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

BHI 2nd Quarter Operational Earnings $0.21 Per Share

HOUSTON, Texas – July 25, 2002. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that net income, in accordance with generally accepted accounting principles ("net income"), for the second quarter of 2002 was $72.4 million or $0.21 per share.

Operating profit after tax for the second quarter of 2002 was $71.2 million or $0.21 per share, which excludes the impact of a $1.2 million credit, net of tax, associated with reversal of the remaining restructuring accrual set up for Baker Process' German operation in the first quarter of 2001. Operating profit after tax for the second quarter of 2001 was $116.7 million or $0.35 per share and $75.8 million or $0.22 per share for the first quarter of 2002. The prior year results have been adjusted to exclude the impact of goodwill amortization for comparative purposes.

Revenue for the second quarter of 2002 was $1,301.8 million compared to $1,342.0 million for the second quarter of 2001 and $1,260.9 million for the first quarter of 2002. Oilfield revenue for the second quarter of 2002 was $1,225.3 million compared to $1,257.8 million for the second quarter of 2001 and $1,189.1 million for the first quarter of 2002.

Michael E. Wiley, Baker Hughes Chairman, President, and Chief Executive Officer, said, "Results for the second quarter were driven by Baker Hughes' strength in the Eastern hemisphere, tempered somewhat by the weakened dollar and seasonal changes in Canadian activity."

Commenting on the outlook for the remainder of the year, Mr. Wiley continued, "We expect the improvement seen in the U.S. in the second quarter to continue. On balance, the Eastern hemisphere is expected to be modestly better in the second half of the year."

Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Three Months Ended June 30, 2002	June 30, 2001	March 31, 2002
Revenues	$ 1,301.8	$ 1,342.0	$ 1,260.9
Costs and Expenses:			
Costs of revenues	942.1	961.8	916.9
Selling, general and administrative	230.5	198.7	214.1
Restructuring charges	(1.9)	-	-
Total costs and expenses	1,170.7	1,160.5	1,131.0
Operating income	131.1	181.5	129.9
Equity in income of affiliates	5.9	8.8	13.0
Interest expense	(27.4)	(32.3)	(28.4)
Interest income	1.1	0.4	1.2
Income before income taxes, extraordinary loss and cumulative effect of accounting change	110.7	158.4	115.7
Income tax	(38.3)	(53.1)	(39.9)
Income before extraordinary loss and cumulative effect of accounting change	72.4	105.3	75.8
Extraordinary loss	-	(1.5)	-
Cumulative effect of accounting change	-	-	(42.5)
Net income	$ 72.4	$ 103.8	$ 33.3
Earnings per share:			
Basic	$ 0.21	$ 0.31	$ 0.10
Diluted	0.21	0.31	0.10
Shares outstanding, basic (millions)	337.3	335.7	336.8
Shares outstanding, diluted (millions)	338.8	337.6	338.1
Depreciation, depletion and amortization expense (excluding amortization of goodwill in 2001)	$ 79.6	$ 68.9	$ 79.1
Capital expenditures	$ 73.9	$ 83.6	$ 62.3
Calculation of EBIT and EBITDA:			
Income before income taxes	$ 110.7	$ 158.4	$ 115.7
Interest expense	27.4	32.3	28.4
Restructuring charges	(1.9)	-	-
Earnings before interest expense and taxes (EBIT)	136.2	190.7	144.1
Total depreciation, depletion and amortization expense[1]	79.6	81.7	79.1
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	$ 215.8	$ 272.4	$ 223.2

[1]Prior periods have been adjusted to include amortization of goodwill associated with equity method investments.

Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Revenues	$ 2,562.7	$ 2,570.5
Costs and Expenses:		
Costs of revenues	1,859.0	1,851.8
Selling, general and administrative	444.6	401.9
Restructuring charges	(1.9)	7.0
Total costs and expenses	2,301.7	2,260.7
Operating income	261.0	309.8
Equity in income of affiliates	18.9	19.3
Interest expense	(55.8)	(66.4)
Interest income	2.3	1.8
Income before income taxes, extraordinary loss and cumulative effect of accounting change	226.4	264.5
Income tax	(78.2)	(88.9)
Income before extraordinary loss and cumulative effect of accounting change	148.2	175.6
Extraordinary loss	-	(1.5)
Cumulative effect of accounting change	(42.5)	0.8
Net income	$ 105.7	$ 174.9
Earnings per share:		
Basic	$ 0.31	$ 0.52
Diluted	0.31	0.52
Shares outstanding, basic (millions)	337.1	335.3
Shares outstanding, diluted (millions)	338.4	337.6
Depreciation, depletion and amortization expense (excluding amortization of goodwill in 2001)	$ 158.7	$ 145.4
Capital expenditures	$ 136.2	$ 136.3
Calculation of EBIT and EBITDA:		
Income before income taxes	$ 226.4	$ 264.5
Interest expense	55.8	66.4
Restructuring charges	(1.9)	7.0
Earnings before interest expense and taxes (EBIT)	280.3	337.9
Total depreciation, depletion and amortization expense[1]	158.7	171.0
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	$ 439.0	$ 508.9

[1]Prior periods have been adjusted to include amortization of goodwill associated with equity method investments.

