

**BAKER
HUGHES**
a GE company



Baker Hughes, a GE company

Investor Book

March 2019

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Disclaimer

Forward-looking statements

This presentation (and oral statements made regarding the subjects of this release) may 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, (each a “forward-looking statement”). The words “anticipate,” “believe,” “ensure,” “expect,” “if,” “intend,” “estimate,” “project,” “foresee,” “forecasts,” “predict,” “outlook,” “aim,” “will,” “could,” “should,” “potential,” “would,” “may,” “probable,” “likely,” and similar expressions, and the negative thereof, are intended to identify forward-looking statements. There are many risks and uncertainties that could cause actual results to differ materially from our forward-looking statements. These forward-looking statements are also affected by the risk factors described in the Company’s annual report on Form 10-K for the annual period ended December 31, 2018 and those set forth from time to time in other filings with the Securities and Exchange Commission (“SEC”). The documents are available through the Company’s website at: www.investors.bhge.com or through the SEC’s Electronic Data Gathering and Analysis Retrieval (“EDGAR”) system at: www.sec.gov. We undertake no obligation to publicly update or revise any forward-looking statement.

The Company presents its financial results in accordance with GAAP which includes the results of Baker Hughes and GE Oil & Gas from the transaction closing date of July 3, 2017. However, management believes that using additional non-GAAP measures will enhance the evaluation of the profitability of the Company and its ongoing operations.

BHGE ... we are fullstream

~\$23B revenue ~66K employees >120 countries *



UPSTREAM

Drilling & Evaluation
Completion & Production
Subsea



MIDSTREAM

LNG
Pipeline
Storage



DOWNSTREAM

Refining
Petrochemical & Fertilizer
Processing



INDUSTRIAL

Power & Renewables
Controls & Sensing

DIGITAL

Software, advanced analytics, controls & sensing, and asset performance management

BHGE has a broad solutions portfolio & fullstream capability

BHGE ... an unparalleled portfolio

We deliver across the energy value chain through our 4 market-leading product companies

OILFIELD SERVICES

\$11.6B*



- Leader in well construction & production
- Strong global presence
- Focus on execution, reliability & cost

OILFIELD EQUIPMENT

\$2.6B*



- Leading subsea production & flexibles portfolio
- Strong execution & technology pipeline
- Collaborative partnerships & new models

TURBOMACHINERY & PROCESS SOLUTIONS

\$6.0B*



- Technology leader in LNG & upstream production
- Significant installed base
- Proven track record in the most critical projects

DIGITAL SOLUTIONS

\$2.6B*



- Best in class sensing & measurement technology
- Differentiated software offerings
- Leader in critical inspection technology

Our long-term strategy is aligned with shareholder priorities

MARKET-LEADING PRODUCT COMPANIES

50

Reduction in the cost
of doing business

*Increase margin and competitiveness
by reducing product and service cost*

INTEGRATED SERVICE MODULES

50

Improvement in productivity

*Create value through integrated
equipment and service technologies*

FULLSTREAM SOLUTIONS

50

Increase in industrial yield

*Drive value creation through
outcome-performance solutions*

Focus on reducing cost, integrating solutions and aligning incentives with customers

At BHGE we are committed to social responsibility

Core elements embedded in how we operate



People



Planet



Principles

- Empower people in a culture of inclusion and support communities to be vibrant places to live and work
- Stewards of the environment, inventing technologies for reduced impact and using resources wisely
- Grounded on sound governance, effective policies and guidelines, and transparency

Improving Health, Safety, and Environment

153

“Perfect HSE days” achieved in ‘18 ... up 20% year-over-year

Days without a recordable injury, vehicle accident, and serious environmental spills or releases

I AM Responsible for a Perfect HSE Day

Driving carbon footprint reduction



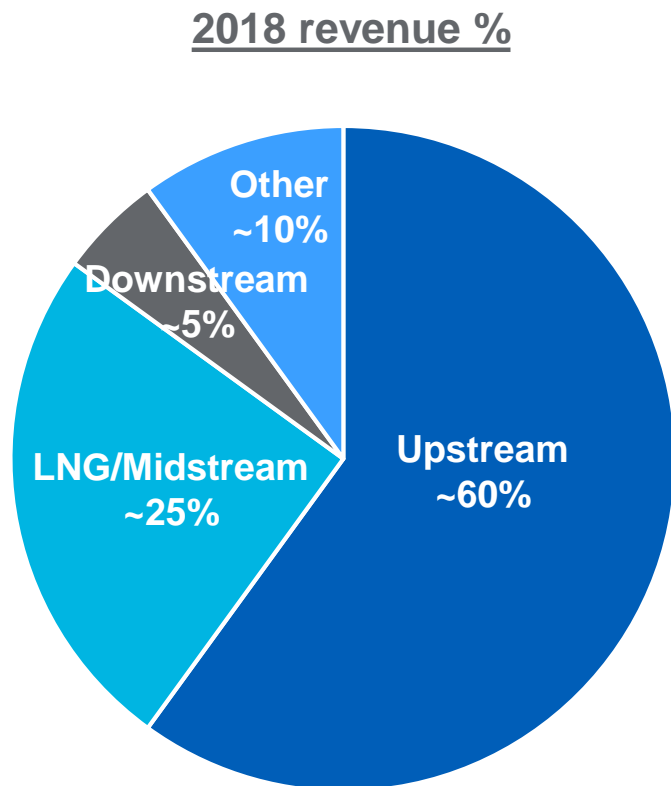
Net-zero BHGE CO₂ emissions by 2050

While investing in our portfolio of advanced technologies to enable customer's reduction

