News Release

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FY 2001 Operating Profit After Tax Up 124%

Fourth Quarter Operating Earnings Per Share of $0.39
Fourth Quarter Oilfield Operating Margin 19%

HOUSTON, Texas – February 14, 2002. Baker Hughes Incorporated (BHI - NYSE, PCX, EBS) announced today that net income, in accordance with generally accepted accounting principles ("net income"), for the year 2001 was $438.0 million or $1.30 per share (diluted), compared to $102.3 million or $0.31 per share (diluted) for the year 2000. Net income for the fourth quarter of 2001 was $126.0 million or $0.37 per share (diluted), compared to a net loss of $(41.0) million or $(0.12) per share (diluted) for the fourth quarter of 2000 and net income of $137.1 million or $0.41 per share (diluted) for the third quarter of 2001.

Operating profit after tax, which excludes non-operational items, for the year 2001 was $448.0 million or $1.33 per share (diluted), up 124% compared to $200.2 million or $0.60 per share (diluted) for 2000. Operating profit after tax for the fourth quarter of 2001 was $132.8 million or $0.39 per share (diluted), up 64% compared to $81.0 million or $0.24 per share (diluted) for the fourth quarter of 2000, and down 1% compared with $134.7 million or $0.40 per share (diluted) for the third quarter of 2001. Baker Hughes returned its cost of capital for the second quarter in a row.

Net Income for the fourth quarter of 2001 includes $6.8 million after tax or $0.02 per share (diluted) of non-operational items including a $10.3 million charge related to Baker Hughes' share of a Western GECO venture non-recurring charge and a $4.2 million credit from the reversal of an excess accrual related to substantially exiting the E&P business in 2000. Net income is reconciled to operating profit in the section titled *Reconciliation of GAAP Results and Operating Results* in this news release.

Revenue for the year 2001 was $5,382.2 million, up 3% from the year 2000. Revenue for the fourth quarter of 2001 was $1,375.7 million, down 1% from the fourth quarter of 2000 and down 4% from the third quarter of 2001. Oilfield Operations revenue for the year 2001 was $5,063.4 million, up 21% from the year 2000, excluding Western Geophysical. Oilfield Operations revenue for the fourth quarter of 2001 was $1,300.6 million, up 12% from the fourth quarter of 2000, excluding Western Geophysical, and down 4% from the third quarter of 2001.

Michael E. Wiley, Baker Hughes Chairman, President, and Chief Executive Officer, said, "Our fourth quarter results topped off a successful year in which Baker Hughes achieved record results, doubling operating profits for the second year in a row. Our divisions achieved strong returns in a healthy market that was driven by North American activity in the first half and international business in the second."

Mr. Wiley continued, "In 2002, we will continue to focus on executing our core strategies in what will be a more difficult market, especially in the first half of the year. We expect spending in North America to be down 15-20% compared to 2001 while spending in the rest of the world should grow modestly. Our plans contemplate a recovery in North American activity in the second half of 2002. Regardless of market conditions Baker Hughes will continue to set aggressive goals. We will manage our costs, control our manufacturing capacity and inventories, and continue to strive for fair prices while preserving our ability to service our customers when the rebound occurs."

Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000	Three Months Ended September 30, 2001
Revenues	$ 1,375.7	$ 1,383.8	$ 1,436.0
Costs and Expenses:			
Costs of revenues	971.2	1,032.8	1,008.8
Selling, general and administrative	201.8	193.7	214.9
Unusual charge (credit)	(2.0)	95.0	(3.4)
Total costs and expenses	1,171.0	1,321.5	1,220.3
Operating income	204.7	62.3	215.7
Equity in income (loss) of affiliates	6.9	(6.5)	19.6
Interest expense	(29.5)	(41.3)	(30.5)
Interest income	9.3	2.9	1.1
Income before income taxes	191.4	17.4	205.9
Income tax	(65.4)	(58.4)	(68.8)
Net income (loss)	$ 126.0	$ (41.0)	$ 137.1
Earnings per share:			
Basic	$ 0.37	$ (0.12)	$ 0.41
Diluted	0.37	(0.12)	0.41
Shares outstanding, basic (millions)	335.9	332.2	335.8
Shares outstanding, diluted (millions)	337.0	332.2	337.3
Depreciation, depletion and amortization expense, excluding goodwill amortization	$ 81.2	$ 124.9	$ 73.5
Goodwill amortization	12.3	11.8	10.7
Total depreciation, depletion and amortization expense	$ 93.5	$ 136.7	$ 84.2
Capital expenditures	$ 114.3	$ 147.0	$ 68.4
Calculation of EBIT and EBITDA:			
Income before income taxes	$ 191.4	$ 17.4	$ 205.9
Interest expense	29.5	41.3	30.5
Unusual charge (credit)	(2.0)	95.0	(3.4)
Unusual charges recorded in equity in income of affiliates	10.3	9.5	-
Earnings before interest expense and taxes (EBIT)	229.2	163.2	233.0
Total depreciation, depletion and amortization expense	93.5	136.7	84.2
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	$ 322.7	$ 299.9	$ 317.2

