

**BAKER  
HUGHES**  
a GE company



# Barclays 2017 CEO Energy-Power Conference

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The financial results included herein are unaudited and have not been reviewed by our independent accountants. The results reported in these historical financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year or future periods. In addition, as part of the BHGE integration, we will continue to assess our business operations and may, if and when appropriate, modify our operating and financial reporting structure, which may result in adjustments to our historical financial statements.






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# 65 days in ... CEO thoughts

- ✓ BHGE solutions even more critical in uncertain environment
- ✓ Customer feedback overwhelmingly positive
- ✓ GE and public shareholder priorities fully aligned
- ✓ Integration team executing well ... employees excited and engaged
- ✓ BHGE uniquely positioned ... broad portfolio, global reach, leading technology
- ✓ Strategic rationale for combination strong ... great deal for investors

# Experienced BHGE leadership team ... best of both companies

## Product & regional leadership team

	<b>Maria Claudia Borrás</b>	Oilfield Services ✓ <b>25</b> years in <b>O&amp;G</b> , 20 w/ BHI
	<b>Neil Saunders</b>	Oilfield Equipment ✓ <b>25</b> years in <b>O&amp;G</b> industry
	<b>Rod Christie</b>	Turbomachinery & Process Solutions ✓ <b>30</b> years in <b>Energy &amp; Power</b>
	<b>Matthias Heilmann</b>	Digital Solutions ✓ <b>20</b> years in <b>technology</b>
	<b>Belgacem Chariag</b>	Global Operations ✓ <b>O&amp;G</b> industry <b>veteran</b>

## Corporate leaders

	<b>Brian Worrell</b>	CFO ✓ <b>25</b> years in <b>GE finance</b>
	<b>Derek Mathieson</b>	Marketing & Technology ✓ <b>25</b> years in <b>O&amp;G</b>
	<b>Jody Markopoulos</b>	Engineering & Supply Chain ✓ <b>24</b> years in <b>GE ops</b>
	<b>Uwem Ukpong</b>	Integration ✓ <b>22</b> years in <b>O&amp;G</b>
	<b>Jack Hinton</b>	HSE ✓ <b>38</b> years in <b>HSE</b>

- ✓ Leadership team has significant experience in O&G industry ... best of both companies
- ✓ Limiting re-orgs & leadership changes ... no execution disruptions

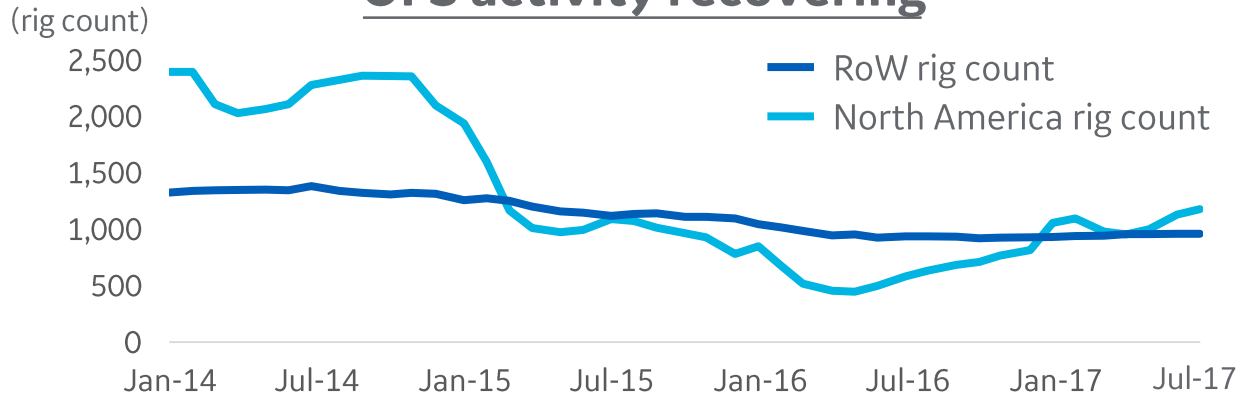
# Priorities

- 1 Execute for customers ... strengthen presence in key basins
- 2 Deliver on synergies & execute to full potential
- 3 Bring cultures together ... combine dynamic of the oilfield & process rigor
- 4 Generate above peer group shareholder returns
- 5 Maintain technology DNA & leadership

