



# Bernstein Strategic Decisions Conference

May 27, 2020

Lorenzo Simonelli – Chairman & CEO



Copyright 2020 Baker Hughes Company. All rights reserved. The information contained in this document is company confidential and proprietary property of Baker Hughes and its affiliates. It is to be used only for the benefit of Baker Hughes and may not be distributed, transmitted, reproduced, altered or used for any purpose without the express written consent of Baker Hughes.

Good morning. It is a pleasure to be participating in Bernstein's Strategic Decisions Conference this year. I would like to thank Bernstein and Nick Green especially for the invitation to speak.

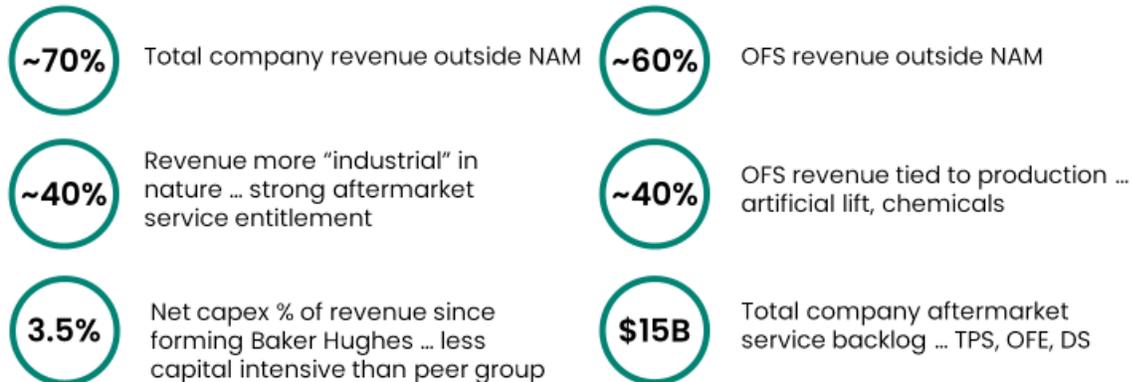
Baker Hughes is most likely a new name for many of you attending this conference, so thank you for taking the time to learn more about our company. We are uniquely positioned to navigate the challenges facing the market today.

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 period ended December 31, 2019 and quarterly reports on Form 10-Q for the period ended March 31, 2020 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.bakerhughes.com](http://www.investors.bakerhughes.com) or through the SEC's Electronic Data Gathering and Analysis Retrieval ("EDGAR") system at: [www.sec.gov](http://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; however, management believes that using additional non-GAAP measures will enhance the evaluation of the profitability of the Company and its ongoing operations. See the Appendix of this presentation for a reconciliation of GAAP to non-GAAP financial measures.

Before I begin, please note the disclosure around forward-looking statements that I may make today. As always, please refer to our latest SEC filings for further details.

## Baker Hughes today is not an ordinary OFSE company



Our strategic priorities are focused on building a differentiated energy technology company

3

Revenue splits represent average of 2017-2019 on a combined business basis  
Copyright 2020 Baker Hughes Company. All rights reserved.

**Baker Hughes** 

The competitive landscape for oilfield services and equipment companies has changed significantly over the past five years. Some services that we once provided have seen an influx of new competitors that operate off a lower cost base and have become somewhat commoditized over time. It is more critical than ever that we continue to focus on areas where we generate real value for our customers with technology and service integration.

Baker Hughes has a very differentiated set of product companies today, and we will continue to further enhance this portfolio in the future.

Today our company revenues are approximately 70% international, and 60% of our OFS business is international.

Within our OFS segment we are also focused on areas where we have differentiation, that are less volatile, and generate better returns. Approximately 40% of our global OFS revenues over the last three years have been production related with strong positions in artificial lift and production chemicals. These businesses tend to be less volatile than drilling and completion activity and have historically provided more stability to our overall OFS portfolio.

Outside of OFS, we have some very differentiated businesses across the company that are more industrial in nature, with significant after-market service opportunities. Two examples are our Turbomachinery and Digital Solutions segments, which are unique to our peer group and provide a diversification of revenue and earnings outside of the traditional upstream oil and gas space.

Our portfolio is also significantly less capital intensive than our peer group. Since we formed Baker Hughes, we have spent 3.5% of revenues on net capex, and as I will discuss later on, we are taking steps to reduce our capital spending even further.

In summary, this is not your ordinary oilfield service and equipment company. We are a differentiated energy technology company that will continue to drive towards a more balanced, through-cycle revenue profile, which can achieve peer-leading free cash flow conversion and returns.