Financial Information

A table of comparative results follows:

(In millions, except per share amounts) UNAUDITED	Twelve Months Ended December 31, 2001	2000
Revenues	$ 5,382.2	$ 5,233.8
Costs and Expenses:		
Costs of revenues	3,831.8	4,009.6
Selling, general and administrative	818.6	759.6
Unusual charge	1.6	69.6
Total costs and expenses	4,652.0	4,838.8
Operating income	730.2	395.0
Equity in income (loss) of affiliates	45.8	(4.6)
Interest expense	(126.4)	(173.3)
Interest income	12.2	4.8
Gain on trading securities	-	14.1
Income before income taxes, extraordinary loss and cumulative effect of accounting change	661.8	236.0
Income taxes	(223.1)	(133.7)
Income before extraordinary loss and cumulative effect of accounting change	438.7	102.3
Extraordinary loss (net of $0.8 income tax benefit)	(1.5)	-
Cumulative effect of accounting change for derivative instruments (net of $0.5 income tax expense)	0.8	-
Net income	$ 438.0	$ 102.3
Earnings per share:		
Basic	$ 1.31	$ 0.31
Diluted	1.30	0.31
Shares outstanding, basic (millions)	335.6	330.9
Shares outstanding, diluted (millions)	337.4	332.9
Depreciation, depletion and amortization expense, excluding goodwill amortization	$ 300.1	$ 563.2
Goodwill amortization	44.6	48.3
Total depreciation, depletion and amortization expense	$ 344.7	$ 611.5
Capital expenditures	$ 319.0	$ 599.2
Calculation of EBIT and EBITDA:		
Income before income taxes, extraordinary loss and cumulative effect of accounting change	$ 661.8	$ 236.0
Interest expense	126.4	173.3
Unusual charge	1.6	69.6
Unusual charges recorded in equity in income of affiliates	10.3	9.5
Gain on trading securities	-	(14.1)
Earnings before interest expense and taxes (EBIT)	800.1	474.3
Total depreciation, depletion and amortization expense	344.7	611.5
Earnings before interest expense, taxes, depreciation, depletion and amortization (EBITDA)	$ 1,144.8	$ 1,085.8

Segment Highlights

Operational highlights for the three months and years ended December 31, 2001 and December 31, 2000 and the three months ended September 30, 2001 are detailed below.

Comparison of Quarters -- Year over Year
(for the three months ended December 31, 2001 and 2000)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	December 2001	December 2000	December 2001	December 2000
Oilfield Operations, excluding Western Geophysical and Western GECO	$ 1,300.6	$ 1,158.9	$ 245.7	$ 166.7
Western Geophysical	-	146.6	-	18.0
Western GECO	-	-	17.1	0.8
Oilfield Operations	1,300.6	1,305.5	262.8	185.5
Process Operations	75.1	78.3	(4.5)	(1.7)
Corporate, net interest and other	-	-	(58.6)	(61.9)
Non-operational items[1]	-	-	(8.3)	(104.5)
Total	$ 1,375.7	$ 1,383.8	$ 191.4	$ 17.4

Comparison of Quarters -- Sequential
(for the three months ended December 31, 2001 and September 30, 2001)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	December 2001	September 2001	December 2001	September 2001
Oilfield Operations, excluding Western GECO	$ 1,300.6	$ 1,348.8	$ 245.7	$ 243.8
Western GECO	-	-	17.1	19.4
Oilfield Operations	1,300.6	1,348.8	262.8	263.2
Process Operations	75.1	87.2	(4.5)	(2.6)
Corporate, net interest and other	-	-	(58.6)	(58.1)
Non-operational items[1]	-	-	(8.3)	3.4
Total	$ 1,375.7	$ 1,436.0	$ 191.4	$ 205.9

Comparison of Years
(for the twelve months ended December 31, 2001 and 2000)
UNAUDITED

	Revenue ($ millions)		Operating Profit Before Tax ($ millions)	
	December 2001	December 2000	December 2001	December 2000
Oilfield Operations, excluding Western Geophysical and Western GECO	$ 5,063.4	$ 4,187.1	$ 877.0	$ 521.2
Western Geophysical	-	723.7	-	51.9
Western GECO	-	-	55.6	0.8
Oilfield Operations	5,063.4	4,910.8	932.6	573.9
Process Operations	318.8	323.0	(14.4)	(5.2)
Corporate, net interest and other	-	-	(244.5)	(267.7)
Non-operational items[1]	-	-	(11.9)	(65.0)
Total	$ 5,382.2	$ 5,233.8	$ 661.8	$ 236.0

[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 Geophysical and Western GECO.