- ✓ **Grow market share**
- ✓ **Increase margin rates**
- ✓ **Above peer group cash conversion**

# Market weaker vs deal signing ... long-term fundamentals remain intact

## OFS activity recovering

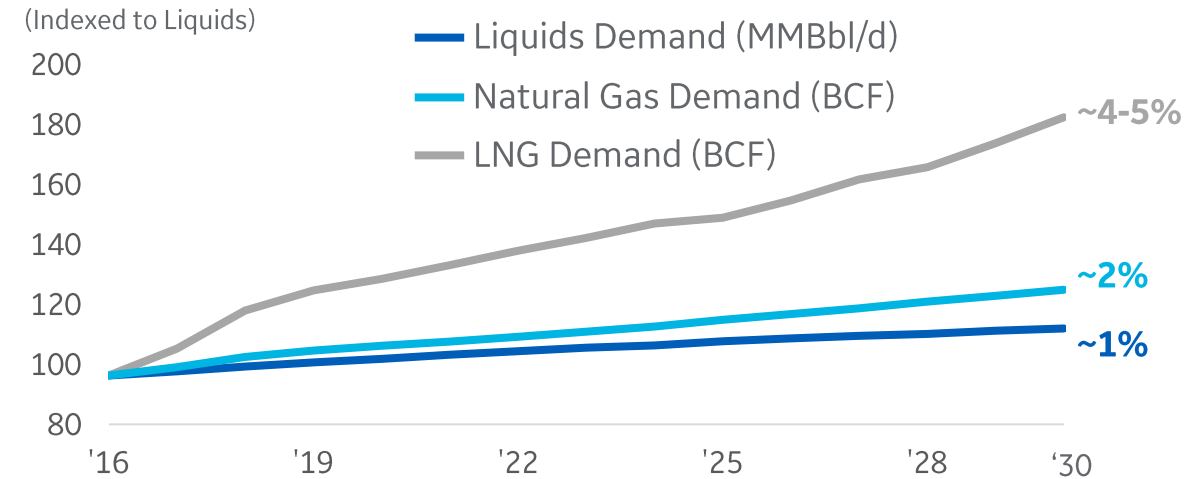


✓ US up 45% since Q4'16, RoW up 3% ... pricing challenging

## Long cycle businesses recovering slower

- ✓ **Subsea** ... remains at low levels
- ✓ **Drilling** ... utilization at historic lows
- ✓ **LNG** ... high uncertainty ... some positive signs

## Long term demand forecast



## BHGE positioning

- ✓ Liquids portfolio spans E&P to refining
- ✓ Natural gas full value chain solutions
- ✓ Leader in LNG compression technology

**BHGE uniquely positioned across the hydrocarbon value chain ... exposure to higher growth markets**

# Baker Hughes, a GE company ... broad solutions for customers, investing in leading technology through the cycle

## Differentiated portfolio ... leading franchises



### Oilfield Services

- Drilling Services, Logging & Evaluation, Completions & Production, Artificial lift + Industrial Services



### Turbomachinery & Process Solutions

- Centrifugal & Reciprocating Compressors + Drivers, (Gas & Steam turbines, Aero derivatives), Aftermarket Services



### Oilfield Equipment

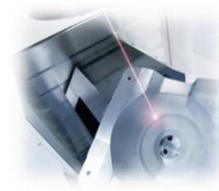
- Subsea Production Systems, BOPs, Flexible Risers, Wellheads, Subsea Services, Surface Pressure Control



### Digital Solutions

- Measuring & sensing technology, software + pipeline inspection

## Driving technology synergies



### Additive manufacturing

- ✓ Fewer parts, faster development, ↓ cost



### Advanced sensor analytics deployment

- ✓ ↑ Drilling productivity, accuracy



### Downhole rechargeable batteries

- ✓ Lower non-productive time

**World's only fullstream Oil & Gas company ... ~70,000 employees in 120+ countries<sup>a)</sup>**

# Technology leader ... from exploration to production



## Advanced drilling

- ✓ TerrAdapt™ ... improved penetration, ↓ impact damage
- ✓ Increased automation, lower CAPEX & operating costs



