News Release

Contact:
Gary R. Flaharty (713) 439-8039
Gary.flaharty@bakerhughes.com
Kyle J. Leak (713) 439-8042
Kyle.leak@bakerhughes.com

Baker Hughes Incorporated
P.O. Box 4740
Houston, Texas 77210-4740

Baker Hughes First Quarter Operating Profit up 596%

Oilfield Operating Margins Best Since 1985

HOUSTON, Texas – April 25, 2001. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that operating profit after tax for the first quarter of 2001 was $75.2 million or $0.22 per share (diluted), up 596% compared to $10.8 million or $0.03 per share (diluted) for the first quarter of 2000. Total revenue for the first quarter of 2001 was $1,228.5 million, compared to $1,240.8 million reported for the first quarter of 2000. Oilfield Operations revenue for the first quarter of 2001, excluding Western Geophysical, was $1,156.2 million, up 23% from $942.6 million for the first quarter of 2000. Baker Process revenue for the first quarter of 2001 was $72.3 million, down 13% from the $83.4 million reported for the first quarter of 2000. Operating profits for the first quarter of 2001 exclude the impact of losses, net of tax, totaling $(4.9) million primarily related to restructuring costs from Baker Process' German operation recorded as an unusual charge.

Net income for the first quarter of 2001 was $71.1 million or $0.21 per share (diluted), compared to net income of $15.4 million or $0.04 per share (diluted) for the first quarter of 2000.

Cash earnings (after-tax operating profit, excluding after-tax goodwill amortization) for the first quarter of 2001 were $84.9 million or $0.25 per share (diluted), compared with $21.6 million or $0.06 per share (diluted) for the first quarter of 2000.

Total revenue for the first quarter of 2001 was down $155.3 million compared to fourth quarter of 2000. Excluding Western Geophysical, total revenue for the first quarter of 2001 was down $8.7 million sequentially. Oilfield revenue, excluding Western Geophysical, and Baker Process revenue for the first quarter of 2001 were down $2.7 million and $6.0 million, respectively, compared to the fourth quarter of 2000. Total operating profit after tax was down $5.8 million sequentially, due to a seasonal decline at the company's chemical business, lower earnings from the company's Nigerian oil producing property and Baker Process, and higher corporate costs.

Michael E. Wiley, Baker Hughes Chairman, President, and Chief Executive Officer, said, "Our oilfield operating margins of 15%, excluding Western Geophysical and Western GECO, were the best reported by Baker Hughes since 1985. Strong North American drilling activity, improvements in pricing, and our focus on the quality of our revenues were the drivers for this record performance. Baker Hughes' operating results are on track for continued improvement in the coming quarters subject to continued strong North American activity, pricing improvement in all divisions, and increases in international activity."

Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000	Three Months Ended December 31, 2000
Revenues	$ 1,228.5	$ 1,240.8	$ 1,383.8
Costs and Expenses:			
Cost of revenues	890.0	988.7	1,032.8
Selling, general and administrative	203.2	192.2	193.7
Unusual charge, net	7.0	-	95.0
Total costs and expenses	1,100.2	1,180.9	1,321.5
Operating income	128.3	59.9	62.3
Equity in income (loss) of affiliates	10.5	-	(6.5)
Interest expense	(34.1)	(44.2)	(41.3)
Interest income	1.4	0.5	2.9
Gain on trading securities	-	7.1	-
Income before income taxes and cumulative effect of accounting change	106.1	23.3	17.4
Income taxes	(35.8)	(7.9)	(58.4)
Income (loss) before cumulative effect of accounting change	70.3	15.4	(41.0)
Cumulative effect of accounting change for derivative instruments (net of $0.5 income tax expense)	0.8	-	-
Net income (loss)	$ 71.1	$ 15.4	$ (41.0)
Earnings per share:			
Basic	$ 0.21	$ 0.04	$ (0.12)
Diluted	0.21	0.04	(0.12)
Depreciation, depletion and amortization expense, excluding goodwill amortization	$ 76.5	$ 156.0	$ 124.9
Goodwill amortization	10.8	12.1	11.8
Total depreciation, depletion and amortization expense	$ 87.3	$ 168.1	$ 136.7
Capital expenditures	$ 52.7	$ 196.5	$ 147.0
Shares outstanding, basic (millions)	335.0	329.9	332.2
Shares outstanding, diluted (millions)	337.6	330.6	332.2
Earnings before interest expense and taxes (EBIT)[1]	$ 147.2	$ 60.4	$ 163.2
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)[1]	$ 234.5	$ 228.5	$ 299.9

[1]Computed excluding non-operational items and cumulative effect of accounting change.

Segment Highlights

Operational highlights for the three months ended March 31, 2001, March 31, 2000 and December 31, 2000 are detailed below.