## Built to navigate a volatile environment

### Differentiated portfolio & strong balance sheet

- Combination of long- and short-cycle businesses across the energy value chain
- \$15B aftermarket services backlog
- 70% of revenue outside NAM
- Strong liquidity - \$2.9B cash + \$3B undrawn RCF
- A3/A- investment grade rating

### Focused on right-sizing operations and generating FCF

- Highest priority is generating FCF while protecting balance sheet
- Reducing capex by at least 20%
- Taking out \$700M annualized cost
- Accelerating structural changes
- Leveraging digital and remote operations capabilities to drive cost reductions

As our industry faces the current crisis, I would like to emphasize that Baker Hughes is built to withstand a volatile market, and we are taking steps to further strengthen our position.

We have a unique portfolio of businesses that span the entire energy value chain, with opportunities to expand into more industrial and chemical end markets.

Our long-cycle businesses provide a significant backlog of equipment which we will convert over the next few years. Importantly, we have a \$15 billion aftermarket services backlog that is long-lived, provides a relatively stable revenue stream, and is highly accretive to margins.

As I highlighted on the prior page, 70% of our revenue comes from outside North America, which should help us outperform as the North America market undergoes a severe reduction in activity and future capital spending.

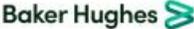
Additionally, we have a strong balance sheet and ample liquidity with nearly \$3 billion of cash on hand, a \$3 billion undrawn revolving credit facility, as well as access to commercial paper and other uncommitted lines of credit. Our intention is to preserve our investment grade rating throughout this cycle.

In response to the current pandemic and the resulting fall-out in the oil and gas sector, we are actively taking steps to right-size our operations and generating free cash flow. We have announced plans to reduce capex by at least 20% and take out \$700M of annualized cost by accelerating structural operational changes, leveraging digital technologies and remote capabilities.

# Our strategy

- Leading product companies**
  - Innovative products & services
  - Integrated solutions
- Lead with technology**
  - Advanced manufacturing
  - Digital transformation
- Lead the energy transition**
  - Gas value chain
  - Low carbon energy solutions

5 Copyright 2020 Baker Hughes Company. All rights reserved.



Despite the downturn facing the industry and the cost-out initiatives we are executing, our corporate strategy remains clearly focused on being the leading energy technology company to help the industry facilitate the energy transition.

Our product companies are executing on this strategy by continuing to build innovative products, services, and solutions that address our customers' most pressing needs.

We continue to invest in and utilize technologies around manufacturing techniques and digital capabilities that underpin the offerings of our product companies.

We also continue to focus on leading the energy transition, by leveraging our position across the gas value chain and our core strength in compression technology to introduce low carbon solutions across our portfolio.

Now more than ever, our customers will demand technology and solutions from our product companies that will drive increased productivity and efficiency, both to achieve their carbon reduction goals and to navigate the current macro environment. This gives us an opportunity to engage with them on new commercial models focused on outcomes, and new technical and operational solutions focused on improving efficiency and maximizing value.

# Baker Hughes ... an unparalleled portfolio

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

## Oilfield Services

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



## Oilfield Equipment

Leading subsea production & flexibles portfolio  
Strong execution & technology pipeline  
Flexible partnerships & commercial models



## Turbomachinery & Process Solutions

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



## Digital Solutions

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



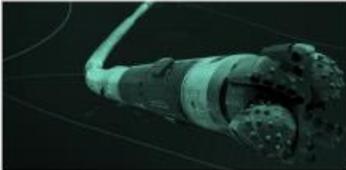
As I have mentioned, we deliver across the energy value chain through our four product companies. These are all technology leaders in the markets in which they compete, with strong track records of executing on the most challenging customer projects.

Now I will take you through each of them in a bit more detail.

# Oilfield Services (OFS)

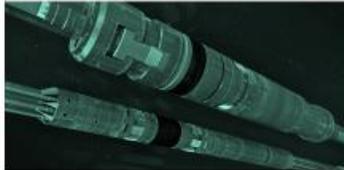
## Drilling

- Drilling Services
- Drill Bits
- Drilling & Completion Fluids
- Wireline Services



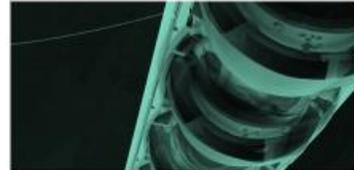
## Completions

- Completions & Well Intervention
- International Pressure Pumping
- Wireline Services