## Artificial Lift

- ✓ Life of Well ... asset & well optimization ... oilfield power



## NOVA LT & LM family

- ✓ Nova efficiency ↑, LM9000: emissions ↓ 50%, TCO ↓ 13%



## Drone inspection

- ✓ ↓ inspection costs ... ↑ safety & cycle-time

- ✓ Continuing to invest in R&D through the cycle ... ~3% of sales annually
- ✓ Technology investment + GE Store access = unmatched reach



# Twinza Oil ... executing on fullstream capabilities

## Deal overview



- ✓ **Industry first** agreement for fullstream offering<sup>-a)</sup>
- ✓ Uses **BHGE full capability** to deliver integrated services & equipment with **state of the art** approach
- ✓ Delivers **increased synergies** while **reducing integration** risk for Twinza
- ✓ **BHGE financing** enables appraisal drilling & project advancement

## Fullstream products & services included



- Wide range of drilling services



- Subsea equipment and commissioning



- Gas compression and turbomachinery



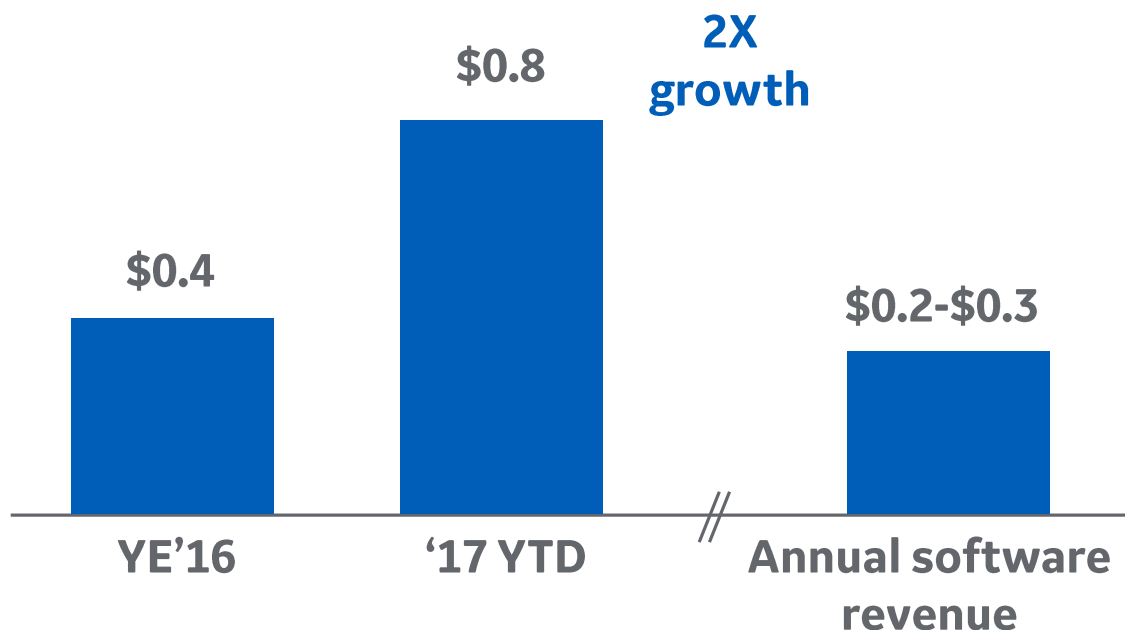
- Financing solutions to complete appraisal

**Won as a result of differentiated capability across the value chain**

# Expanding software solutions leadership

(\$ in billions)

## Digital commitments



- Digital commitments up ~2x since 2016
- Expanding suite of offerings ... tangible progress with customers



## Expanding leadership position

- Grow the core ... System 1, Meridium, Smart Signal, Ambit ... installed based across **1,500+** customers
- Build & grow franchise around Predix ... IntelliStream in 4Q'17 ... **~6,000** wells already connected

**PREDIX**    IntelliStream™

- Expand presence with key global customers ... partner to drive digital transformation
  - ↓ Non-productive time
  - ↓ Cost per barrel
  - ↑ Recovery factor