Comparison of Quarters – Year over Year
(for the Three Months Ended March 31, 2001 and 2000)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	March 2001	**March 2000**	**March 2001**	**March 2000**
Oilfield Operations, excluding Western Geophysical and Western GECO	$ 1,156.2	$ 942.6	$ 173.2	$ 90.5
Western Geophysical	-	214.8	-	1.2
Western GECO	-	-	9.9	-
Oilfield Operations	1,156.2	1,157.4	183.1	91.7
Baker Process Operations	72.3	83.4	(5.4)	(2.5)
Corporate, net interest and other	-	-	(64.6)	(73.0)
Non-operational items [1]	-	-	(7.0)	7.1
Total	$ 1,228.5	$ 1,240.8	$ 106.1	$ 23.3

Comparison of Quarters – Sequential
(for the Three Months Ended March 31, 2001 and December 31, 2000)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	March 2001	**December 2000**	**March 2001**	**December 2000**
Oilfield Operations, excluding Western Geophysical and Western GECO	$ 1,156.2	$ 1,158.9	$ 173.2	$ 166.7
Western Geophysical	-	146.6	-	18.0
Western GECO	-	-	9.9	0.8
Oilfield Operations	1,156.2	1,305.5	183.1	185.5
Baker Process Operations	72.3	78.3	(5.4)	(1.7)
Corporate, net interest and other	-	-	(64.6)	(61.9)
Non-operational items [1]	-	-	(7.0)	(104.5)
Total	$ 1,228.5	$ 1,383.8	$ 106.1	$ 17.4

[1]See *Impact of Non-Operational Items* below for a reconciliation of non-operational items for the March 2001 quarter and www.bakerhughes.com/investor for a reconciliation of non-operational items for prior periods.

Oilfield Operations Segment

All comments in this section refer to Baker Hughes Oilfield Operations excluding Western Geophysical and Western GECO unless otherwise noted.

Revenues for the first quarter of 2001 increased 23% compared to the first quarter of 2000. Every division reported increases in revenues in the March 2001 quarter compared to the March 2000 quarter. Comparing the March 2001 quarter to the December 2000 quarter, revenues were flat as increases in North American revenues were offset by lower international revenues. Additionally, revenues from the company's Nigerian oil producing property in the March 2001 quarter were down compared to both the March 2000 and December 2000 quarters.

Comparison of Revenue
For the Three Months Ended March 31, 2001 Compared to the Three Months Ended
UNAUDITED

Product Line	March 31, 2000	December 31, 2000
Baker Hughes INTEQ	34%	5%
Baker Atlas	20%	(2%)
Baker Oil Tools	23%	(5%)
Baker Petrolite	13%	(2%)
Centrilift	23%	(7%)
Hughes Christensen	32%	6%

North American revenues were up 7% while revenues outside of North America were down 6% in the March 2001 quarter compared to the December 2000 quarter. International revenues in the March 2001 quarter were impacted by sequentially lower Baker Atlas export product sales, lower Latin American sales by Centrilift, delays in international projects at Baker Oil Tools, and lower liftings and oil prices from the company's Nigerian oil producing property.

Oilfield operating margins of 15% in the March 2001 quarter were greater than any quarter since 1985. Operating margins improved at every division compared to the March 2000 quarter and improved at every division except Baker Petrolite compared to the December 2000 quarter. Operating margins did not improve at Baker Petrolite due to the normal seasonal decline in oilfield chemical sales and weaker sales to industrial customers. Three divisions, Hughes Christensen, Centrilift and Baker Atlas, posted record operating margins in the March 2001 quarter. Operating margins in the March 2001 quarter exceeded 10% at every division except INTEQ, which posted a high single-digit operating margin. Comparing the first quarter of 2001 to the first quarter of 2000, the incremental operating profit before tax margin was 39%.

Oilfield operating profit before tax for the first quarter of 2001 improved 92% compared to the first quarter of 2000 and improved 4% compared to the fourth quarter of 2000. Every division reported improved operating profit in the March 2001 quarter compared to the March 2000 quarter and every division except Baker Petrolite reported improved operating profit in the March 2001 quarter compared to the December 2000 quarter. Oilfield operating profit before tax did not improve at Baker Petrolite due to the normal seasonal decline in oilfield chemical sales and weaker sales to industrial customers.

Returns at Centrilift, Hughes Christensen and Baker Oil Tools exceeded their cost of capital in the March 2001 quarter. Baker Atlas and INTEQ had returns that exceeded their cost of capital excluding goodwill in the March 2001 quarter.

Baker Process Operations Segment

Baker Process revenues in the March quarter of 2001 were impacted by weaker than planned after-market sales for the EIMCO and Bird product lines because many customers, mindful of a potential economic slowdown, delayed maintenance operations and reduced spare part inventories. However, bookings in the quarter were the strongest in over two years, particularly in the municipal wastewater treatment sector, which supports plans to return Baker Process to profitability this year.

