

**BAKER
HUGHES**
a GE company



Baker Hughes, a GE company

Cowen & Company 7th Annual Energy and Natural Resources Conference

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BHGE update



Fullstream
value prop



Delivered 3Q'17
as BHGE



Key
commercial wins



O&G market
outlook mixed



Integration
going well



Executing
synergies

Strategic priorities



**Grow
market
share**



**Increase
margin
rates**



**Top-tier
cash
conversion**

Winning in the market



Signed agreement for integrated project in the North Sea with Siccar Point Energy

- Exclusive provider for appraisal well and early production phase of project
- Selected because of integrated and differentiated portfolio
- Will provide suite of well services and production and installation of subsea production equipment



Awarded largest turbomachinery and process solutions deal with PetroChina in Iraq

- Will deliver Frame 6B gas turbine electric generator trains
- Supporting power generation for onshore Halfaya oilfield
- Equipment to generate 150 MW of power for project



Synergies update

- Delivered \$37MM of synergies in 3Q'17
- Significant number of projects executed to-date
- Prioritizing highest return on investment projects
- On track to deliver \$700MM cumulative synergies in '18
- Working through tax synergies

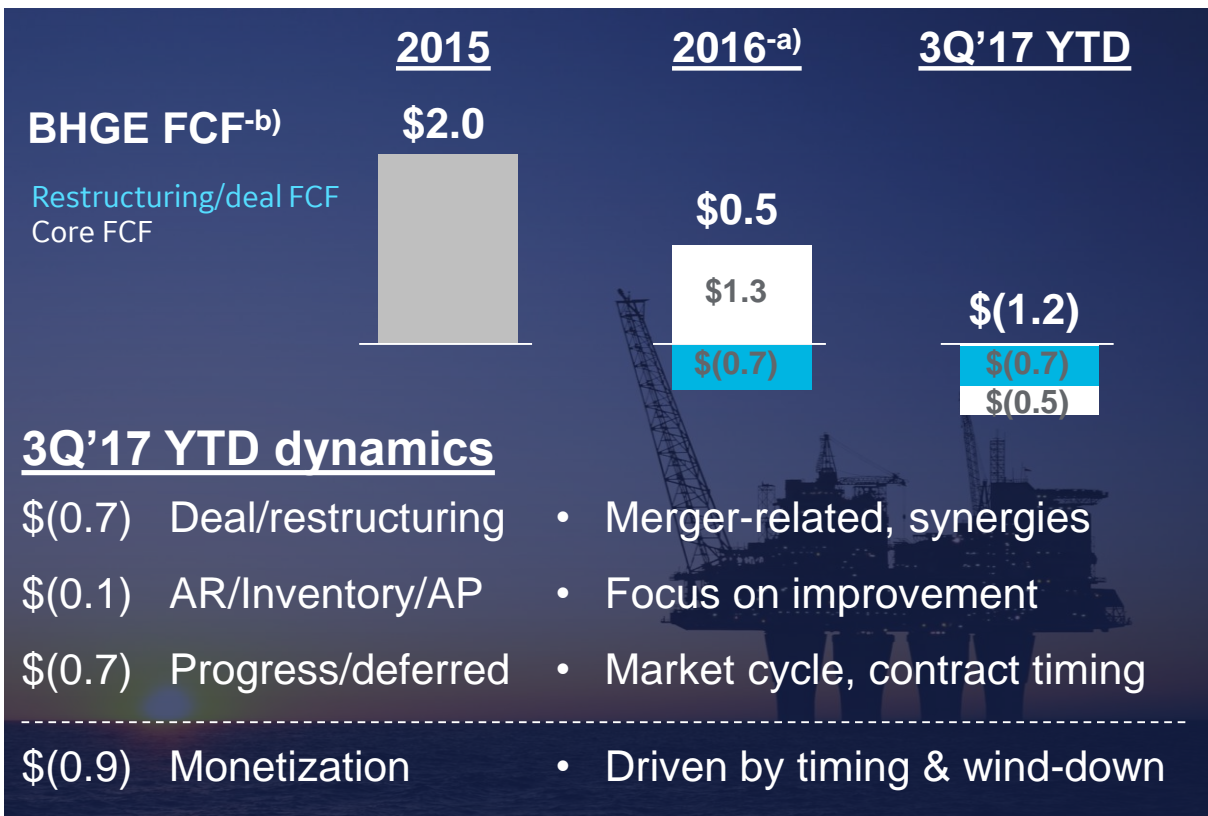


- ✓ Closed 38 facilities ... planning ~60 by year end
- ✓ 15,000 logistics lanes with harmonized or renegotiated rates
- ✓ 350 applications rationalized & migrated to the cloud
- ✓ Placed RFQs with suppliers for \$1B+ in combined spend
- ✓ 150 new orders won as a result of combined offerings/pull through