# BHGE differentiators

## Broadest offerings

*Unique ability to deliver productivity for customers*

- ✓ Fullstream: differentiated capability from drilling to refinery
- ✓ Integrated GE scope ... Power, Grid, GE Capital financing
- ✓ Services ... proven ability to partner with customers for productivity

## Most balanced portfolio

*Stable earnings profile throughout cycles ... increasing visibility*

- ✓ Balanced exposure across upstream, midstream, downstream
- ✓ Leader in LNG & gas ... fastest growing fossil fuel
- ✓ \$15B+ long-term services backlog ... stable revenue streams

## Innovation engine

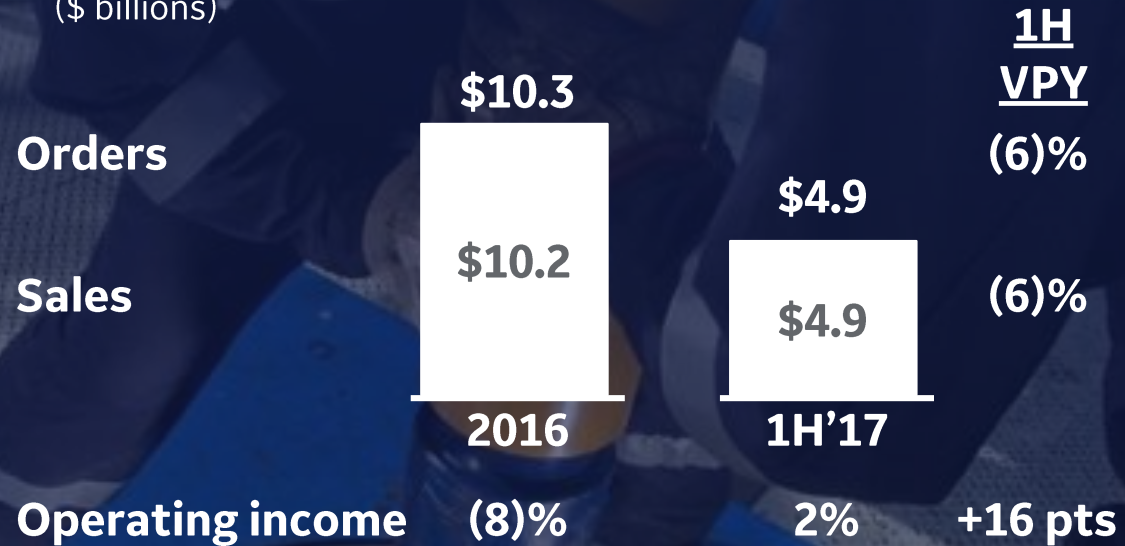
*Technology & digitally driven ... revolutionizing the oilfield*

- ✓ Digital capability is real ... '17 software commitments up 2x
- ✓ Additive technology ... step change for manufacturing
- ✓ GE Store ... Aviation engines, Healthcare sensors, GRC materials

**Differentiated versus all peers in the sector**

# Leading technology provider in Oilfield Services

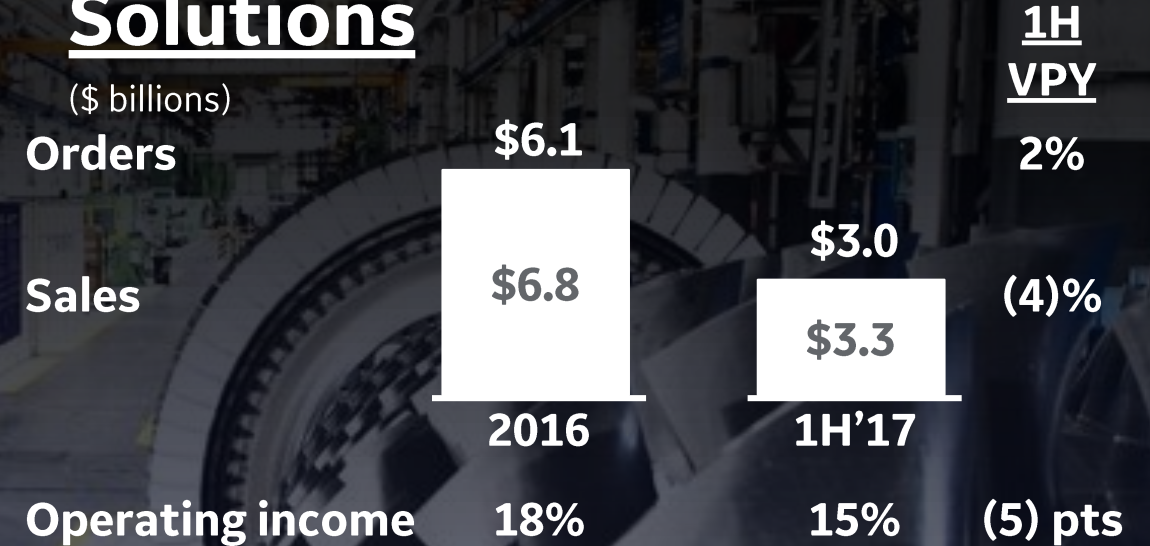
(\$ billions)