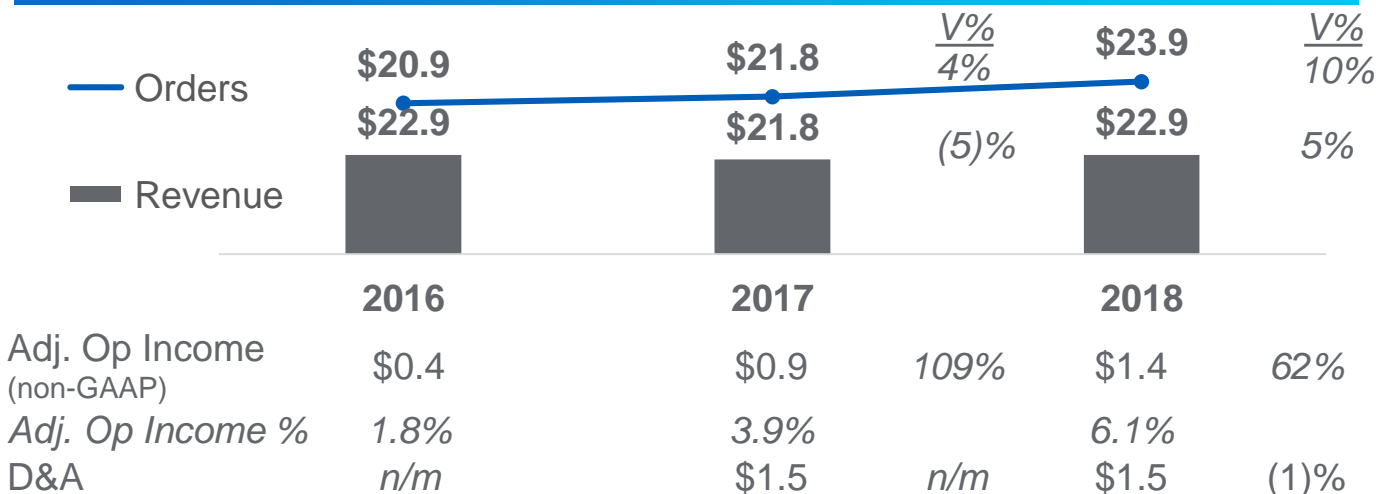
Leading the energy transition

BHGE is a differentiated investment opportunity

BHGE portfolio spans the value chain



Financials (\$B)



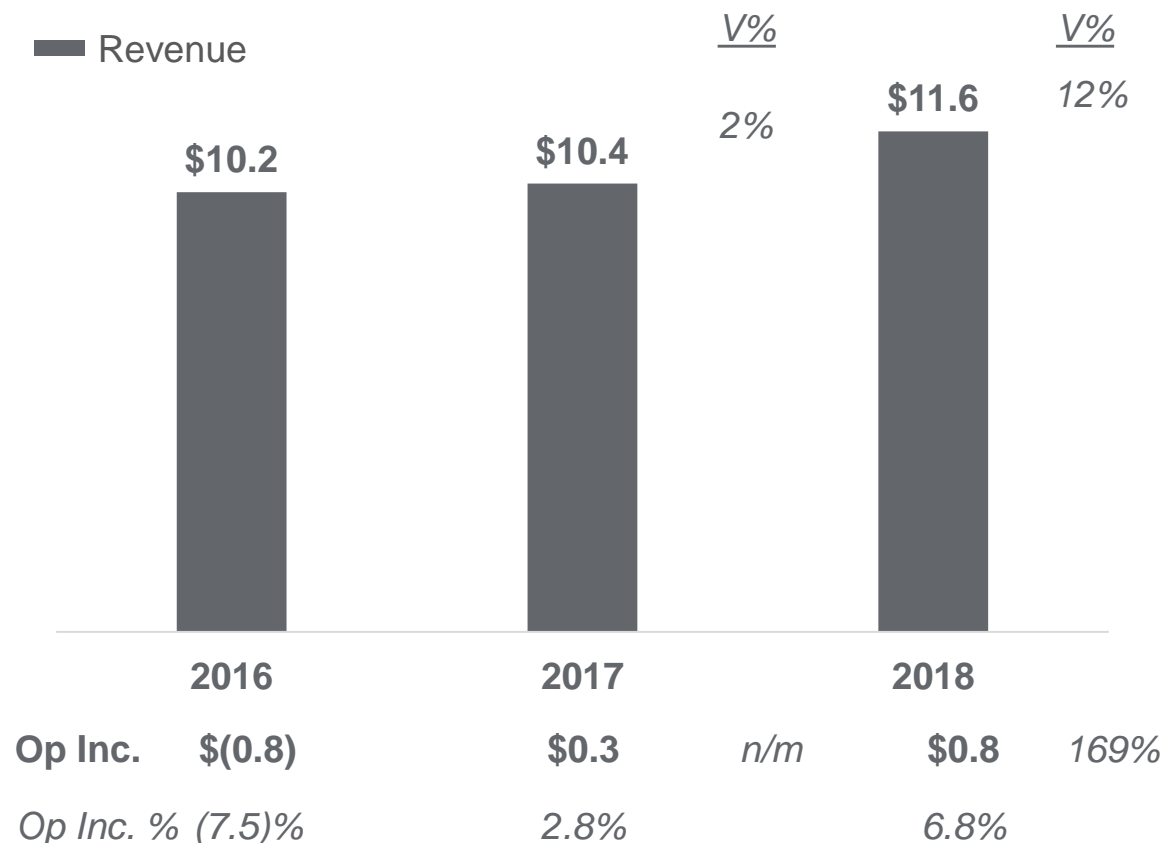
Differentiators

- ① **Balanced portfolio**
 - Exposure across the value chain
 - Global presence ... ~70% revenue outside NAM
- ② **Multiple growth trajectories**
 - Leader in LNG and gas ... FIDs accelerating in '19
 - International growth; offshore recovery beginning
- ③ **Deliver value through-the-cycle**
 - Capture growth opportunities ... expand margins in OFS
 - Long-cycle businesses recovering

Oilfield Services (OFS)



Financials (\$ in billions)



Business overview

- ~100-year legacy, strong technology
- Leader in well construction
- ~40% North America / ~60% International revenues
- Strong positions in Artificial Lift and Chemicals

Recent highlights

Gaining share:

- Won large-scope integrated services for Marjan field in Q3'18
- Awarded major well services contract in Saudi Arabia in Q4'18
- Formed ADNOC Drilling JV for conventional & unconventional activities in Q4'18
- Won largest-ever drilling contract in Qatar in Q3'18
- Awarded integrated contract from Equinor in Q2'18
- Awarded Kinder Morgan ESP contract in Permian Basin in Q1'18

Improving margins:

- Expanded operating income margins by ~400bps in '18
- Executing on synergies & optimizing service cost