## Production

- Artificial Lift Systems
- Oilfield & Industrial Chemicals

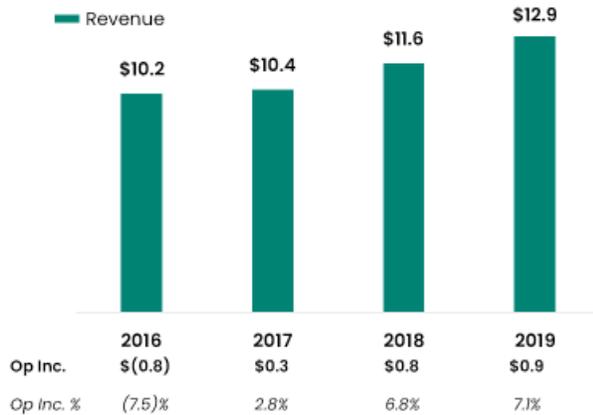


Our largest segment, Oilfield Services, is effectively the legacy Baker Hughes business, an industry leading products and solutions provider to the upstream oil and gas sector.

In this segment we have a long history of innovation and technology differentiation, resulting in strong positions in both well construction and production. The core strengths of the business are in drilling services, high-end completion tools, artificial lift, and chemicals.

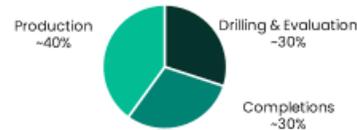
## Oilfield Services

### Financials (\$ in billions)



### Business overview

- ~100-year legacy, strong technology
- Core strengths around drilling services, artificial lift, chemicals, and select high-end completion tools
- ~40% North America / ~60% International revenues
- ~40% production oriented ... Artificial Lift and Chemicals



### Taking action to address market challenges

- Right-sizing the business for expected lower activity
- Accelerating structural changes to operations
- Exiting underperforming product lines ... e.g. sale of RLS

8

2016 and 2017 financials are on a combined business basis (non-GAAP); Revenue splits represent average of 2017-2019 on a combined business basis. Copyright 2020 Baker Hughes Company. All rights reserved.



Since we closed the merger in July 2017, we have significantly improved the profitability of the OFS business, and meaningfully increased our international revenue base.

Over the past three years, OFS has generated approximately 60% of its revenue outside of North America. This positions us well for the current downturn where North America is seeing a more severe decline in activity. Additionally, our strong presence in the Middle East should provide somewhat of a buffer to the downward pressures on international activity.

On our first quarter earnings call we highlighted the challenges that the OFS segment will face in 2020 given the severe decline in oil prices from the COVID-19 pandemic. We indicated at that time that we expect North American activity and spending to decline over 50% in 2020 versus 2019 levels and expected international activity to decline between 10% and 15%. Based on the continued weakness in commodity prices and conversations with our customers over the last month, our outlook remains the same.

To address these market challenges, the OFS business is taking meaningful action. First, we are reducing our headcount and facilities footprint to align with expected levels of activity.

Second, we are accelerating broader structural changes we were already planning and have outlined over the past 6 months. These initiatives include accelerating our transformation efforts in global procurement and supply chain, shifting and consolidating our manufacturing base, and expanding the use of remote operations and multi-skilling on a global basis. The initial target of this plan was to drive significant operational and cost improvements in our service delivery capabilities over 24 months. Although volume levels will clearly be lower than when we initially developed this plan, we believe that we can still capture many of these cost savings.

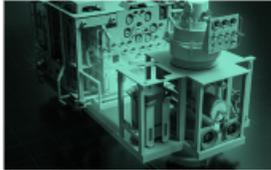
Third, we are exiting underperforming product lines. By exiting some of the smaller, commoditized business lines in our portfolio, we will be rationalizing a small percentage of our OFS revenue base that is dilutive to overall OFS margins and returns, allowing us to focus more on our core strengths. For example, we reached an agreement to sell our rod lift solutions business, and we have shut down our full-service drilling and completion fluids business in North America.

We will continue to evaluate the portfolio and cost base of the OFS business as this market cycle unfolds, acting where required to address product lines or geographies that do not meet our return requirements.