- ✓ 100-year legacy, technology focused
- ✓ Industry leading products and solutions ... strong global presence
- ✓ Focus on execution, reliability & cost ... increase market share

# Global technology leader in Turbomachinery & Process Solutions

(\$ billions)



- ✓ Strong LNG exposure ... >300 MTPA globally powered by BHGE technology
- ✓ Significant installed base ... ~3,500 centrifugal compressors, ~3,000 GT's ... \$13B+ service backlog
- ✓ Strong operating margins through cycle

# Unique product offerings in Oilfield Equipment

(\$ billions)

	2016	1H'17	<u>1H</u> <u>VPY</u>
Orders	\$2.2	\$1.3	40%
Sales	\$3.5	\$1.4	(27)%
Operating income	9%	4%	(3) pts

- ✓ Strong execution & technology pipeline
- ✓ Well positioned with key customers ... market remains challenging
- ✓ Fullstream strategy ... launch new business models

# Industry leading Digital Solutions

(\$ billions)

	2016	1H'17	<u>1H</u> <u>VPY</u>
Orders	\$2.7	\$1.3	(2)%
Sales	\$2.6	\$1.2	(4)%
Operating income	12%	8%	- pts

- ✓ Best in class sensing & measurement technology ... 4MM+ sensors installed
- ✓ >10 PB data under management
- ✓ Differentiated software offerings ... >120 APM customers ... \$0.8B in '17 commitments
- ✓ Diverse end-market exposure ... O&G ~40%

# Integration priorities

- 1** Clear message, interface with customers
  - ✓ 1,500+ customer meetings to date
- 2** Focus on culture ... no bureaucracy ... best idea wins
  - ✓ 200+ townhalls ... employees engaged
- 3** Staff leadership positions early ... drive clarity and accountability
  - ✓ All leadership positions staffed ... teams focused on execution
- 4** No execution disruption
  - ✓ Goals & objectives clearly communicated ... teams aligned and executing

# Deal synergies on track

SG&A



- ✓ Headcount actions ahead of schedule ... executing multiple waves of restructuring
- ✓ Office relocations underway ... from 5 to 2 major offices in Houston by 12/31

Global supply chain



- ✓ Implemented lower logistics rates between legacy BHI and GE O&G
- ✓ Two supplier summits held ... launched \$1B+ RFQs packages

Commercial



- ✓ Twinza announced ... fullstream solutions are real
- ✓ Sales team enablement ahead of schedule ... global accounts in place

**All workstreams on or ahead of schedule**

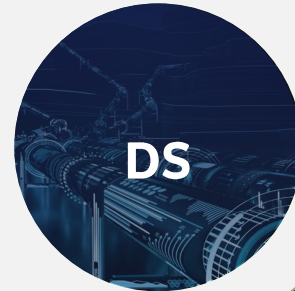
# How we work

## Global Operations

- Global Sales
- Integrated operations
- Regional execution
- Key accounts

## Product companies

- Business strategy
- Integrated operations
- New products
- Cost management



## Global functions

- HSE
- Finance
- Eng. & Supply Chain
- Marketing & Technology
- Legal
- HR

GE Store

- ✓ **Integrated projects & services**
- ✓ **Efficient & reliable fulfillment**
- ✓ **Focus on customers & growth**
- ✓ **Leverage scale of BHGE**