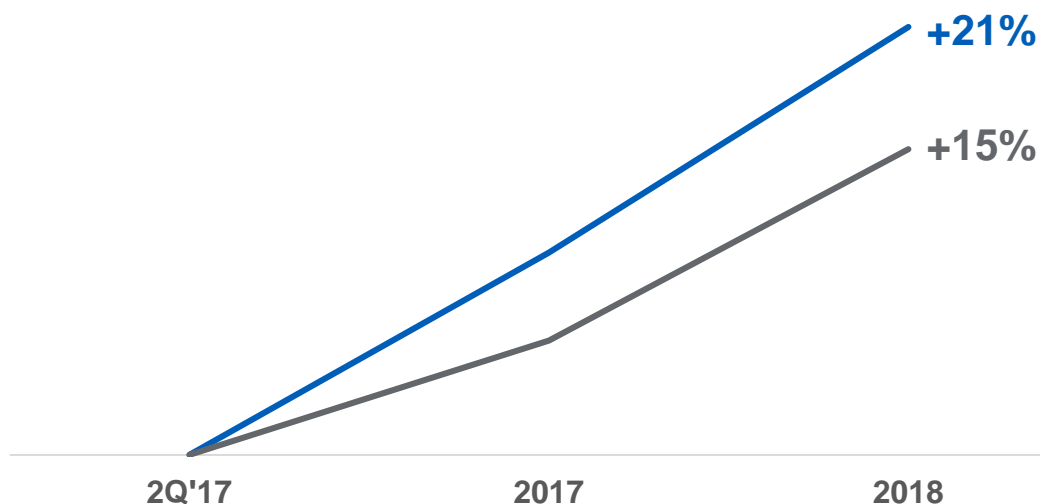


Re-gaining share in OFS remains a top priority



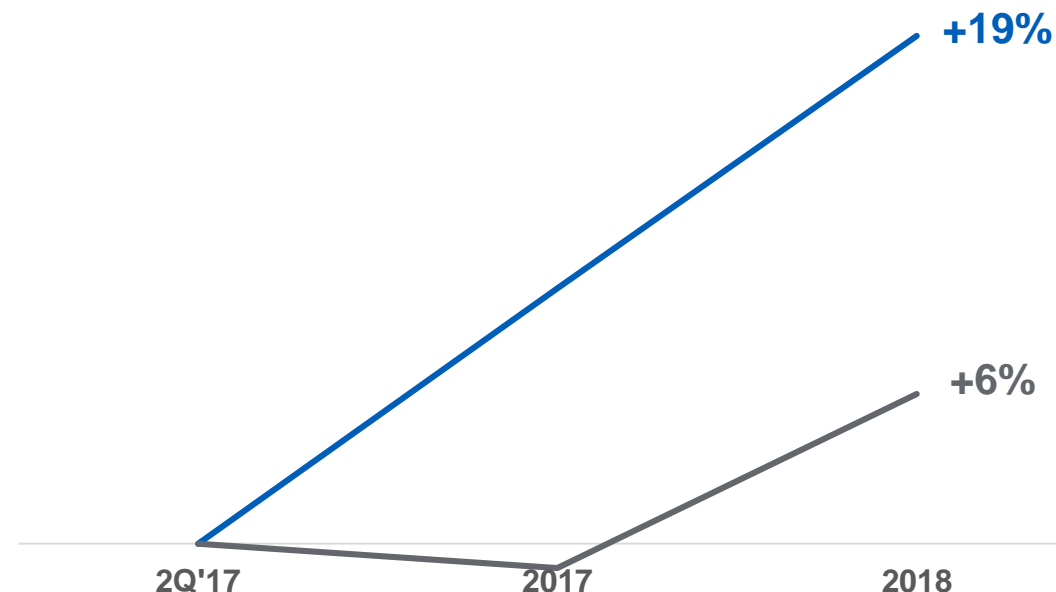
OFS revenue outgrowing rig count

- OFS revenue indexed growth since 2Q'17
- Rig count indexed growth since 2Q'17



Focused on international growth

- OFS international revenue indexed growth since 2Q'17
- International rig count indexed growth since 2Q'17