# Oilfield Equipment (OFE)

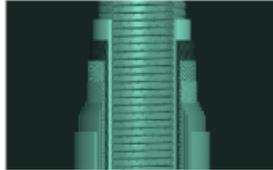
## Subsea Production Systems & Services

- Subsea wellheads, trees, controls, manifolds, electric solutions & connection sys.
- Power & processing
- Engineering studies
- Installation & commissioning
- Intervention & well access
- Asset integrity management



## Flexible Pipe Systems

- Dynamic flexible pipes
- Static flexible pipes
- Flexible pipes integrity management systems
- Installation & commissioning
- Non-metallics



## Surface Pressure Control

- Surface wellheads
- Flow control valves and actuators (surface trees)
- After-market services
- Frac rental services



## Subsea & Surface Drilling Systems

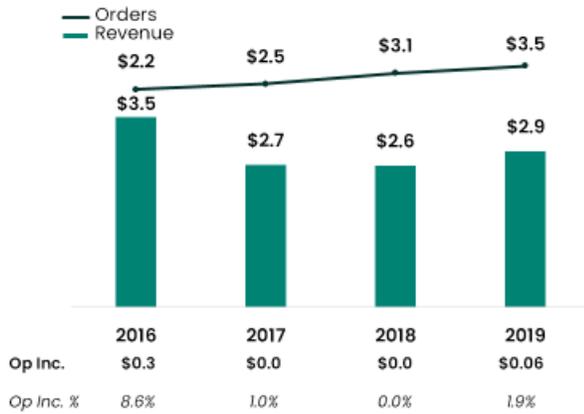
- Equipment & services for floaters, jack-up & land rigs
- Annular & ram BOP systems
- BOP control systems
- Marine risers, connectors, diverters, choke & valves
- Asset monitoring & analytics
- After-market services



Next is our Oilfield Equipment segment, which offers a full suite of subsea production systems, flexible pipes including non-metallics, surface pressure control systems, and subsea and surface drilling systems.

# Oilfield Equipment

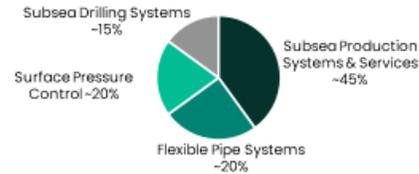
## Financials (\$ in billions)



10 2016 and 2017 financials are on a combined business basis (non-GAAP)  
Copyright 2020 Baker Hughes Company. All rights reserved.

## Business overview

- Leading subsea production systems & flexible pipes
- Collaborative partnerships & new models
- New Subsea Connect & Aptara™ TOTEX-Lite Subsea System
- Expanding use of non-metallic flexibles
- Last 4-year revenue split:



## Taking action to address market challenges

- Right-sizing the business for expected lower activity
- Reducing structural cost



In our OFE business we have made significant progress in recent years to reinvent our approach to subsea, launching our Subsea Connect strategy and the Aptara family of products, which fundamentally lower the cost of development for our customers.

We have also taken a collaborative approach in partnering with offshore EPCI providers to deliver integrated offerings to customers. This has allowed us to return to our historical market position over the past two years, and build significant equipment backlog.

We also continue to explore new opportunities in the non-metallic flexible pipe space, as we believe this is a significant growth area going forward, both in the traditional oil and gas arena, as well as other industrial end-markets.

That said, the business does face market headwinds as a result of the decline in commodity prices. Our expectation is that the demand for subsea equipment and flexibles will decline significantly in 2020, and that surface pressure control equipment will see similar challenges as North America activity declines materially.

As a result, we are taking decisive action to right-size the business by reducing headcount and facility footprint, as well as reducing our structural cost by shifting and consolidating our manufacturing base.

# Turbomachinery & Process Solutions (TPS)

## Drivers

- Aeroderivative gas turbines
- Heavy duty gas turbines
- NovalT gas turbines
- API steam turbines
- Hot gas and turbo expanders



## Compressors & Pumps

- Centrifugal and axial compressors
- Integrated compressor line
- API reciprocating compressors
- Subsea compression
- Centrifugal pumps



## Solutions

- Modules
- Waste heat recovery
- Small scale LNG & CNG
- Control systems
- Process, control and safety valves
- Air-cooled heat exchangers
- Gear solutions and bearings



## Services

- Contractual service agreements
- Spares
- Field service engineers
- Repairs
- Upgrades
- Predictivity solutions
- Customer training
- Optimization apps



Moving to the Turbomachinery and Process Solutions segment.

The core of our TPS business is providing driver and compressor technology for applications including LNG liquefaction, onshore and offshore production, refining and petrochemical, and various industrial applications.

We have a large installed base supporting a \$13 billion after-market services backlog, and we have a long history of executing highly complex projects in some of the most challenging environments across the globe.

## Turbomachinery & Process Solutions

### Financials (\$ in billions)

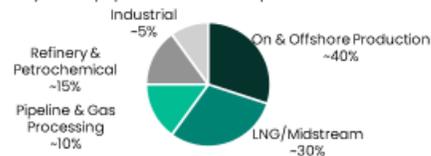


2016 and 2017 financials are on a combined business basis (non-GAAP)  
Copyright 2020 Baker Hughes Company. All rights reserved.