The following table details the percentage change in revenue in the December 2001 quarter compared to the December 2000 quarter and September 2001 quarter.

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

	December 31, 2000	September 30, 2001
Product Line		
Baker Hughes INTEQ	18%	-3%
Baker Atlas	3%	-9%
Baker Oil Tools	14%	-3%
Baker Petrolite	7%	3%
Centrilift	22%	2%
Hughes Christensen	14%	-11%
Geography		
North America	11%	-11%
Western Hemisphere	8%	-9%
Eastern Hemisphere	18%	4%

Revenue for the fourth quarter of 2001 increased 12% compared to the fourth quarter of 2000 and decreased 4% compared to the third quarter of 2001. All divisions reported increases in revenue in the fourth quarter of 2001 compared to the fourth quarter of 2000.

The operating margin of 19% for the fourth quarter of 2001 was greater than any quarter since 1982. Operating profits and margins improved at every division compared to the fourth quarter of 2000. Baker Hughes INTEQ and Baker Petrolite reported sequential increases in operating profits and margins compared to the third quarter of 2001. Comparing the fourth quarter of 2001 to the fourth quarter of 2000, the incremental operating profit before tax margin was 56%.

Baker Hughes Oilfield Operations returns exceeded the cost of capital in the December 2001 quarter. Returns at all divisions, excluding Baker Petrolite, exceeded the cost of capital in the December 2001 quarter. Baker Petrolite had returns that exceeded the cost of capital, excluding goodwill, in the December 2001 quarter.

Process Operations Segment

Process revenues decreased in the December 2001 quarter compared to the December 2000 and September 2001 quarters reflecting, in part, the transfer of the Production and Refining unit to a venture, in which Baker Process holds a minority interest, in the fourth quarter of 2001. Profits at the EIMCO division were more than offset by operational losses at Bird Machine.

Corporate, Net Interest and Other

Corporate, net interest and other expenses were $58.6 million in the December 2001 quarter, down $3.3 million from the December 2000 quarter and up $0.5 million from the September 2001 quarter. The improvement in the December 2001 quarter as compared to the December 2000 quarter was due to lower net interest expense, offset partially by higher corporate expenses. The lower net interest expense resulted from the impact of lower debt levels and recognition of interest income resulting from a favorable audit settlement with the IRS.

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 down 5-7% for the year 2002 as compared to the year 2001. Oilfield revenues are expected to be up 1 to 3% in the first quarter of 2002 compared to the first quarter of 2001.
- Western GECO is expected to contribute $55 to $65 million in pre-tax profit for the year 2002 (compared to $55.6 million in 2001) and $12-15 million in the three months ended March 31, 2002.
- Process is expected to post an $8-$10 million pre-tax profit for year 2002. Process is expected to lose $2 to $4 million in the first quarter of 2002 and be near breakeven in the first half of 2002.
- Corporate and other expenses, excluding interest expense, are expected to be between $135 and $145 million for the year 2002 or approximately $33.5 to $36.5 million per quarter.
- Net interest expense is expected to be between $100 and $110 million for the year 2002 or approximately $25 to $27.5 million per quarter.
- Operating profit after tax per share (diluted), excluding non-operational items, is expected to be between $1.10 and $1.25 for the year 2002. Operating profit after tax per share (diluted), excluding non-operational items, is expected to be between $0.24 and $0.27 for the three months ended March 31, 2002.
- Capital spending is expected to be between $300 and $340 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 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 $340 and $360 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 tax rate on operating results for the 12 months ended December 31, 2002 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.
- The implementation of *Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets*, is expected to result in the cessation of amortization expense, including amortization of goodwill and the amortization of goodwill associated with equity method investments, of $52.5 million before tax ($47.7 million after tax) for the year 2002 or approximately $12 million, after tax, per quarter. The company has not yet completed its analysis of the impact of the adoption of SFAS No. 142 as it relates to the possible impairment of goodwill.

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***.