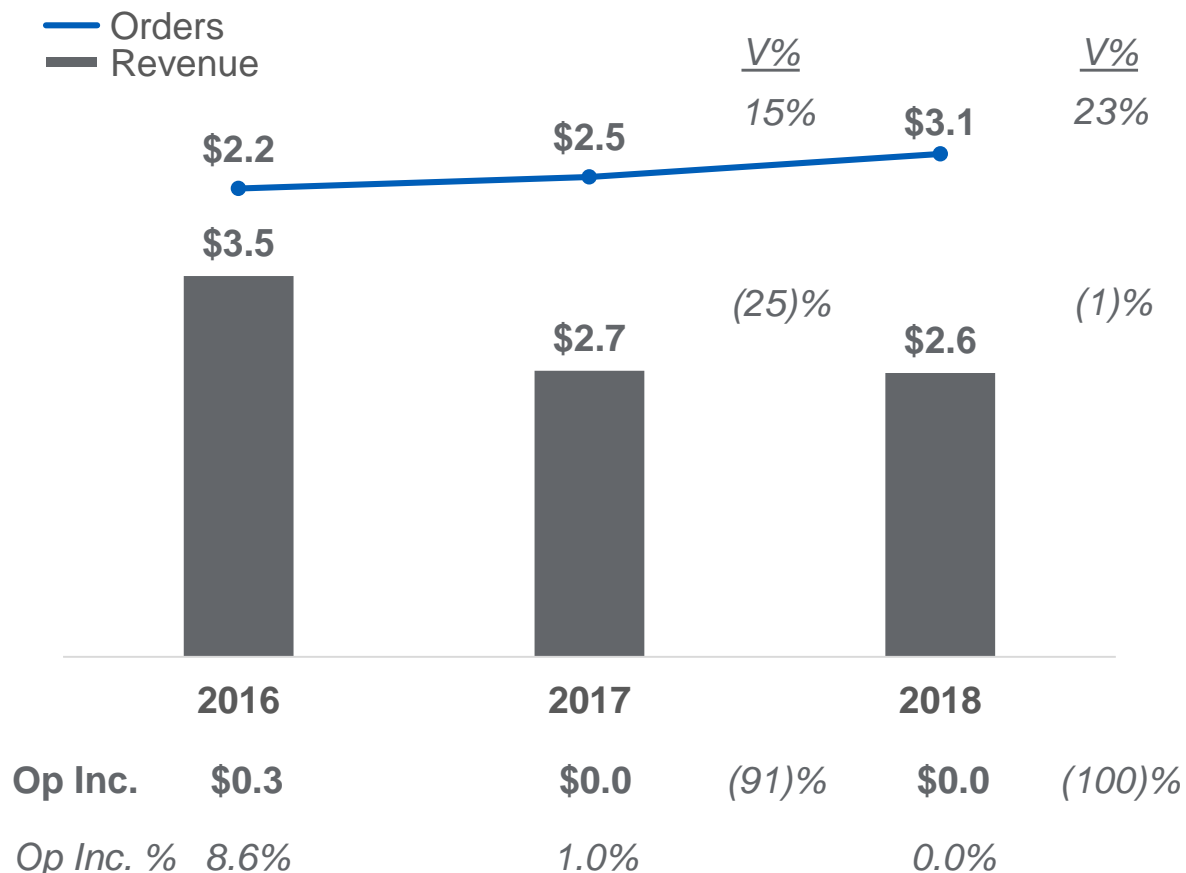


BHGE OFS growing faster than the rig count ... core product lines, key markets performing well

Oilfield Equipment (OFE)

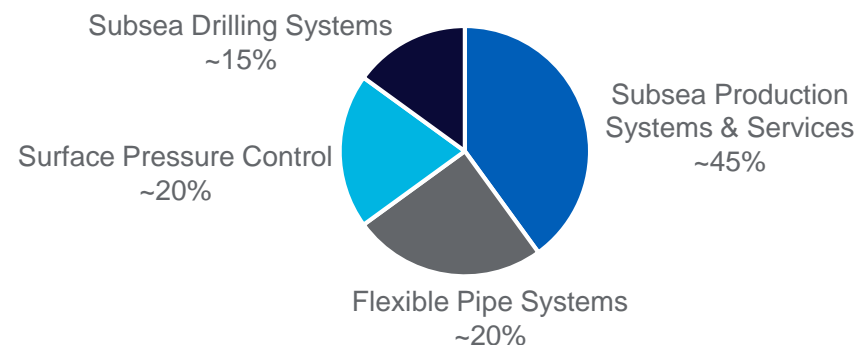


Financials (\$ in billions)



Business overview

- Leading subsea production systems & flexible pipes
- Collaborative partnerships & new models
- New Subsea Connect and Aptara™ TOTEX-Lite Subsea System
- Last 4-year revenue split:



Recent highlights

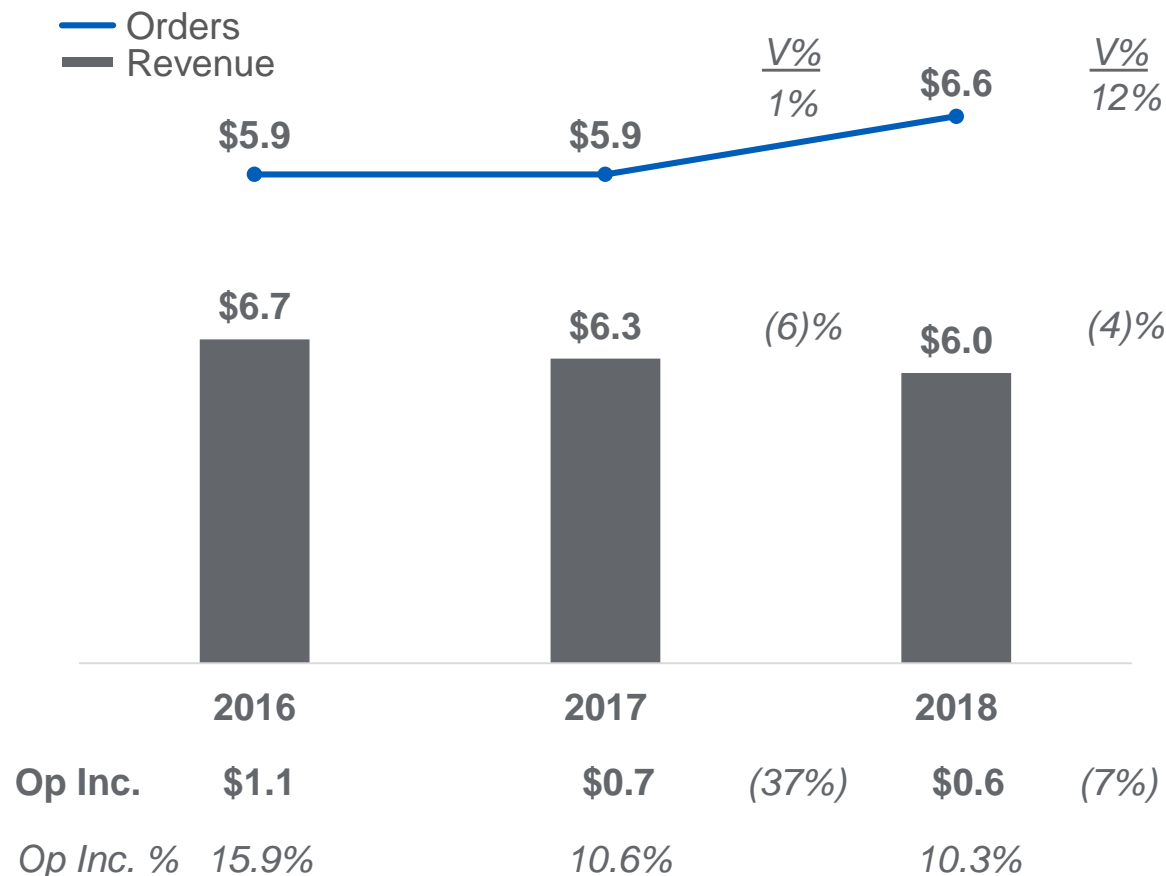
- Won 34 trees for ONGC's 98/2 project in India in Q4'18
- Awarded first BOP in Asia since 2014 in Q3'18
- Awarded 13 trees for Chevron's Gorgon Phase 2 in Q2'18
- Won 8 trees for Phase 2 of Posco Daewoo's Shwe field in Q2'18
- Won FEED for BP Tortue/Ahmeyim Development in Q1'18
- Commercialized composite technology for flexible risers