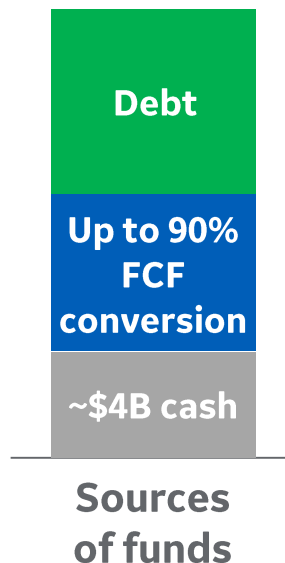
# Capital allocation priorities ... next 12 months

## Significant value creation opportunity

Strong balance sheet  
+

Opportunity to increase leverage  
+

High cash conversion



## Balanced approach ... prioritize highest return alternatives

### Return capital to shareholders

- ✓ Share buybacks
- ✓ Dividends

### Growth investments ... disciplined approach

- ✓ High-returns restructuring projects
- ✓ Accretive M&A

### Maintain strong balance sheet

- ✓ Investment grade rating

Significant opportunity to invest in the business + return capital to shareholders

# Executive compensation focused on shareholder value drivers

## Executive compensation philosophy

- ✓ Ensure leadership team alignment to investor priorities
- ✓ Majority of pay is performance based
- ✓ CEO: ~90% variable compensation, ~10% fixed
- ✓ Named executive officers: ~80% variable, ~20% fixed

## Incentive compensation plan

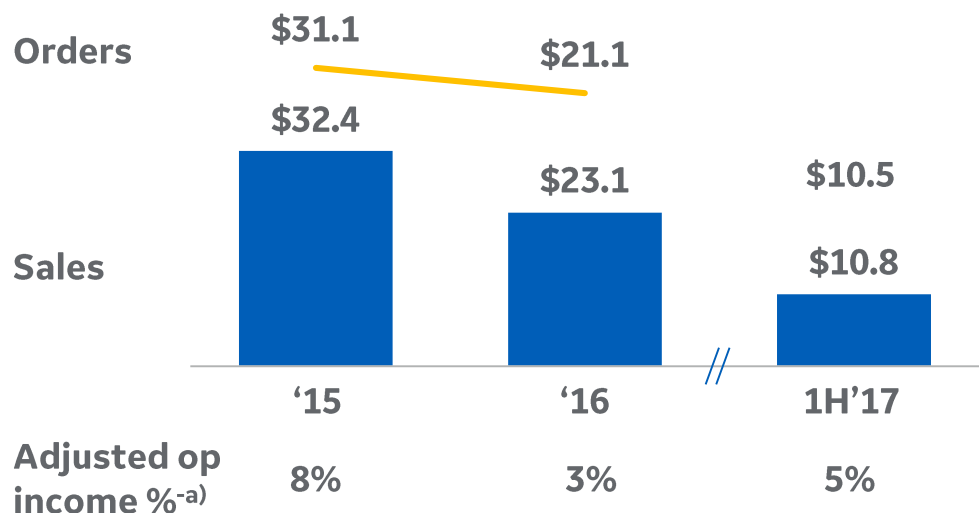


**Incentive compensation targets fully aligned with investor priorities**

# Financials

(\$ in billions)

## Financial performance



- ✓ Expecting short cycle businesses to improve in 2H '17
- ✓ Continued delays in longer-cycle equipment businesses

## Environment vs. deal announcement

- = NAM activity growing but with pricing headwinds
- International onshore recovering slower
- Long-cycle activity delayed further
- Customer OPEX related activity softer
- + Operationalizing Digital ... active pipeline
- = Synergies on track ... strong project pipeline

✓ '17 lower than anticipated at deal signing

✓ Expecting businesses to grow in '18, however off a lower '17 base

# BHGE ... differentiated investment opportunity

- **Integrated solutions + digital capability** position us extremely well with customers
- **Broad, diversified portfolio** ... provides higher earnings stability
- Best-in class **technology** supported by **GE Store** ... differentiator in industry
- **Strong leadership team** ... executing integration, incentives aligned with shareholders
- **Unique ability to invest** ... balanced approach between growth & shareholder returns
- **Significant synergy opportunities** & upside over time

- ✓ **Grow market share**
- ✓ **Increase margin rates**
- ✓ **Above peer group cash conversion**

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