





# Review

During a year with record financial results, Baker Hughes continued to invest in people, technology and infrastructure to help oil and gas companies advance reservoir performance. We delivered advanced technology and services to support unconventional gas and deepwater projects in North America, geared up for growing activity in Latin America, and expanded our capabilities to meet client needs in the Eastern Hemisphere. Below are highlights from Baker Hughes operations around the world.

## Canada

In Canada, total rig count was up 11% from 2007, as oil-directed drilling increased 33%. Our horizontal well technology helped operators exploit the Williston basin oil plays in Saskatchewan. We introduced our casing drilling technology in the arctic Mckenzie delta and in the Canadian Rockies. We also provided drill bits, chemical services, completion tools and high temperature ESP systems for oil sand and Steam Assisted Gravity Drainage projects.

## U.S. Land

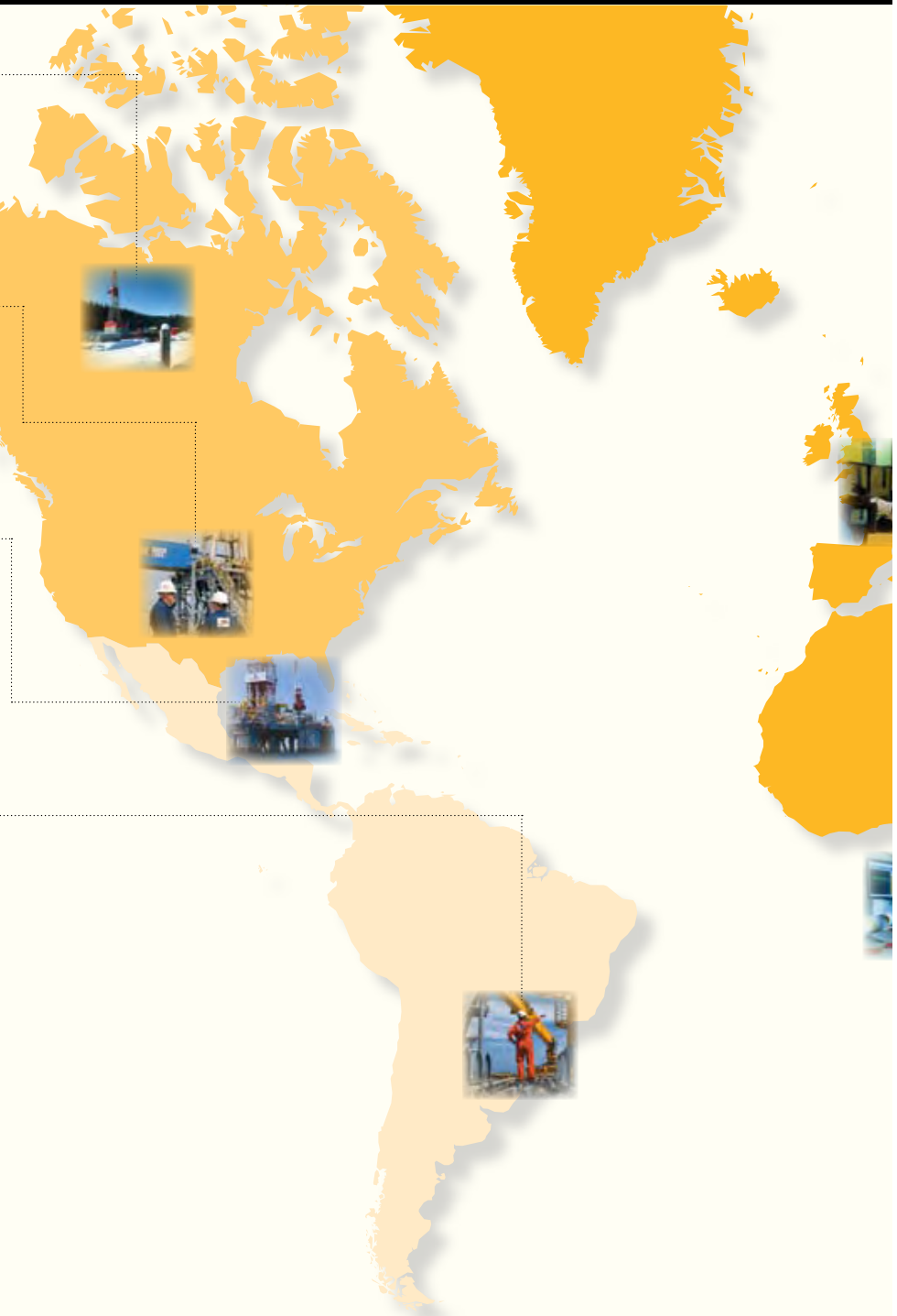
In the U.S. land market, Baker Hughes was well positioned to support operators in unconventional gas basins with horizontal drilling, evaluation and completion technology. Our artificial lift, specialty chemical and permanent monitoring product lines helped optimize production from mature fields. We inaugurated our new Center for Technology Innovation in Houston, and opened a number of new operations facilities across the country.

## U.S. Offshore

Offshore U.S., deepwater operators benefited from Baker Hughes technology and experience. Our drilling fluids experts demonstrated their leadership in deep water with new synthetic fluids and advanced hydraulics engineering. Our directional drilling and LWD experts continued their record of reliability in drilling through and beneath salt formations. Our completions, intelligent well technology, and flow assurance services helped optimize deepwater production. And we installed ESP systems in innovative booster systems for subsea wells.