Turbomachinery & Process Solutions (TPS)

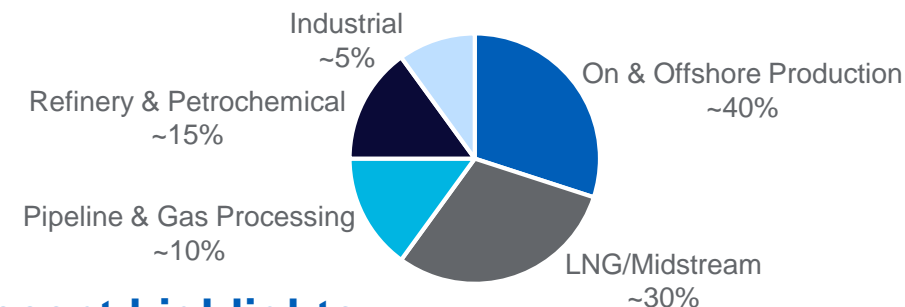


Financials (\$ in billions)



Business overview

- Technology leader in LNG & upstream production
- Proven track record in the most challenging projects
- Significant installed base ... \$13B service backlog (RPO)
- ~40% Equipment / ~60% After-market Services revenue in 2018
- Last 4-year equipment revenue split:



Recent highlights

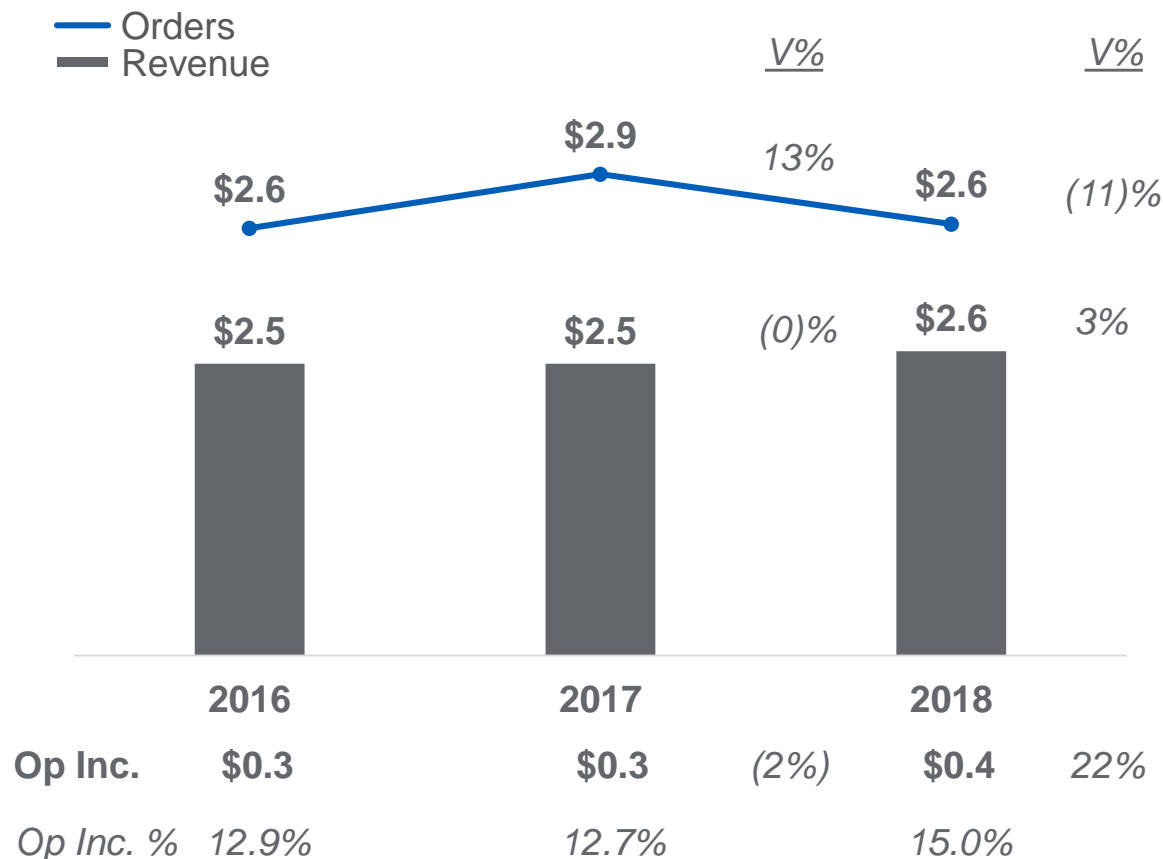
- Awarded liquefaction trains for Golden Pass LNG in Q1'19
- Won turbomachinery equipment for LNG Canada in Q4'18
- Awarded Corpus Christi LNG Train 3 liquefaction system in Q2'18
- Selected for major LNG project in Arctic region in Q4'18
- Providing gas turbine generators for Johan Castberg & Mero FPSOs
- Awarded compression equipment for Sepia FPSO
- Won gas compression for Haradh and Hawiyah gas fields
- Awarded power generation equipment for Halfaya oilfield



Digital Solutions (DS)

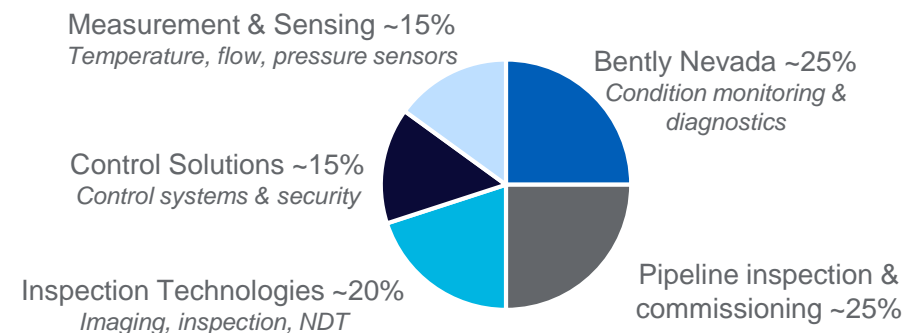


Financials (\$ in billions)