Consolidated Condensed Balance Sheets

(In millions)	UNAUDITED June 30, 2002	AUDITED December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 35.4	$ 45.4
Accounts receivable, net	1,291.2	1,365.3
Inventories	1,086.0	1,049.8
Other current assets	230.0	236.7
Total current assets	2,642.6	2,697.2
Investment in affiliates	956.0	929.0
Property, net	1,384.7	1,375.8
Goodwill	1,229.8	1,260.4
Intangible assets, net	153.2	154.0
Other assets	255.0	259.8
Total assets	$6,621.3	$6,676.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 573.8	$ 573.0
Short-term borrowings and current portion of long-term debt	8.3	12.2
Accrued employee compensation	216.9	318.8
Other current liabilities	274.5	308.4
Total current liabilities	1,073.5	1,212.4
Long-term debt	1,641.3	1,682.4
Deferred income taxes	205.5	210.3
Other long-term liabilities	257.7	243.3
Stockholders' equity:		
Common stock	337.3	336.0
Capital in excess of par value	3,152.9	3,119.3
Retained earnings	210.6	182.3
Accumulated other comprehensive loss	(257.5)	(309.8)
Total stockholders' equity	3,443.3	3,327.8
Total liabilities and stockholders' equity	$6,621.3	$6,676.2

Segment Highlights

Operational highlights for the three months ended June 30, 2002, June 30, 2001 and March 31, 2002 are detailed below.

Comparison of Quarters -- Year over Year
(for the three months ended June 30, 2002 and 2001)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	June 2002	June 2001	June 2002	June 2001
Oilfield Operations, excluding Western GECO	$ 1,225.3	$ 1,257.8	$ 168.6	$ 214.3
Western GECO	-	-	4.0	9.2
Oilfield Operations	1,225.3	1,257.8	172.6	223.5
Process Operations	76.5	84.2	(1.1)	(1.9)
Corporate, net interest and other	-	-	(62.7)	(63.2)
Non-operational items[1]	-	-	1.9	-
Total	$ 1,301.8	$ 1,342.0	$ 110.7	$ 158.4

Comparison of Quarters -- Sequential
(for the three months ended June 30, 2002 and March 31, 2002)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	June 2002	March 2002	June 2002	March 2002
Oilfield Operations, excluding Western GECO	$ 1,225.3	$ 1,189.1	$ 168.6	$ 167.5
Western GECO	-	-	4.0	11.9
Oilfield Operations	1,225.3	1,189.1	172.6	179.4
Process Operations	76.5	71.8	(1.1)	(1.6)
Corporate, net interest and other	-	-	(62.7)	(62.1)
Non-operational items[1]	-	-	1.9	-
Total	$ 1,301.8	$ 1,260.9	$ 110.7	$ 115.7

[1]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 Western GECO.

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

Comparison of Revenue
For the Three Months Ended June 30, 2002 Compared to the Three Months Ended

	June 30, 2001	March 31, 2002
Product Line		
INTEQ	0%	5%
Baker Atlas	-10%	-2%
Baker Oil Tools	-2%	3%
Baker Petrolite	2%	4%
Centrilift	2%	10%
Hughes Christensen	-15%	-6%
Geography		
North America	-16%	-2%
Western Hemisphere	-17%	-1%
Eastern Hemisphere	17%	8%

Oilfield Operations revenue for the second quarter of 2002 decreased 3% compared to the second quarter of 2001 and increased 3% compared to the first quarter of 2002.

Second quarter 2002 Oilfield Operations operating profit fell 21% compared to the second quarter of 2001 and increased 1% compared to the first quarter of 2002. At 13.8%, Oilfield operating margins fell 30 basis points compared to the first quarter. Sequentially, operating margins improved at INTEQ and Baker Petrolite, were flat at Baker Oil Tools and declined modestly at Baker Atlas, Hughes Christensen and Centrilift. Second quarter operating margins reflect the company's strategy not to significantly reduce its workforce, the impact of the weakening dollar, and resulting foreign exchange losses and under-absorbed manufacturing costs. In total, pricing remained unchanged during the period.