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**
Net income		$ 661.8	$ (223.1)	$ 438.7	$ 1.30
Non-operational items:					
Reversal of excess E&P unusual charges	unusual credit	(4.2)	-	(4.2)	(0.01)
Gain on sale of interest in joint venture	unusual credit	(3.4)	1.0	(2.4)	(0.01)
Severance at Bird Machine in Germany	unusual charge	6.0	(2.2)	3.8	0.01
Loss on sale of Baker Atlas product line	unusual charge	1.0	0.1	1.1	0.01
Charge related to E&P ceiling test	unusual charge	2.2	(1.5)	0.7	0.00
Western GECO non-recurring charge	equity in income of affiliates	10.3	-	10.3	0.03
Operating profit, excluding impact of non-operational items		$ 673.7	$ (225.7)	$ 448.0	$ 1.33

Reconciliation of GAAP Results and Operating Results for the
12 Months Ended December 31, 2000

UNAUDITED *(in millions except earnings per share)*	**Recorded As**	**Profit Before Tax**	**Tax**	**Profit After Tax**	**Diluted Earnings Per Share**
Net income		$ 236.0	$ (133.7)	$ 102.3	$ 0.31
Non-operational items:					
Western Geophysical options, bonus and vacation accruals	unusual charge	6.0	(0.2)	5.8	0.02
Western Geophysical tax expense on formation of Western GECO venture	income taxes	-	45.0	45.0	0.13
Western GECO special reserve	equity in income of affiliates	9.5	(2.4)	7.1	0.02
Loss on sale / impairment of E&P business	unusual charge	105.0	(29.2)	75.8	0.23
Gain on sale of several product lines	unusual credit	(12.9)	7.5	(5.4)	(0.02)
Reversal of excess unusual charges and other items	unusual credit	(28.5)	7.2	(21.3)	(0.06)
Gain on Tuboscope (Varco) stock	gain on trading securities	(14.1)	5.0	(9.1)	(0.03)
Operating profit, excluding impact of non-operational items		$ 301.0	$ (100.8)	$ 200.2	$ 0.60

Reconciliation of GAAP Results and Operating Results for the
3 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**
Net income		$ 191.4	$ (65.4)	$ 126.0	$ 0.37
Non-operational items:					
Reversal of excess E&P unusual charges	unusual credit	(4.2)	-	(4.2)	(0.01)
Charge related to E&P ceiling test	unusual charge	2.2	(1.5)	0.7	0.00
Western GECO non-recurring charge	equity in income of affiliates	10.3	-	10.3	0.03
Operating profit, excluding impact of non-operational items		$ 199.7	$ (66.9)	$ 132.8	$ 0.39

Reconciliation of GAAP Results and Operating Results for the
3 Months Ended September 30, 2001

UNAUDITED *(in millions except earnings per share)*	**Recorded As**	**Profit Before Tax**	**Tax**	**Profit After Tax**	**Diluted Earnings Per Share**
Net income		$ 205.9	$ (68.8)	$ 137.1	$ 0.41
Non-operational items:					
Gain on the sale of BHI interest in joint venture	unusual credit	(3.4)	1.0	(2.4)	(0.01)
Operating profit, excluding impact of non-operational items		$ 202.5	$ (67.8)	$ 134.7	$ 0.40

Reconciliation of GAAP Results and Operating Results for the
3 Months Ended December 31, 2000

UNAUDITED (in millions except earnings per share)	**Recorded As**	**Profit Before Tax**	**Tax**	**Profit After Tax**	**Diluted Earnings Per Share**
Net income		$ 17.4	$ (58.4)	$ (41.0)	$ (0.12)
Non-operational items:					
Western Geophysical options, bonus and vacation accruals	unusual charge	6.0	(0.2)	5.8	0.02
Western Geophysical tax expense on formation of Western GECO venture	income taxes	-	45.0	45.0	0.13
Western GECO special reserve	equity in income of affiliates	9.5	(2.4)	7.1	0.02
Loss on sale / impairment of E&P business	unusual charge	105.0	(29.2)	75.8	0.23
Reversal of excess unusual charges and other items	unusual credit	(16.0)	4.3	(11.7)	(0.04)
Operating profit, excluding impact of non-operational items		$ 121.9	$ (40.9)	$ 81.0	$ 0.24

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 (712) 271 - 0329, 20 minutes prior to the scheduled start time, and ask for the "Baker Hughes Conference Call." A replay will be available through Thursday, February 21, 2002. The number for the replay is (402) 220 - 0265. 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 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), 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 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 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; 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 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' 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 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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