Business overview

- Best in class measurement & sensing technology
- Differentiated software offerings
- Leader in critical inspection technology
- Last 4-year revenue split:



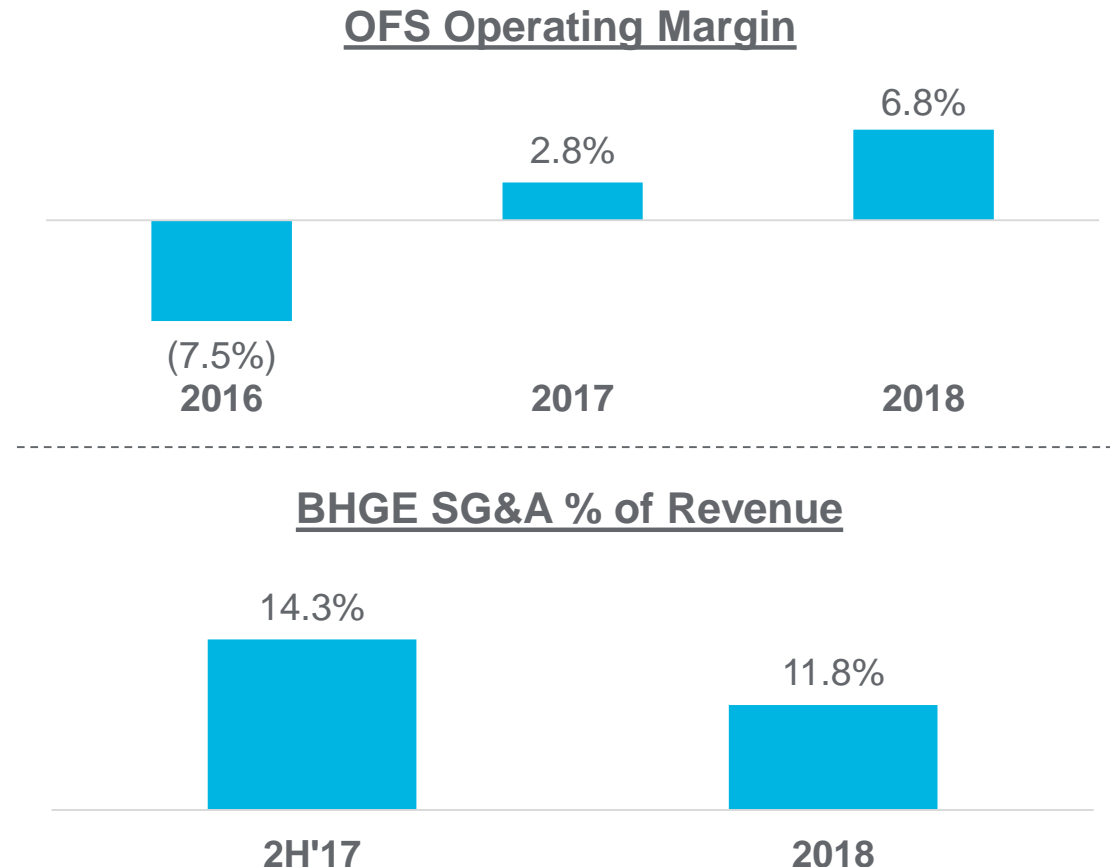
Recent highlights

- Achieved significant operational improvements together with BP through BHGE Plant Operations Advisor
- Formed partnership with NVIDIA to further advance image recognition technology in the oil and gas industry
- Formed leading pipeline inspections business



2018 progress on strategic priority to increase margin rates

Delivering on our priorities in 2018



2016 and 2017 financials are on a combined business basis (non-GAAP)

Clear plans in place for 2019 and beyond

① Continue synergy execution

- \$0.8B in 2018 ... \$0.1B ahead of plan
- \$1.2B in 2019 ... \$1.0B of cost, \$0.2B of revenue
- \$1.6B in 2020 ... \$1.2B of cost, \$0.4B of revenue

② Continue to expand OFS margins ... close gap to peers

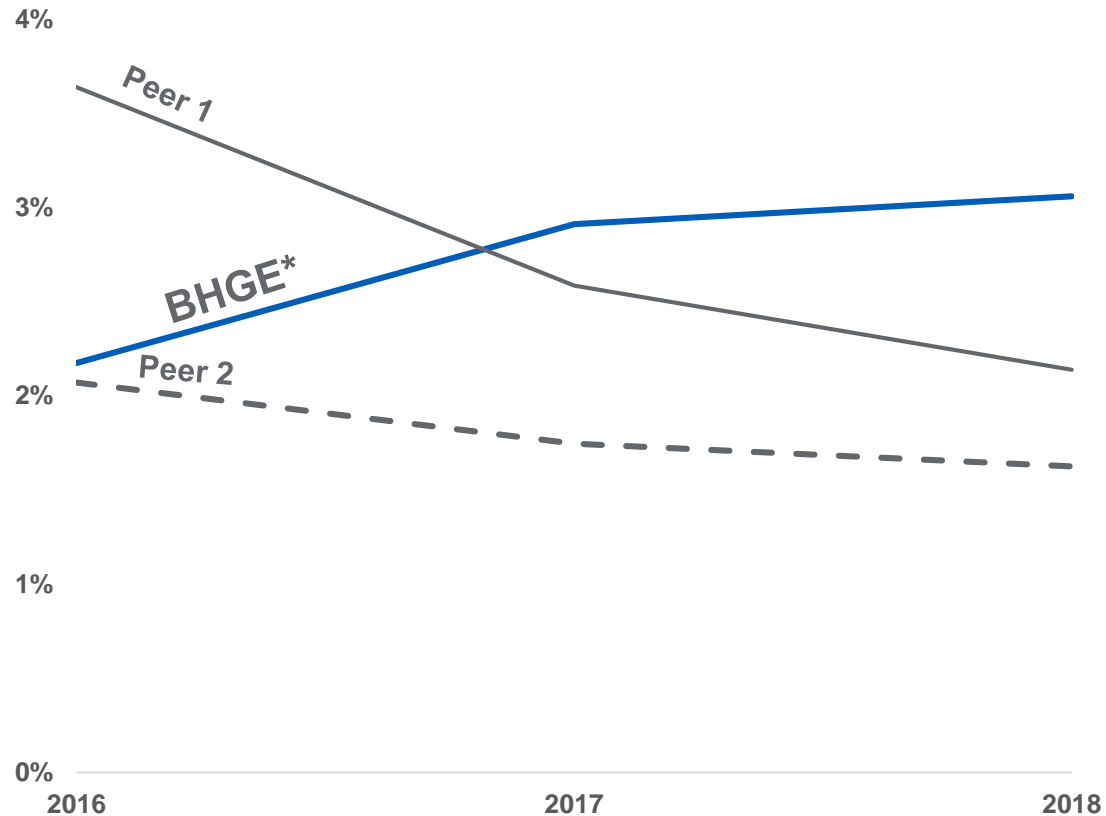
- Optimize service delivery cost
- Increase asset utilization
- Product cost out

