



News Release

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Baker Hughes Operating Profit Up 456% From Continuing Operations

HOUSTON, Texas – October 30, 2000. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that operating profit after tax from continuing operations for the third quarter of 2000, excluding non-operational items, was \$70.6 million or \$0.21 per share (diluted); up 456% compared with \$12.7 million or \$0.04 per share (diluted) for the third quarter of 1999, and up 72% compared with \$41.0 million or \$0.12 per share (diluted) for the second quarter of 2000, which also exclude the impact of non-operational items. (See Attachment 3 – Impact of Non-Operational Items.)

Net income for the third quarter of 2000 was \$66.7 million or \$0.20 per share (diluted), compared to \$13.2 million or \$0.04 per share (diluted) for the third quarter of 1999 and \$60.9 million or \$0.18 per share (diluted) for the second quarter of 2000. Results for the third quarter of 2000 include the impact of losses, net of tax, totaling \$3.9 million or \$0.01 per share (diluted), related to the company's holdings of Varco International, Inc. (formerly Tuboscope, Inc.) stock and the sale of the Norward product line of Baker Atlas.

Cash earnings (after-tax operating profit, excluding after-tax goodwill amortization) for the third quarter of 2000 were \$0.24 per share (diluted), compared with \$0.07 per share (diluted) for the third quarter of 1999, and \$0.15 per share (diluted) for the second quarter of 2000.

Revenue for the third quarter of 2000 was \$1,273.6 million, up 14% from the \$1,117.6 million reported for the third quarter of 1999 and up 8% from the \$1,174.5 million reported for the second quarter of 2000. Excluding Western Geophysical, revenues were up 24% compared to the third quarter of 1999, and up 10% compared to the second quarter of 2000.

Michael E. Wiley, Baker Hughes chairman, president, and chief executive officer, commented on the quarter saying, "I am very pleased with the results for the quarter. We are committed to building on our competitive positions to continually improve performance in every division. We have increased our operational earnings in each quarter of this year. Our focus on the balance sheet, coupled with improving earnings, has also resulted in a reduction of debt in excess of \$200 million during the quarter."

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Mr. Wiley continued, “North American natural gas driven exploration and production spending is expected to remain strong. While rig and manpower availability will cause the rate of revenue growth to moderate in the future, the quality of North American revenues should continue to improve as pricing increases are realized. Outside of North America, where Baker Hughes generates approximately two-thirds of its revenues, our customers are planning increases in exploration and production spending on the order of 15-20% next year. We are positioned to benefit from the expansion of international spending in 2001.”

Mr. Wiley concluded, “Three of our divisions, Baker Oil Tools, Centrilift and Hughes Christensen, had returns exceeding their cost of capital in the third quarter, and two others, Baker Atlas and Baker Petrolite had returns exceeding their cost of capital, excluding goodwill. Excluding Western Geophysical and E&P Solutions, in the first nine months of 2000, Baker Hughes invested \$148 million in oilfield operations. In the fourth quarter, we expect to invest approximately \$80 million.”

Other Items

Oil and Gas Properties – In connection with the company’s strategy to substantially exit the oil and gas exploration business, the company announced that, subsequent to September 30, 2000, it sold its interests in its China oil and gas properties, signed an agreement to sell its Gulf of Mexico properties and is negotiating the sale of an additional property. The proceeds from these sales are expected to be approximately \$53 million. In addition, the company will write off its remaining exploration properties. The company will record an after-tax loss of approximately \$75 million in the fourth quarter as a result of these sales and asset write-offs. In taking these actions, the company will avoid one-quarter of a billion dollars in future capital expenditures over the next few years.

The company will retain its interest in the OPL-230 property in Nigeria, which currently produces approximately 25,000 barrels of oil per day. During the third quarter of 2000, the company reached the cost recovery threshold in its operating agreement with the operator, which will reduce future pre-tax earnings to Baker Hughes by approximately \$12 million per quarter at current commodity pricing levels.

Baker Process – The company expects to divest the Baker Process division early in the year 2001.

Sale/Leaseback - During the third quarter, the company sold four facilities and realized net proceeds of approximately \$118 million. The disposition of these facilities was accompanied by a simultaneous lease back to the company. No gain or loss was recognized on these transactions. Proceeds were used to reduce debt.