12

### Business overview

- Technology leader in LNG & upstream production
- Proven track record in the most challenging projects
- Significant installed base ... \$13B service backlog (RPO)
- ~420 MTPA of global LNG capacity driven by TPS technology
- 36% Equipment / 64% After-market Services revenue in 2019
- Last 4-year equipment revenue split:



### Taking action to address market challenges

- Expanding offerings for the energy transition
- Continuing growth in industrial end-markets
- Focus on executing on existing backlog



Our TPS business has secured more than \$14 billion of orders over the past two years, enabling us to build a strong backlog of projects across multiple end-markets.

In addition to the strong equipment backlog, our services franchise provides a relatively stable, high margin revenue stream that is driven by our global installed base of turbines and compressors. Last year, Services represented 64% of overall TPS revenues.

While having a strong backlog and a leading position in the LNG market is beneficial in these challenging times, we remain focused on taking the necessary steps to navigate the current environment. At the same time, we are also taking steps to leverage the core technologies in TPS to capitalize on growth opportunities we see developing from the evolving energy landscape.

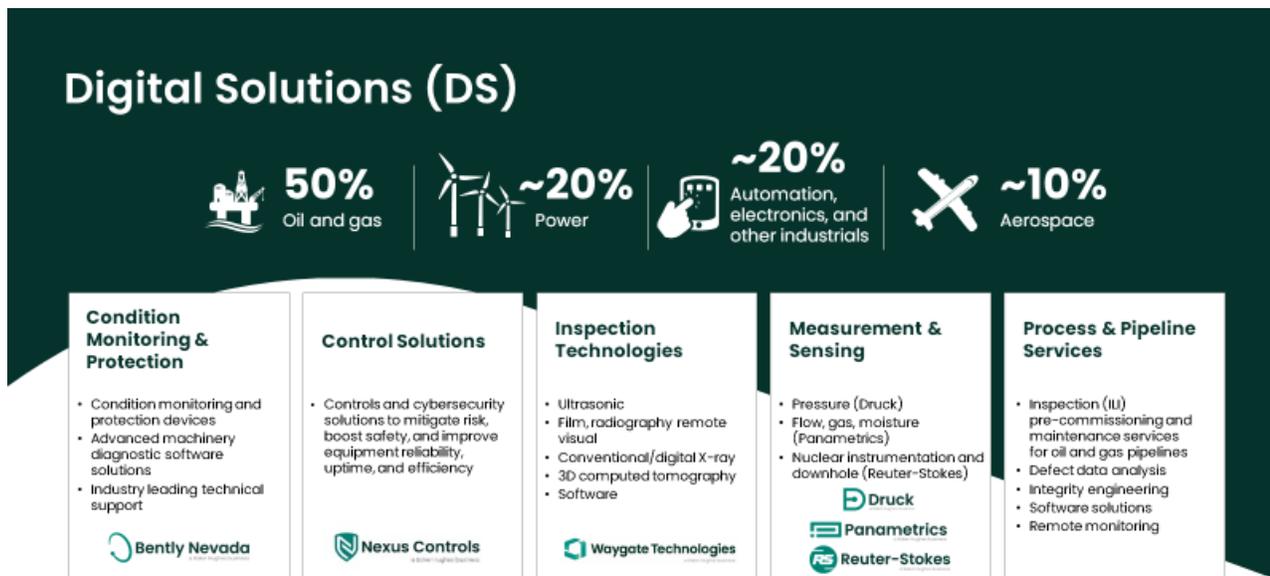
First, we are focused on successfully executing our existing backlog. Our team has executed incredibly well, especially given the exceptional circumstances over the past few months in Italy, where TPS has the majority of its operations. We received essential business designation from the Italian government and have been able to maintain operations through the quarantine period due to our importance to the oil and gas industry. While all of our plants are operational, we have not been running at full capacity and the situation remains very fluid.

In addition to managing existing projects, we are working to expand our offerings for the energy transition. Our core TPS technologies in compression have the capability to help deliver Carbon Capture, Utilization, and Storage, and we are actively marketing these solutions to customers today.

As another example, our turbomachinery equipment can be used to help deliver mechanical storage of energy for use in peak demand for renewables, enabling customers to store and deliver renewable-sourced energy to the grid efficiently and effectively.

We are also actively exploring opportunities in the hydrogen value chain, in both transportation and production. In one application, we reconfigured one of our gas turbine generators to operate 100% on hydrogen.