## Latin America

In Latin America, Baker Hughes opened a new facility in Macaé, Brazil and expanded operations there to support deepwater and pre-salt directional drilling and LWD services, while adding capabilities to provide drilling fluids throughout the country. Our artificial lift systems helped clients throughout Latin America maximize oil recovery, and we introduced new pumping systems for water injection. Baker Hughes also managed two integrated operations projects in Colombia during the year and prepared for a major integrated project offshore Mexico to commence in 2009.





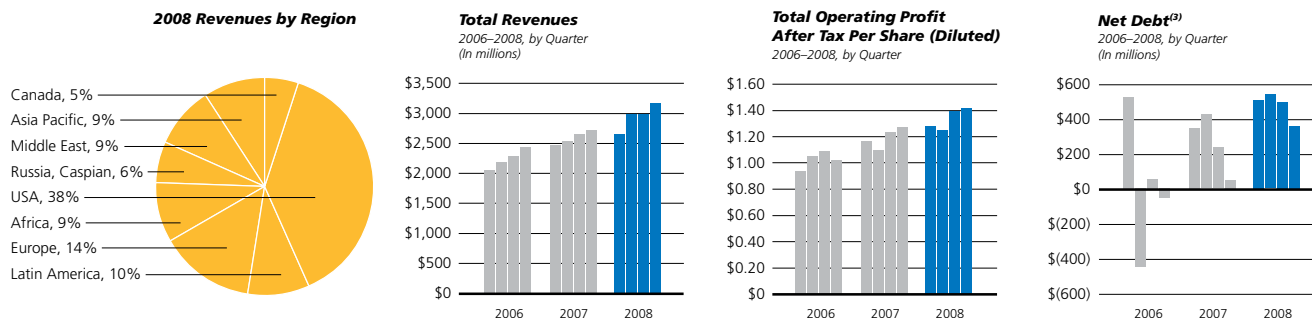
## Selected Financial Highlights

(In millions, except per share amounts)	Year Ended December 31,				
	2008	2007	2006	2005	2004
<b>As Reported:</b>					
Revenues	\$ 11,864	\$ 10,428	\$ 9,027	\$ 7,185	\$ 6,080
Operating income	2,376	2,278	1,934	1,233	817
Income from continuing operations	1,635	1,514	2,399	874	526
Income before cumulative effect of accounting change	1,635	1,514	2,419	879	529
Net income	1,635	1,514	2,419	878	529
<b>Per share of common stock:</b>					
Income from continuing operations:					
Basic	\$ 5.32	\$ 4.76	\$ 7.26	\$ 2.58	\$ 1.57
Diluted	5.30	4.73	7.21	2.56	1.57
Net income:					
Basic	\$ 5.32	\$ 4.76	\$ 7.32	\$ 2.59	\$ 1.58
Diluted	5.30	4.73	7.27	2.57	1.58
Dividends	\$ 0.56	\$ 0.52	\$ 0.52	\$ 0.48	\$ 0.46
<b>Number of shares:</b>					
Outstanding at year end	309	315	320	342	337
Average during year	307	318	331	339	334
<b>Reconciliation from As Reported to operating profit:</b>					
Income from continuing operations	\$ 1,635	\$ 1,514	\$ 2,399	\$ 874	\$ 526
Non-operational items, net of tax <sup>(1)</sup>	–	–	(1,035)	–	–
Operating profit after tax <sup>(2)</sup>	\$ 1,635	\$ 1,514	\$ 1,364	\$ 874	\$ 526
<b>Per share of common stock:</b>					
Operating profit after tax:					
Basic	\$ 5.32	\$ 4.76	\$ 4.12	\$ 2.58	\$ 1.57
Diluted	5.30	4.73	4.10	2.56	1.57
<b>Cash, cash equivalents and short-term investments</b>	\$ 1,955	\$ 1,054	\$ 1,104	\$ 774	\$ 319
Working capital	4,634	3,837	3,346	2,479	1,738
Total assets	11,861	9,857	8,706	7,807	6,821
Total debt	2,333	1,084	1,075	1,088	1,162
Stockholders' equity	6,807	6,306	5,243	4,698	3,895
Total debt/equity ratio	34%	17%	21%	23%	30%
<b>Number of Employees (thousands)</b>	39.8	35.8	34.6	29.1	26.9

Note: The above excludes the results of Baker SPD, Baker Hughes Mining Tools, BIRD Machine, EIMCO Process Equipment, and our oil producing operations in West Africa, all discontinued businesses.

<sup>(1)</sup> Includes gain on sale of our interest in affiliate, restructuring charges and reversals and impairment of investment in affiliate. Additional information of each item can be found on our website at [www.bakerhughes.com/investor](http://www.bakerhughes.com/investor).

<sup>(2)</sup> Operating profit after tax is a non-GAAP measure comprised of income from continuing operations excluding the impact of certain non-operational items. We believe that operating profit after tax is useful to investors because it is a consistent measure of the underlying results of our business. Furthermore, management uses operating profit internally as a measure of the performance of our operations.



<sup>(3)</sup> Net debt is a non-GAAP measure comprised of total debt less cash, and cash equivalents. We believe that net debt is useful to investors because it is a consistent measure of the underlying results of our business.

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.