Q3 Highlights

Baker Hughes was recently awarded the directional drilling, measurement-while-drilling, wireline, coring, drill bit and completions business on the 62 well Shell Nigeria EA and EJA field development.

Baker Oil Tools recently installed a dual-zone InForce Intelligent Well System™ for Norsk Hydro in the Snorre field. The system has now been installed in the Middle East, Far East and Europe, and has allowed Norsk Hydro to remotely access, or close, each zone in less than five minutes. Baker Oil Tools has also been awarded Petrobras' first intelligent completion system contract.

Baker Atlas recently used its Reservoir Characterization Instrument (RCI) with SampleView™ to take 88 formation pressure measurements and 14 fluid samples on a single run for a major operator in Angola.

INTEQ's AutoTrak™ system has now drilled more than 2 million feet on 435 wells in 15 countries, logging more than 50 thousand operating hours.

Baker Oil Tools hit an HSE milestone in their Navigation Blvd. factory achieving 1 million hours without a lost time injury.

Conference Call

The company has scheduled a conference call to discuss the results of today's earnings announcement. The call will begin at 10:00 a.m. eastern time, 9:00 a.m. central time. To access the call, please contact the conference call operator at (630) 395-0065, 15 - 20 minutes prior to the scheduled start time, and ask for the "Baker Hughes Conference Call." A replay will be available through November 6, 2000. The number for the replay is (402) 998 -0879. The call and replay will also be webcast on www.bakerhughes.com.

Attachments

Attachment 1 -- Operational Highlights

Attachment 2 – Geographic Highlights

Attachment 3 – Impact of Non-Operational Items

Attachment 4 – Outlook



Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Three Months Ended		
	September 30,		June 30,
	2000	1999	2000
Revenues	\$ 1,273.6	\$ 1,117.6	\$ 1,174.5
Costs of revenues	955.7	896.4	904.7
Selling, general and administrative	170.6	162.6	166.8
Unusual credit	(1.7)	(6.2)	(18.4)
Total costs and expenses	1,124.6	1,052.8	1,053.1
Operating income	149.0	64.8	121.4
Interest expense	(42.0)	(40.1)	(41.9)
Interest income	0.9	1.2	0.5
Gain (loss) on trading securities	(3.1)	-	10.1
Income from continuing operations before income taxes	104.8	25.9	90.1
Income taxes	(38.1)	(9.3)	(29.2)
Income from continuing operations	66.7	16.6	60.9
Income (loss) from discontinued operations, net of tax	-	(3.4)	-
Net income	\$ 66.7	\$ 13.2	\$ 60.9
Basic earnings per share:			
Income from continuing operations	\$ 0.20	\$ 0.05	\$ 0.18
Income (loss) from discontinued operations	-	(0.01)	-
Net income	\$ 0.20	\$ 0.04	\$ 0.18
Diluted earnings per share:			
Income from continuing operations	\$ 0.20	\$ 0.05	\$ 0.18
Income (loss) from discontinued operations	-	(0.01)	-
Net income	\$ 0.20	\$ 0.04	\$ 0.18
Depreciation, depletion and amortization expense, excluding goodwill amortization	\$ 149.3	\$ 190.8	\$ 128.9
Goodwill amortization	11.1	11.3	11.3
Total depreciation, depletion and amortization expense	\$ 160.4	\$ 202.1	\$ 140.2
Capital expenditures	\$ 133.8	\$ 143.4	\$ 120.9
Shares outstanding, basic (millions)	331.2	328.8	330.5
Shares outstanding, diluted (millions)	333.8	331.5	332.8
Earnings before interest expense and taxes (EBIT) ¹	\$ 148.2	\$ 59.8	\$ 103.5
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA) ¹	\$ 308.6	\$ 261.9	\$ 243.7

¹Computed excluding non-operational items.



Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Nine Months Ended	
	September 30,	
	2000	1999
Revenues	\$ 3,605.3	\$ 3,442.8
Costs of revenues	2,781.0	2,703.8
Selling, general and administrative	511.7	485.3
Unusual credit	(20.1)	(39.5)
Total costs and expenses	3,272.6	3,149.6
Operating income	332.7	293.2
Interest expense	(126.0)	(119.0)
Interest income	1.9	4.7
Gain on trading securities	14.1	-
Income from continuing operations before income taxes	222.7	178.9
Income taxes	(76.7)	(45.1)
Income from continuing operations	146.0	133.8
Income (loss) from discontinued operations, net of tax	-	(7.7)
Net income	\$ 146.0	\$ 126.1
Basic earnings per share:		
Income from continuing operations	\$ 0.44	\$ 0.41
Income (loss) from discontinued operations	-	(0.02)
Net income	\$ 0.44	\$ 0.39
Diluted earnings per share:		
Income from continuing operations	\$ 0.44	\$ 0.41
Income (loss) from discontinued operations	-	(0.02)
Net income	\$ 0.44	\$ 0.39
Depreciation, depletion and amortization expense, excluding goodwill amortization	\$ 432.1	\$ 566.6
Goodwill amortization	33.5	34.0
Total depreciation, depletion and amortization expense	\$ 465.6	\$ 600.6
Capital expenditures	\$ 450.2	\$ 525.5
Shares outstanding, basic (millions)	330.5	327.8
Shares outstanding, diluted (millions)	332.4	329.5
Earnings before interest expense and taxes (EBIT) ¹	\$ 314.5	\$ 243.1
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA) ¹	\$ 780.1	\$ 843.7

¹Computed excluding non-operational items.



Forward-Looking Statements

This news release and its attachments (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.

E&P Properties. Baker Hughes’ expectations regarding the amount of proceeds that it will receive from sales of certain of its exploration and production properties, and the size of the after-tax loss that the company may incur as a result of the sales and the write-off of the residual value of certain other of the properties are only its estimates of these amounts. These forecasts may be substantially different from actual results, which are affected by the following matters: the successful satisfaction or waiver of all conditions to closing of the sale of the company’s Gulf of Mexico properties to Pioneer and the completion of that sale; the negotiation of a definitive agreement to sell certain of the properties to a third party and the successful completion of the sale to that party; and the successful resolution or satisfaction of any claims of third party preferential rights to purchase, or bid for, the interests that the company is selling.

Nigerian Project. Baker Hughes’ intent to maintain its interest in its Nigerian oil and gas project is only its present intent with respect to this matter. Baker Hughes’ intent to hold or divest of this project could change in the future depending on the relative value of the project or the value and viability of an offer of a third party with respect to a proposed transaction regarding the project.

General Outlook. 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; drilling rig and oil and gas industry manpower availability; 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.

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

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Operational highlights for the three months ended September 30, 2000, the three months ended September 30, 1999 and three months ended June 30, 2000:

Year over Year (for the three months ended September 30, 2000 and 1999) UNAUDITED				
	Revenue (\$ millions)		Operating Profit Before Tax (\$ millions)	
	September 2000	September 1999	September 2000	September 1999
Oilfield Operations	\$ 1,273.6	\$ 1,117.6	\$ 167.6	\$ 81.6
Corporate and net interest	-	-	(61.4)	(61.9)
Non-operational items ¹	-	-	(1.4)	6.2
Total	\$ 1,273.6	\$ 1,117.6	\$ 104.8	\$ 25.9

Sequential (for the three months ended September 30, 2000 and June 30, 2000) UNAUDITED				
	Revenue (\$ millions)		Operating Profit Before Tax (\$ millions)	
	September 2000	June 2000	September 2000	June 2000
Oilfield Operations	\$ 1,273.6	\$ 1,174.5	\$ 167.6	\$ 129.1
Corporate and net interest	-	-	(61.4)	(67.5)
Non-operational items ¹	-	-	(1.4)	28.5
Total	\$ 1,273.6	\$ 1,174.5	\$ 104.8	\$ 90.1

¹See attachment 3 for a reconciliation of the impact of non-operational items.

Oilfield Operations

Revenue for the third quarter of 2000 increased 8% compared to the second quarter of 2000. Every division, excluding Western Geophysical and Baker Petrolite, also reported sequential increases in revenue. The largest revenue percent increases in the third quarter of 2000 compared to the second quarter of 2000 were at Baker Atlas, Baker Oil Tools, Hughes Christensen, and Centrilift, which all posted increases of 10% or more. Third quarter 2000 revenues from Western Geophysical and Baker Petrolite were flat compared to the second quarter of 2000.