In addition to opportunities related to energy transition, we are also targeting growth opportunities in industrial end-markets. As an example, we have utilized our expertise in gas turbine technology to develop and launch the NovaLT family. This new class of turbine builds on TPS's deep domain experience in the rotating equipment space. This product line targets the industrial markets and lower-megawatt applications where we had not previously competed such as distributed power, electric frac, and pulp and paper.

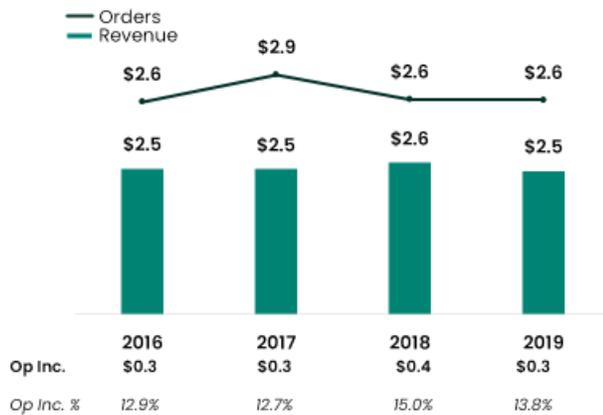


The Digital Solutions business includes a range of industrial businesses serving the oil and gas and power markets as well as aerospace, automotive, and other industrial sectors. Our portfolio in DS includes market leading technology in condition monitoring and diagnostics, as well as solid positions in inspection technology, controls, measurement and sensing, and pipeline inspection solutions.

By serving a range of end-markets across multiple product lines, our DS segment helps provide diversity to our portfolio and provides key technologies to help position Baker Hughes to capitalize on industrialization trends across the energy sector.

## Digital Solutions

### Financials (\$ in billions)

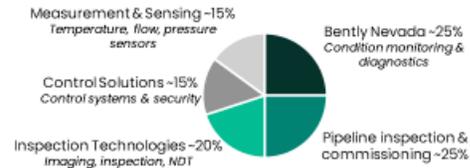


14

2016 and 2017 financials are on a combined business basis (non-GAAP)  
Copyright 2020 Baker Hughes Company. All rights reserved.

### Business overview

- Market leader in condition monitoring for natural gas and wind turbines
- Best in class measurement & sensing technology
- Leader in critical inspection technology
- Last 4-year revenue split:



### Taking action to address market challenges

- Simplifying & flattening organization structure
- Reducing structural cost
- Accelerating digitization efforts with BakerHughesC3.ai



The DS segment has historically been a stable business that tracks global GDP given the broad range of end markets in which it operates. Given its strong presence in North America, Europe, and Asia Pacific and its exposure to end markets like aerospace and automotive, we expect the business to be meaningfully impacted by global GDP declines as well as oil and gas trends.

To address these challenges, we are taking decisive action to reduce costs.

First, we have simplified the organization’s structure to operate more efficiently at lower cost. Through this process, we have identified opportunities to streamline certain functions and are taking meaningful steps in accelerating the flattening of our organizational structure. Not only will these actions help to lower costs but should also lead to better-informed decisions and faster response times to customer needs and changes in the ever-evolving business environment.

Second, we are reducing our structural cost through these organizational initiatives as well as shifting and consolidating our manufacturing base.

Finally, we are accelerating our digitization efforts in our joint venture with C3.ai as customers seek to rapidly increase efficiency and lower the cost base of their operations.

## Lead with technology

### Leveraging remote capabilities

- COVID-19 accelerating use of remote operations and investment in remote capabilities
- Increasing use of remote drilling and completion operations globally ... HSE benefits and reduced non-productive time
- Conducted first virtual string test of LNG compression train in 1Q'20 for Calcasieu Pass LNG
- First virtual compressor test in 2Q'20 for LNG Canada
- Enhanced remote options for TPS field service engineers ... SmartHelmet™ with integrated video and audio to connect with remote experts

### Formed alliance to deliver AI solutions



- Nov 2019: Formed alliance bringing enterprise AI solutions to the energy industry on Microsoft Azure
- Enabling streamline adoption of scalable AI solutions for the energy industry to promote safety, reliability, and sustainability

Now I would like to spend more time on the second aspect of our strategy, and that is leading with technology.

Various market forces are pushing a broad industrialization of the energy markets, which means driving efficiency and lower costs across all parts of the value chain. The early stages of this downturn have only accelerated this trend with a growing number of customers around the world encouraging the use of cost-saving technologies.