Western GECO's profit contribution in the second quarter of 2002 decreased 57% compared to the second quarter of 2001 and fell 66% compared to the first quarter of 2002.

Baker Value Added

Using an internal benchmark of 12% cost of capital, Centrilift, Hughes Christensen and Baker Oil Tools, were BVA positive for the quarter. Baker Atlas, Baker Petrolite and INTEQ, were BVA positive excluding goodwill.

Process Operations

Process Operations second quarter 2002 revenues decreased 9% compared to second quarter 2001 revenues, and increased 7% compared to first quarter 2002. While Process Operations posted a $1.1 million operating loss in the June 2002 quarter, operating profits improved $0.8 million and $0.5 million compared to the June 2001 and March 2002 quarters, respectively.

Corporate, Net Interest and Other

Corporate, net interest and other expenses were $62.7 million in the June 2002 quarter, down $0.5 million compared to the June 2001 quarter and up $0.6 million compared to the March 2002 quarter. The improvement in the June 2002 quarter compared to the June 2001 quarter was primarily due to reduced net interest expense, partially offset by higher G&A costs, foreign exchange losses and increased depreciation of the costs associated with the now completed Project Renaissance. The increase in corporate expenses in the current quarter compared to the March 2002 quarter was due to higher G&A costs and foreign exchange losses, offset somewhat by lower interest expense.

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 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 Operations revenues are expected to be down 3 to 5% for the year 2002 as compared to the year 2001. Oilfield Operations revenues are expected to be up slightly in the third quarter of 2002 compared to the second quarter of 2002.

- Western GECO is expected to contribute $35 to $40 million in pre-tax profit for the year 2002 and $5 to $10 million in the third quarter of 2002.

- Process Operations is expected to post a pre-tax loss of approximately $5 million for the year 2002. Process Operations is expected to show a pre-tax loss of approximately $3 to $5 million in the third quarter of 2002.

- Corporate and other expenses, excluding interest expense, are expected to be between $140 and $150 million for the year 2002 and approximately $35 to $40 million in the September 2002 quarter.

- Net interest expense is expected to be between $100 and $110 million for the year 2002 or approximately $25 to $28 million per quarter.

- Operating profit after tax per share (diluted), excluding non-operational items is expected to be between $0.95 and $1.05 for the year 2002. Operating profit after tax per share (diluted), excluding non-operational items is expected to be between $0.22 and $0.24 for the third quarter of 2002.

- Capital spending is expected to be between $300 and $325 million for the year 2002. 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, 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 $320 and $330 million for 2002. 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 effective tax rate on operating results for the 12 months ended December 31, 2002 is expected to be approximately 34.5%. 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, 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.

Reconciliation of GAAP Results and Operating Results

The following tables reconcile GAAP and operating results referenced in this news release. Reconciliations of prior periods can be found on the company's website at www.bakerhughes.com/investor.

Reconciliation of GAAP Results and Operating Results for the
Three Months Ended June 30, 2002

UNAUDITED *(in millions except earnings per share)*	**Recorded As**	**Profit Before Tax**	**Tax**	**Profit After Tax**	**Diluted Earnings Per Share**
Net income		$ 110.7	$ (38.3)	$ 72.4	$ 0.21
Non-operational items:					
Reversal of excess restructuring accrual set up for Baker Process' German operation in the first quarter of 2001	Restructuring charges	(1.9)	0.7	(1.2)	0.00
Operating profit, excluding impact of non-operational items		$ 108.8	$ (37.6)	$ 71.2	$ 0.21

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 on Thursday, July 25, 2002. 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, August 1, 2002. The number for the replay is (706) 645-9291. 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," "should," "will," and similar expressions are intended to identify forward-looking statements.

General Outlook – Oilfield Operations: 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 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 subcontracting 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; the price of, and the demand for, crude oil and natural gas; drilling activity; weather; the legislative and regulatory environment in the United States and other countries in which the company operates; OPEC policy; war or extended period of conflict involving the United States, Middle East or other major petroleum-producing or consuming regions; acts of war or terrorism; the development of technology that lowers overall finding and development costs; new laws and regulations, some of which are still being formulated, that could have a significant impact on the future operations and conduct of all businesses as a result of the bankruptcies of large U.S. entities; labor-related actions, including strikes, slowdowns and facility occupations; the condition of the capital and equity markets 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 Operations: 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; 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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