③ TPS ... \$0.2B annualized cost out

- Rationalizing structure
- Lower product and service costs ... from product design to manufacturing to installation

Preparing BHGE for a bright future ... we continue to invest in leading technology

R&D % of revenue ... continuing to invest



Building on a strong technology heritage

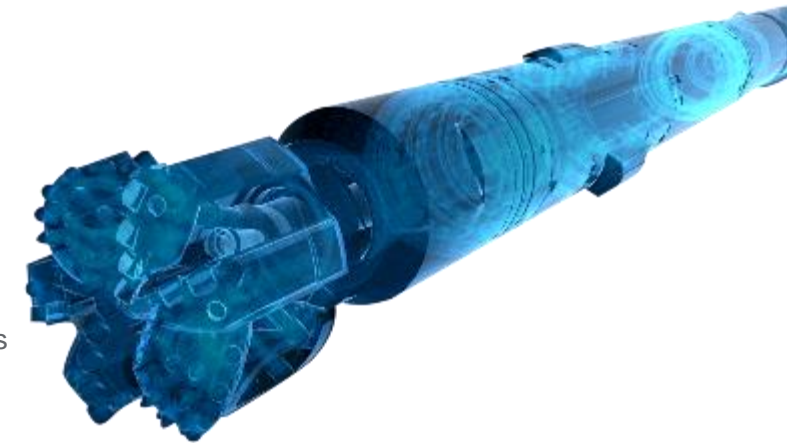


~2,700
patents registered in 2018

\$700M
2018 R&D spend

8,000+
engineers & scientists

10+
global technology centers



2018 ... continued disciplined capital allocation & progress on improving working capital processes

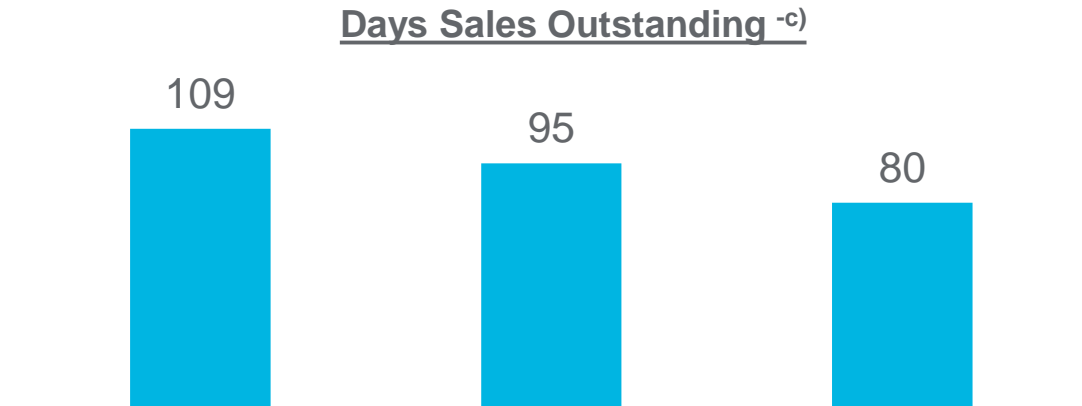
2018 highlights

CFOA	\$1.8B
Net Capex	\$0.5B (2.3% of revenue)
FCF (non-GAAP)	\$1.2B
Dividends:	\$0.8B
Stock Buyback:	\$2.5B (VWAP: \$25.70/sh)
Shares outstanding ^{-a)}	Class A: 514.9M; Class B: 521.5M
Net Debt (non-GAAP) ^{-b)}	\$3.4B

Focus remains unchanged

- ~90% FCF conversion over time
- CAPEX up to 5% of revenue
- Return 40-50% of net income to shareholders
- Maintain investment grade rating – currently A- / A3

Processes improving ... more work to do



Executive incentive compensation metrics

Short-term financial metrics

Revenue

Operating Income

Free cash flow

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Long-term performance metrics

Relative return on
invested capital

Relative total
shareholder return

Our compensation metrics are aligned to shareholder returns



Summary

- Broad portfolio ... multiple growth trajectories
- Differentiated long- and short-cycle businesses
- Significant aftermarket service business
- Sustainable lower-than-peer group capital intensity
- Clear strategy to deliver value to shareholders: focused on share, margins, cash
- Executive compensation fully aligned ... ROIC, TSR

BHGE is a differentiated investment opportunity

Appendix



Historical financials

(\$ in millions)