One example of this is remote drilling and completion operations. After establishing a successful remote drilling track record in the Marcellus basin, the North Sea, and China, we are having promising discussions with several customers about utilizing this technology going forward in an effort to lower operating costs.

Another example of pushing forward with new technology is our ability to run a virtual string test, a process that proves the engineering, functionality, and performance of our turbomachinery equipment. We recently performed a virtual string test on the first compression train for Venture Global's Calcasieu Pass project, which used cutting edge virtual technology to connect 21 people in five cities around the world to facilitate, run, and observe the test. We also completed the first virtual compressor test for LNG Canada early in the second quarter.

Additionally, together with C3.ai and Microsoft, we launched an alliance to bring enterprise artificial intelligence solutions to the energy industry on Microsoft Azure, an industry-leading cloud computing platform.

This alliance will enable customers to streamline the adoption of scalable AI solutions for the energy industry that help promote safety, reliability, and sustainability.

It leverages the significant energy technology expertise of Baker Hughes, C3.ai's proven AI platform and applications, and the Microsoft Azure cloud computing platform.

These solutions are tailored to address challenges across the entire value chain, from inventory optimization and energy management to predictive maintenance and process and equipment reliability.

## Leading the energy transition

We have committed to **achieve net-zero carbon eq. emissions** by 2050, and invest in new technologies to **help customers reduce their emissions.**

### Low carbon solutions available today

Flaring, venting & fugitive emissions



Efficient power gen & compression



Efficient oilfield & subsea development



Renewables & alternative energy



### Emerging market themes

Carbon capture, use and storage



Hydrogen fuel value chain



Energy storage



Advanced materials



The third aspect of our strategy is to lead the energy transition.

As you know, Energy Transition is an important topic that has gained a significant amount of momentum in the industry and the investment community over the last six to twelve months.

As we have stated previously, Baker Hughes is firmly committed to playing a leading role in a lower carbon future. More than one year ago we made our own commitment to achieve net-zero carbon emissions by 2050, and our corporate strategy remains clearly focused on being the leading energy technology company to help facilitate the energy transition.

As we look ahead to the next two decades, there are various published forecasts on the long-term demand outlook for hydrocarbons, and the expected growth rate for renewable energy sources. Our view remains that in almost any scenario, natural gas will be the key transition fuel and destination fuel for a lower carbon future. As a result, we believe that natural gas demand will grow at more than twice the pace of oil over the next 10 years and that LNG demand growth will be higher still at an annual rate of 4 to 5%.

Against this market backdrop, we believe that Baker Hughes is uniquely positioned to provide technologies and solutions that help our customers lower their carbon footprint. While there is strong recognition of our world-class LNG franchise, our broad portfolio also offers a wide range of products that help customers lower their carbon footprint today and that are directly tied to the continued growth in renewable energy sources.

Some examples of these products are well known, like our LM9000 aeroderivative gas turbine, which can reduce NOx emissions by 40% and overall CO2 equivalent emissions by up to 25% compared to alternative turbines in its class. However, there are broader, system-level uses where our TPS equipment has the opportunity to be deployed in carbon reduction applications.

I noted these to you earlier when describing TPS, but as a reminder they include compression for CCUS as well as energy storage, which enables customers to store and deliver renewable-sourced energy to the grid efficiently and effectively.

In addition, we see three new technology areas emerging as part of the Energy Transition, for which our Digital Solutions segment is uniquely positioned.

The first is emissions monitoring, where our products such as Lumen and Avitas are directly applicable. Lumen is a suite of methane monitoring and inspection solutions, and Avitas offers smart inspection and monitoring service solutions in both land and aerial applications.

The second area is emissions reduction, where our Flare.IQ system allows operators to reduce flaring emissions by 90%.

The third area is condition monitoring for renewables, specifically in wind turbine applications. Our Bently Nevada business has monitoring devices which ensure detectability of the most costly and critical drive-train failure modes, deployed on more than 32,000 wind turbines globally – a tremendous installed base we have built over the last decade.

While these technologies combined represent a small percentage of Baker Hughes' overall revenue today, they are products and services that we believe have great growth potential and also provide a strong platform for future product introductions and carbon-based initiatives with customers.

## Focusing on our strategic goals

### Right-size operations

- Optimize workforce & facilities for lower activity levels
- Accelerate structural changes in supply chain & service delivery
- Simplify & flatten organization



### Portfolio evolution

- Expand into industrial / chemicals value chain
- Position for energy transition
- Leverage strength across the gas value chain



### Digital capability

- Drive greater efficiency
- Safer, more reliable operations
- Leverage C3.ai, internally and externally



As we navigate this challenging market backdrop, we are focused on three near term strategic goals that will help us execute on our long-term corporate strategy.