Oilfield operating profit before tax for the third quarter of 2000 improved 105% compared to the third quarter of 1999 and improved 30% compared to the second quarter of 2000. Every division, except INTEQ, improved operating margin in the third quarter of 2000 compared to both the third quarter of 1999 and second quarter of 2000. All divisions except Western Geophysical and INTEQ had a double-digit operating margin in the third quarter of 2000.

Comparing the third quarter of 2000 to the third quarter of 1999, the incremental operating profit before tax margin was 55%, and comparing the third quarter of 2000 to the second quarter of 2000, the incremental operating profit before tax margin was 39%.

Western Geophysical's third quarter 2000 operating profit increased 9% while revenues remained flat compared to the second quarter of 2000. The improvement in operating margin was a result of ongoing data processing cost management initiatives and efficiency improvements in marine operations this year. While interest in Gulf of Mexico multi-client libraries and data processing continues to improve, international and proprietary markets remain soft. For the nine months ended September 30, 2000, Western Geophysical contributed 16% of Baker Hughes' revenue and 9% of oilfield operating earnings.

Baker Oil Tool's third quarter of 2000 revenues increased 17% compared to the third quarter of 1999 and increased 14% compared to the second quarter of 2000. Operating margin improved in the third quarter of 2000 compared to both the second quarter of 2000 and third quarter of 1999 and was the strongest since the second quarter of 1998. Baker Oil Tools operating profits exceeded its cost of capital in the third quarter of 2000.

Baker Atlas' third quarter 2000 revenues increased 38% compared to the third quarter of 1999 and increased 10% compared to the second quarter of 2000. Baker Atlas' operating margin continued to improve in the quarter as a result of ongoing price improvements, primarily in North America, and the reallocation of resources to more profitable operations.

Hughes Christensen's third quarter 2000 revenues increased 42% compared to the third quarter of 1999 and increased 15% compared to the second quarter of 2000. Operating margin improved in the third quarter of 2000 compared to both the second quarter of 2000 and third quarter of 1999 and was the strongest since the third quarter of 1998. Hughes Christensen's operating profits exceeded its cost of capital in the third quarter of 2000 for the fourth consecutive quarter.

Centrilift's third quarter 2000 revenues increased 39% compared to the third quarter of 1999 and increased 18% compared to the second quarter of 2000. Operating margin improved in the third quarter of 2000 compared to both the second quarter of 2000 and third quarter of 1999 and was the strongest ever. Centrilift's operating profits exceeded its cost of capital in the third quarter of 2000 for the fourth consecutive quarter.

Baker Petrolite's third quarter 2000 revenues increased 11% compared to the third quarter of 1999. Seasonal declines in non-oilfield product lines resulted in flat third quarter revenues compared to the second quarter of 2000. The third quarter 2000 operating margin was flat compared to the third quarter of 1999 and the second quarter of 2000.

INTEQ's third quarter of 2000 revenues increased 15% compared to the third quarter of 1999 and increased 8% compared to the second quarter of 2000. INTEQ's third quarter of 2000 operating margin was down slightly compared to the third quarter of 1999 and the second quarter of 2000. As INTEQ builds on strong performances in the Gulf of Mexico and the North Sea, and works to manage costs in the rest of the world, it is expected to obtain its goal of a double-digit operating margin in the first or second quarter of 2001.



Corporate Expense

Corporate expense, including net interest expense, was \$61.4 million for the third quarter of 2000, compared to \$61.9 million for third quarter of 1999 and \$67.5 million for second quarter of 2000. The decrease in corporate expense for the third quarter of 2000 quarter compared to the second quarter of 2000 was primarily related to a slight decrease in net interest expense, reduced Project Renaissance costs and increases in net foreign exchange gains, offset by increases in incentive and other compensation expenses.



Attachment 2 - Geographic Highlights

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

UNAUDITED		Three Months Ended September 00 vs. September 99	
Geographic Region	% Change in Revenue	% Change in Rigs	
North America	13%	46%	
Latin America	17%	34%	
Europe	-4%	17%	
Middle East	28%	18%	
Asia Pacific	-8%	15%	
Africa	48%	24%	
Outside North America	15%	23%	
Worldwide Total	14%	37%	

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

Revenue from North America, Latin America, the Middle East and Africa showed improvement in year over year quarter comparisons while the Europe and Asia Pacific regions declined in the year over year periods. Both Western and Eastern Hemisphere revenues improved 14% in the third quarter of 2000 compared to the third quarter of 1999. Excluding Western Geophysical, revenues from the Western and Eastern Hemisphere increased 31% and 16%, respectively, for the third quarter of 2000 compared to the third quarter of 1999.