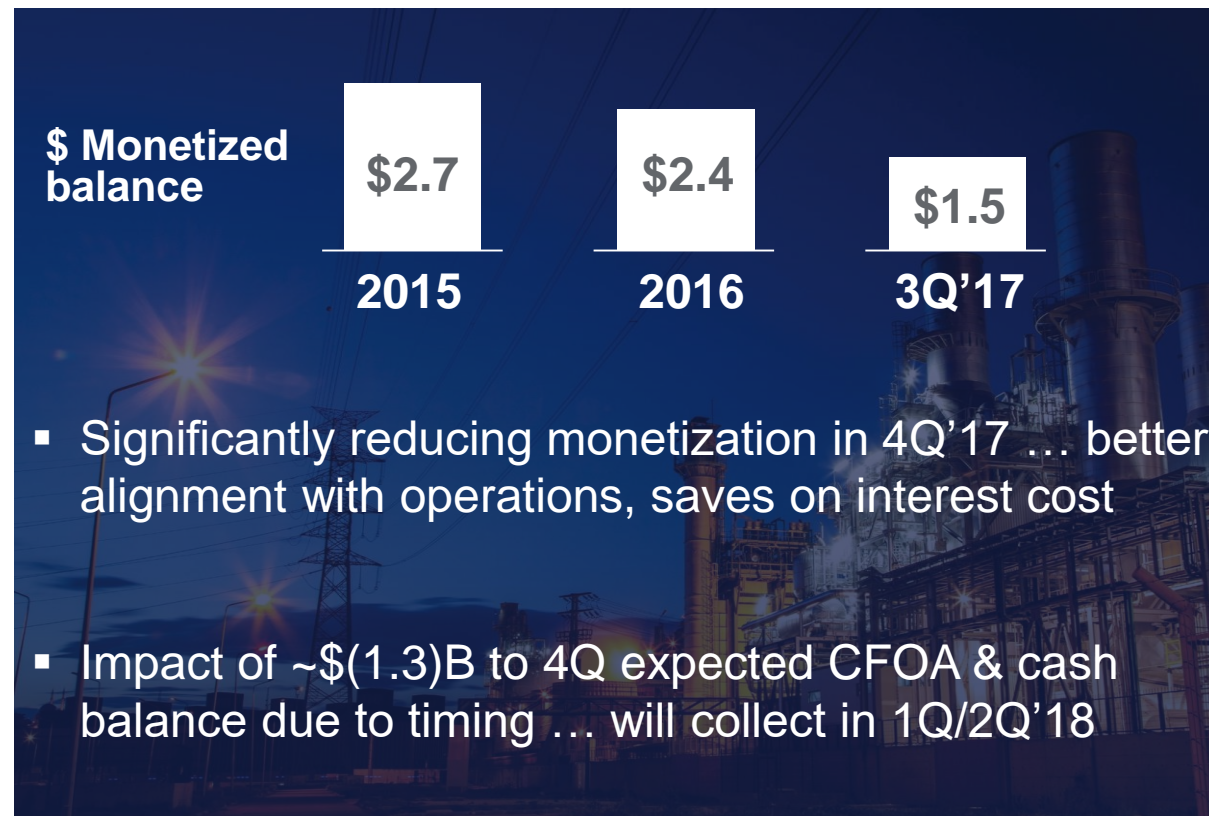
Cash flow conversion

(\$ in billions)

Historical combined business FCF



Receivables monetization update



2018 cash flow dynamics & actions

(\$ in billions)

2018 dynamics

Operational free cash flow

- **Net income:** Stronger ... synergies, volume
- **Working capital:** expecting improvement
- **CAPEX:** continuing to target up to 5% of revenue

Deal/restructuring

- **Deal:** significantly less merger-related payments
- **Restructuring:** continuing to invest in 1H'18 ... cash payments likely to lag slightly

Critical focus areas

Inventory

\$2.3

Raw/WIP ... input controls, sales plan alignment, safety stock levels, analytical tools

\$3.0

Finished ... lean and value stream mapping for waste elimination, dual-deplete controls

3Q'17

Receivables

~100 days

Collections ... one leader, target late payers

Billing ... standard process, digitize, linearity

Terms ... harmonizing & optimizing

3Q'17

New revenue recognition standard ... ASC606

(\$ in billions)

Background

- New standard for revenue recognition released in May '14 ... effective 1/1/18

Impact drivers

Flow

Moving to delivery milestones; minimal impact

Long-cycle equipment

Some milestone re-definition; not material to BHGE

Long-cycle services

Long-term service agreements: modifications now prospective

	<u>'16 Est.</u>	<u>'17 Est.</u>
Estimated impact	~\$(0.2)	~\$(0.2)
	<ul style="list-style-type: none">▪ Quantification ongoing▪ Majority of impact in TPS service agreements▪ Revenue earned in the future over life of contracts ... no change to cash & billing	

Next steps

- Finalize quantification
- Recast 2016, 2017 with 1Q'18 10-Q filing

Capital allocation update

Priorities

- Return 40-50% of net income to shareholders over time
- Utilize strength of balance sheet & maintain 'A' category credit rating
- Opportunistic approach with buybacks, dividends, and M&A

Dividends

Announced 6% increase in dividend

- Yield of 2.4% at today's prices
- In top of peer group

Buybacks

Announced \$3B buyback authorization

- Began buying back in November
- Executing via open market transactions

Balance sheet

Intend to raise additional debt

- Take advantage of low rates
- In line with capital allocation priorities

Wrap



**Grow
market
share**



**Increase
margin
rates**



**Top-tier
cash
conversion**

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