First, we are right-sizing our operations, and we have taken decisive actions in our effort to cut costs, accelerate structural changes, and deploy technology and optimize processes that can lower costs for our customers.

These cost-out initiatives are designed to respond to near-term activity declines, as well as anticipated longer-term structural changes for the industry. Some of these actions are an acceleration of the broader structural changes we have outlined over the past two quarters in order to drive improvement in margins and a greater level of operating efficiency.

Second, we will continue to execute on our portfolio evolution strategy to reshape the company over the coming years. The current market environment reinforces our view on this strategic objective.

Given the already challenged outlook for some product lines to generate financial returns, which will be compounded by the decline in commodity prices and forecasted reduction in activity levels, we are accelerating the exit of non-core product lines in multiple countries around the world. For example, we recently signed an agreement for the sale of our rod lift solutions business within OFS, and in North America we are shutting down our full-service drilling and completion fluids business, as well as ceasing operations in a number of smaller, commoditized completions-driven businesses.

Although the near-term focus on our portfolio are divestitures and some product line exits, we will continue to evaluate opportunities to invest or partner in areas that generate more stable earnings and higher returns. These actions align with our objectives of transitioning the portfolio to a higher mix of industrial and chemical end markets and capitalizing on energy transition-related growth opportunities.

Third, we will continue to leverage our digital capability to drive greater efficiency as well as safe and more reliable operations for our customers together with our AI partner C3. Our collective goal is to deliver artificial intelligence that is faster, easier, and more scalable.

The C3 Suite is currently being used by leading oil & gas companies and in a number of other industries. Together with C3 we are delivering their existing technology to oil and gas customers and collaborating on new AI applications specific for oil and gas outcomes.

## Continued emphasis on free cash flow

### Delivering on FCF potential, capital discipline

**\$1.2B / \$1.2B**

FCF generated  
in '18 / '19

**~3.5%**

CAPEX as % of  
revenue since  
deal close

**\$2.1 billion**

Dividends  
paid since  
deal close

**A3 / A-**

Investment grade  
rating

### Taking action to maintain financial strength

- Investing in restructuring to deliver \$700M in annual cost savings
- Reducing capex by at least 20%
- Exiting underperforming product lines
- Opportunistic \$500M debt raise in April '20 at attractive rate
- Strong liquidity position ... \$2.9B cash, \$3B undrawn RCF, access to commercial paper & uncommitted lines of credit

As I highlighted earlier, our commitment through this downturn is to maintain a strong balance sheet and deliver free cash flow. In the last two years we have demonstrated our ability to generate strong free cash flow and return capital to shareholders.

We have also remained disciplined in our capital spend, limiting net capex to 3.5% of revenue since deal closure in 2017. This cash generation ability and capital discipline has helped to support our investment grade rating.

Our balance sheet is of the utmost importance, and we are taking action to maintain the financial strength of Baker Hughes. We are investing in restructuring to deliver \$700 million in annualized cost savings, reducing our capital spend by at least 20%, and exiting underperforming product lines. Additionally, in April we executed an opportunistic \$500 million debt issuance. This supports an already strong liquidity position at the end of the first quarter of \$2.9 billion in cash, a \$3 billion undrawn revolving credit facility, as well as access to commercial paper and other uncommitted lines of credit.

## Summary ... a company fit for an evolving market

- Unique portfolio of long- & short-cycle businesses ... \$15B aftermarket services backlog
- Leveraging distinctive core competencies for the energy transition
- Addressing market challenges ... reducing capex by at least 20%, \$700M annualized cost-out program, accelerating structural changes to operations & organization
- Focused on maintaining strong balance sheet & liquidity

As we wrap up today, I want to leave you with a few key points on why we believe Baker Hughes is a company fit for this evolving market.

We have a unique portfolio of long- and short-cycle businesses with a strong backlog of nearly \$23 billion, including \$15 billion of highly accretive aftermarket services.

We are leveraging our distinctive core competencies for the energy transition, positioning the company to be the leading player as the market evolves.

We are addressing these challenges head-on, by reducing our capital spend, launching a \$700 million cost-out program, and accelerating structural changes to make our business more efficient.

Finally, we are laser focused on maintaining the strength of our balance sheet and our liquidity position throughout this downturn.

Thank you very much for your time today and thank you again to Bernstein and Nick Green for the invitation. I look forward to seeing you all soon.