Sequentially, comparing results for the third quarter of 2000 to the second quarter of 2000, Western Hemisphere revenues improved 8% due to increased revenues in all regions. Eastern Hemisphere revenues improved 9% for the third quarter of 2000 compared to the second quarter of 2000 as revenues increased in all regions except Asia Pacific, where revenues were flat. Excluding Western Geophysical, both Western and Eastern Hemisphere revenues improved 10% in the third quarter of 2000 compared to the second quarter of 2000.

Attachment 3 – Impact of Non-Operational Items

The following schedules detail the non-recurring items the company recognized in the three-month periods ended September 30, 2000, June 30, 2000 and September 30, 1999.

Impact of Non-Operational Items for the Three Months Ended September 30, 2000 UNAUDITED				
	Profit before tax (millions)	Tax (millions)	Profit after tax (millions)	Diluted earnings per share (\$/share)
As reported income from continuing operations (including impact of non-operational item)	\$ 104.8	\$ (38.1)	\$ 66.7	\$ 0.20
Add:				
Sale of Norward product line of Baker Atlas	(1.7)	3.6	1.9	0.00
Loss on trading securities	3.1	(1.1)	2.0	0.01
Operating results, excluding impact of non-operational item	\$ 106.2	\$ (35.6)	\$ 70.6	\$ 0.21

Impact of Non-Operational Items for the Three Months Ended June 30, 2000 UNAUDITED				
	Profit before tax (millions)	Tax (millions)	Profit after tax (millions)	Diluted earnings per share (\$/share)
As reported income from continuing operations (including impact of non-operational item)	\$ 90.1	\$ (29.2)	\$ 60.9	\$ 0.18
Less:				
Sale of MPD unit of Hughes Christensen resulting in an unusual credit	(5.9)	2.1	(3.8)	(0.01)
Net adjustments to nonrecurring charge accruals from prior years	(12.5)	3.0	(9.5)	(0.03)
Gain on trading securities	(10.1)	3.5	(6.6)	(0.02)
Operating results, excluding impact of non-operational item	\$ 61.6	\$ (20.6)	\$ 41.0	\$ 0.12

Impact of Non-Operational Items for the Three Months Ended September 30, 1999 UNAUDITED				
	Profit before tax (millions)	Tax (millions)	Profit after tax (millions)	Diluted earnings per share (\$/share)
As reported income from continuing operations (including impact of non-operational item)	\$ 25.9	\$ (9.3)	\$ 16.6	\$ 0.05
Less:				
Net gain on the sale of the Las Colinas property resulting in an unusual credit	(6.2)	2.3	(3.9)	(0.01)
Operating results, excluding impact of non-operational item	\$ 19.7	\$ (7.0)	\$ 12.7	\$ 0.04



Attachment 4 - 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 above under “Forward-Looking Statements” in the press release. These statements do not include the potential impact of any acquisition, disposition, merger or joint venture that could occur in the future.

The company expects revenue for the fourth quarter of 2000 to be up three to five percent from third quarter revenue of \$1.273.6 million. The Baker Hughes rig count is expected to increase six to nine percent sequentially over the same period.

The company expects the ratio of incremental profit before tax (PBT) to incremental revenue to be between 30% and 40% sequentially.

The tax rate on operating results, excluding the impact of non-operational items, for the 12 months ended December 31, 2000 is expected to be approximately 33.5%. In addition to factors listed in “Forward-Looking Statements - Outlook”, changes in tax law may also affect the company’s expectation regarding its tax rate.

Capital Spending is expected to be approximately \$640 million for the twelve months ended December 31, 2000. The company's 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-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, Depletion and Amortization is expected to be between \$630 and \$650 million for the twelve months ending December 31, 2000. In addition to factors listed in “Forward-Looking Statements - Outlook”, the company’s forecasts for Depreciation, Depletion and Amortization are dependent on the company’s projections for sales of multi-client seismic data.