Baker Process has begun the restructuring of its Bird machine operation in Germany that was announced in February 2001. Severance cost related to the reorganization will be $6 million and was recorded in the first quarter of 2001. Last month the company announced that EIMCO would be split out as a separate division of Baker Process and appointed Derek Walden as president. Tim Davis will lead the balance of Baker Process, including the Bird division. Finally, the company is in the process of reviewing indicative bids for the refining and production product line of Baker Process, which continues to post strong results.

Corporate, Net Interest and Other

Corporate, net interest and other expenses were $64.6 million in the March 2001 quarter, down $8.4 million from the March 2000 quarter and up $2.7 million from the December 2000 quarter. The improvement in the March 2001 quarter as compared to the March 2000 quarter is due to lower interest and severance expense, offset partially by higher corporate and Project Renaissance expenses. The increase in expense from the December 2000 quarter to the March 2001 quarter was primarily due to changes in corporate expenses and foreign exchange, offset partially by lower interest expense.

Impact of Non-Operational Items

The following schedule details the non-recurring items the company recognized in the three months ended March 31, 2001.

Impact of Non-Operational Items for the
Three Months Ended March 31, 2001

UNAUDITED *(in millions except earnings per share)*	**Profit Before Tax**	**Tax**	**Profit After Tax**	**Diluted Earnings Per Share**
As reported income before cumulative effect of accounting change (including impact of non-operational items)	$ 106.1	$ (35.8)	$ 70.3	$ 0.21
Add:				
Severance at Baker Process Germany	6.0	(2.2)	3.8	0.01
Loss on sale of a Baker Atlas product line	1.0	0.1	1.1	-
Operating results, excluding impact of non-operational items	$ 113.1	$ (37.9)	$ 75.2	$ 0.22

A reconciliation of non-operational items for previously reported quarters can be found on the Baker Hughes web site at www.bakerhughes.com/investor in the Financial Information section.

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 Western GECO is based upon information that Western GECO has provided to Baker Hughes. Information derived from this information is subject to the accuracy of the information that Western GECO provided. Additionally, any forward-looking statements relating to Western GECO are also subject to the factors listed in *Forward-Looking Statements* in this news release.

- Oilfield revenues are expected to be up 15-20% for the year 2001 as compared to the year 2000, excluding Western Geophysical.
- Incremental profit before tax margin from oilfield revenue, excluding Western GECO, for each of the quarters in 2001 is expected to be between 35% and 40% compared to the same quarter of the prior year.
- Western GECO is expected to contribute $45 to $50 million in pre-tax profit for the year 2001. Second quarter 2001 pre-tax profit from Western GECO is expected to be between $6 and $8 million.
- Baker Process is expected to be near breakeven in the second quarter of 2001, and at breakeven for the year 2001.
- Corporate expense, excluding interest expense, is expected to be between $120 and $130 million for the year 2001 and is expected to be between $30 and $32.5 million per quarter during 2001.
- Interest expense is expected to be between $125 and $135 million for the year 2001.
- Operational earnings per share (diluted) are expected to be between $1.10 and $1.20 for the year 2001. Operational earnings per share (diluted) are expected to be between $0.25 and $0.27 per share for the second quarter of 2001.
- Capital spending is expected to be between $300 and $360 million for the year 2001. Spending in the first half of the year is expected to be between $160 and $180 million. 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 $90 and $95 million per quarter or between $360 and $380 million for 2001. 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, 2001 is expected to be approximately 33.5%. 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.

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 (630) 395-0065, 20 minutes prior to the scheduled start time, and ask for the "Baker Hughes Conference Call." A replay will be available through Wednesday, May 2, 2001. The number for the replay is (402) 220 - 9704. The call and replay will also be webcast on 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", "intends", "will" and similar expressions are intended to identify forward-looking statements.

General Outlook – Oilfield Businesses: Baker Hughes' expectations in this news release, regarding its outlook for its oilfield businesses (including, without limitation, the company's oilfield operations and the oilfield component of the company's Baker Process division), improved 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 effect of competition; 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 sub contracting capacity at forecasted costs to meet the company's revenue goals; 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; world economic conditions; 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; the condition of the capital and equity markets and the timing of any of the foregoing.

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

General Outlook – Baker Process: Baker Hughes' expectations in this news release regarding its outlook for its Baker Process division and improvement and growth in Baker Process' business 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; world economic conditions; the legislative and regulatory environment in the United States and other countries; the condition of the capital and equity markets and the timing of any of the foregoing. The ability of the company to restructure its Köln, Germany operations is also subject to the ability of the company to timely address legal and contractual restraints. This may affect the timing of the incurrence of expenses related to the restructuring.

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

****

NOT INTENDED FOR BENEFICIAL HOLDERS