<u>Orders</u>	<u>TY'16</u>	<u>1Q'17</u>	<u>2Q'17</u>	<u>3Q'17</u>	<u>4Q'17</u>	<u>TY'17</u>	<u>1Q'18</u>	<u>2Q'18</u>	<u>3Q'18</u>	<u>4Q'18</u>	<u>TY'18</u>
Oilfield Services	\$10,242	\$2,397	\$2,530	\$2,734	\$2,765	\$10,426	\$2,640	\$2,866	\$3,011	\$3,051	\$11,569
Oilfield Equipment	2,218	476	797	760	515	2,548	499	1,035	553	1,041	3,129
Turbomachinery & Process Solutions	5,851	1,314	1,556	1,334	1,728	5,932	1,450	1,498	1,552	2,123	6,624
Digital Solutions	2,588	631	674	918	694	2,916	649	637	629	668	2,583
Total BHGE Orders	\$20,899	\$4,817	\$5,557	\$5,745	\$5,701	\$21,821	\$5,238	\$6,036	\$5,746	\$6,884	\$23,904
<u>Revenue</u>											
Oilfield Services	\$10,181	\$2,390	\$2,529	\$2,661	\$2,781	\$10,361	\$2,678	\$2,884	\$2,993	\$3,062	\$11,617
Oilfield Equipment	3,541	716	681	613	650	2,661	664	617	631	729	2,641
Turbomachinery & Process Solutions	6,668	1,644	1,586	1,414	1,651	6,295	1,460	1,385	1,389	1,782	6,015
Digital Solutions	2,526	573	620	614	717	2,524	598	662	653	691	2,604
Total BHGE Revenue	\$22,915	\$5,324	\$5,416	\$5,301	\$5,799	\$21,841	\$5,399	\$5,548	\$5,665	\$6,264	\$22,877
<u>Segment operating income (loss)</u>											
Oilfield Services	\$(765)	\$76	\$26	\$88	\$102	\$292	\$141	\$189	\$231	\$224	\$785
Oilfield Equipment	305	50	17	(41)	(1)	26	(6)	(12)	6	12	0
Turbomachinery & Process Solutions	1,058	252	122	134	157	665	119	113	132	257	621
Digital Solutions	325	63	62	77	118	320	73	96	106	115	390
Total BHGE segment operating income (loss)	\$924	\$442	\$227	\$258	\$376	\$1,302	\$327	\$387	\$475	\$609	\$1,796
Corporate	\$(515)	\$(158)	\$(107)	\$(88)	\$(92)	\$(446)	\$(98)	\$(98)	\$(98)	\$(110)	\$(405)
Merger, impairment, restructuring & other	\$(1,876)	\$(244)	\$(264)	\$(363)	\$(395)	\$(1,265)	\$(269)	\$(211)	\$(95)	\$(116)	\$(691)
Operating income (loss) (GAAP)	\$(1,467)	\$39	\$(145)	\$(193)	\$(111)	\$(409)	\$(41)	\$78	\$282	\$382	\$701
Adjusted operating income (Non-GAAP)	\$409	\$283	\$119	\$170	\$284	\$856	\$228	\$289	\$377	\$498	\$1,391
Depreciation & Amortization	n/m	\$351	\$344	\$380	\$425	\$1,501	\$388	\$392	\$353	\$352	\$1,486



Non-GAAP reconciliations (1/2)

(\$ in millions)

Reconciliation of GAAP and combined business basis measures used in this presentation

	BHGE ^(a)				Add: Baker Hughes				Combined business basis			
<u>Consolidated results</u>	<u>TY'16</u>	<u>1Q'17</u>	<u>2Q'17</u>	<u>TY'17</u>	<u>TY'16</u>	<u>1Q'17</u>	<u>2Q'17</u>	<u>TY'17</u>	<u>TY'16</u>	<u>1Q'17</u>	<u>2Q'17</u>	<u>TY'17</u>
Revenue	13,082	3,064	3,015	17,179	9,833	2,260	2,401	4,662	22,915	5,324	5,416	21,841
Operating income / (loss) (GAAP)	457	86	(66)	(284)	(1,924)	(47)	(79)	(125)	(1,467)	39	(145)	(409)
Operating income / (loss) (adjusted)	1,144	207	82	745	(735)	76	37	111	409	283	119	856
Corporate operating loss	(375)	(120)	(70)	(370)	(140)	(38)	(38)	(76)	(515)	(158)	(107)	(446)
Impairment of goodwill	-	-	-	-	(1,858)	-	-	-	(1,858)	-	-	-
Inventory impairment	(138)	(15)	(4)	(244)	(617)	-	-	-	(755)	(15)	(4)	(244)
Restructuring, impairment & other	(516)	(42)	(59)	(412)	(2,014)	(90)	(67)	(157)	(2,531)	(132)	(126)	(569)
Merger and related costs	(33)	(66)	(85)	(373)	3,301	(31)	(49)	(80)	3,267	(97)	(134)	(453)
<u>Oilfield Services</u>												
Revenue	788	212	228	5,881	9,393	2,177	2,301	4,480	10,181	2,390	2,529	10,361
Operating income / (loss)	(207)	(57)	(66)	67	(558)	133	92	225	(765)	76	26	292
<u>Digital Solutions</u>												
Revenue	2,086	491	520	2,342	440	82	100	182	2,526	573	620	2,524
Operating income / (loss)	363	84	79	357	(38)	(21)	(17)	(37)	325	63	62	320



(a- TY'16 results include only GE Oil and Gas; TY'17 represents BHGE results

Note: certain columns and rows may not add up due to the use of rounded numbers

Non-GAAP reconciliations (2/2)

(\$ in millions)

Reconciliation of GAAP and Adjusted Operating Income/(Loss)

	<u>TY'16</u>	<u>1Q'17</u>	<u>2Q'17</u>	<u>3Q'17</u>	<u>4Q'17</u>	<u>TY'17</u>	<u>1Q'18</u>	<u>2Q'18</u>	<u>3Q'18</u>	<u>4Q'18</u>	<u>TY'18</u>
Operating income (loss) (GAAP)	\$(1,467)	\$39	\$(145)	\$(193)	\$(111)	\$(409)	\$(41)	\$78	\$282	\$382	\$701
Inventory impairment and related charges	(755)	(15)	(4)	(12)	(213)	(244)	(61)	(15)	(12)	(16)	(105)
Goodwill impairment	(1,858)	-	-	-	-	-	-	-	-	-	-
Impairment and restructuring charges	(2,531)	(132)	(126)	(191)	(119)	(569)	(162)	(146)	(66)	(59)	(433)
Merger and related costs	3,267	(97)	(134)	(159)	(63)	(453)	(46)	(50)	(17)	(41)	(153)
Total operating income adjustments	(1,876)	(244)	(264)	(362)	(395)	(1,265)	(269)	(211)	(95)	(116)	(691)
Adjusted operating income (Non-GAAP)	\$409	\$283	\$119	\$170	\$284	\$856	\$228	\$289	\$377	\$498	\$1,391



