.

Revenue from North America, Latin America and Africa showed improvement in year over year comparisons while all other regions declined year over year. The decline in revenue was impacted by weaker results from Western Geophysical reflecting the ongoing weakness of the seismic market. Excluding Western Geophysical, worldwide revenue for the first quarter of 2000 was flat compared to the first quarter of 1999 while North American revenue was up 13%.

North America, Latin America, Africa, Middle East and Asia Pacific all showed sequential improvement from the fourth quarter of 1999 to the first quarter of 2000. Sequentially, revenue for the three months ended March 31, 2000 for the Western Hemisphere was up 8% while Eastern Hemisphere revenue was flat compared to the three months ended December 31, 1999.



Attachment 4 – Impact of Non-Operational Items

The following schedules detail the non-recurring items the company recognized in the three month periods ended March 31, 2000 and December 31, 1999.

Impact of Non-Operational Items for the Three Months Ended March 31, 2000				
UNAUDITED				
	Profit before tax (millions)	Tax (millions)	Profit after tax (millions)	Diluted earnings per share (\$/share)
As reported income (loss) from continuing operations (including impact of non-operational item)	\$ 27.8	\$ (9.4)	\$ 18.4	\$ 0.06
Adjust for the following non-operational item:				
Gain on trading securities	(7.1)	2.5	(4.6)	(0.02)
Operating results, excluding impact of non-operational item	\$ 20.7	\$ (6.9)	\$ 13.8	\$ 0.04

Impact of Non-Operational Items for the Three Months Ended December 31, 1999				
UNAUDITED				
	Profit before tax (millions)	Tax (millions)	Profit after tax (millions)	Diluted earnings per share (\$/share)
As reported income (loss) from continuing operations (including impact of non-operational items)	\$ (94.6)	\$ 13.1	\$ (81.5)	\$ (0.25)
Adjust for the following non-operational items:				
Western Geophysical - disposition or idling of certain marine, ocean bottom cable and land acquisition assets reflected in unusual charges (\$35.2) and cost of revenue (\$72.1)	107.3	(18.9)	88.4	0.27
Contract termination on a wellbore construction unit resulting in an unusual charge	3.9	-	3.9	0.01
Severance	11.6	(3.7)	7.9	0.02
Net adjustments to the 1998 nonrecurring charge accruals	(9.0)	2.4	(6.6)	(0.02)
Gain on trading securities	(31.5)	11.1	(20.4)	(0.06)
Operating results, excluding impact of non-operational items	\$ (12.3)	\$ 4.0	\$ (8.3)	\$ (0.03)

