

BAKER HUGHES INC

Form 425

October 31, 2016

Filed by General Electric Company

Pursuant to Rule 425 under the Securities Act of 1933

And deemed filed pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: Baker Hughes Incorporated

Commission File No.: 001-09397

Date: October 31, 2016

October 31, 2016

Baker Hughes, a GE Company

Baker Hughes, a GE Company

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Additional Information and Where to Find It

In connection with the proposed transaction between GE and Baker Hughes, the new NYSE listed corporation ("Newco") will prepare and file with the SEC a registration statement on Form S-4 that will include a combined proxy statement/prospectus of Newco and Baker Hughes (the "Combined Proxy Statement/Prospectus"). Baker Hughes and Newco will prepare and file the Combined Proxy Statement/Prospectus with the SEC, and Baker Hughes will mail the Combined Proxy Statement/Prospectus to its stockholders and file other documents regarding the proposed transaction with the SEC. This communication is not a substitute for any proxy statement, registration statement, proxy statement/prospectus or other documents Baker Hughes and/or Newco may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THE COMBINED PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, ANY AMENDMENTS OR SUPPLEMENTS TO THE COMBINED PROXY STATEMENT/PROSPECTUS, AND OTHER DOCUMENTS FILED BY BAKER HUGHES OR Newco WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, BECAUSE THESE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of the Combined Proxy Statement/Prospectus and other documents filed with the SEC by Baker Hughes and/or Newco through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Investors and security holders will also be able to obtain free copies of the documents filed by Newco and/or Baker Hughes with the SEC on Baker Hughes' website at <http://www.bakerhughes.com> or by contacting Baker Hughes Investor Relations at [alondra.oteyza@bakerhughes.com](mailto:alondra.oteyza@bakerhughes.com) or by calling +1-713-439-8822. No Offer or Solicitation This communication is for informational purposes only and not intended to and does not constitute an offer to subscribe for, buy or sell, the solicitation of an offer to subscribe for, buy or sell or an invitation to subscribe for, buy or sell any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law. Participants in the Solicitation GE, Baker Hughes, Newco, their respective directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed transaction, including a description of their director indirect interests, by security holdings or otherwise, will be set forth in the Combined Proxy Statement/Prospectus and other relevant materials when it is filed with the SEC. Information regarding the directors and

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executive officers of GE is contained in GE's proxy statement for its 2016 annual meeting of stockholders, filed with the SEC on March 16, 2016, its Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on February 26, 2016, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which was filed with the SEC on August 1, 2016 and certain of its Current Reports filed on Form 8-K. Information regarding the directors and executive officers of Baker Hughes is contained in Baker Hughes' proxy statement for its 2016 annual meeting of stockholders, filed with the SEC on April 11, 2016, its Annual Report on Form 10-K/A for the year ended December 31, 2015, which was filed with the SEC on February 19, 2016, its Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 which was filed with the SEC on October 25, 2016 and certain of its Current Reports filed on Form 8-K. These documents can be obtained free of charge from the sources indicated above

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Caution Concerning Forward-Looking Statements

This communication contains "forward-looking" statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements regarding the proposed transaction between GE and Baker Hughes. All statements, other than historical facts, including statements regarding the expected timing and structure of the proposed transaction; the ability of the parties to complete the proposed transaction considering the various closing conditions; the expected benefits of the proposed transaction such as improved operations, enhanced revenues and cash flow, synergies, growth potential, market profile, customers' business plans and financial strength; the competitive ability and position of the combined company following completion of the proposed transaction, including the projected impact on GE's earnings per share; oil and natural gas market conditions; costs and availability of resources; legal, economic and regulatory conditions; and any assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts and are sometimes identified by the words "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, (1) that one or more closing conditions to the transaction, including certain regulatory approvals, may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed transaction, may require conditions, limitations or restrictions in connection with such approvals or that the required approval by the stockholders of Baker Hughes may not be obtained; (2) the risk that the proposed transaction may not be completed in the time frame expected by GE or Baker Hughes, or at all; (3) unexpected costs, charges or expenses resulting from the proposed transaction; (4) uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; (5) failure to realize the anticipated benefits of the proposed transaction, including as a result of delay in completing the proposed transaction or integrating the businesses of

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GE, Baker Hughes and Newco; (6) the ability of the combined company to implement its business strategy; (7) difficulties and delays in achieving revenue and cost synergies of the combined company; (8) inability to retain and hire key personnel; (9) the occurrence of any event that could give rise to termination of the proposed transaction; (10) the risk that stockholder litigation in connection with the proposed transaction or other settlements or investigations may affect the timing or occurrence of the contemplated merger or result in significant costs of defense, indemnification and liability; (11) evolving legal, regulatory and tax regimes; (12) changes in general economic and/or industry specific conditions, including oil price changes; (13) actions by third parties, including government agencies; and (14) other risk factors as detailed from time to time in GE's and Baker Hughes' reports filed with the SEC, including GE's and Baker Hughes' annual report on Form 10-K, periodic quarterly reports on Form 10-Q, periodic current reports on Form 8-K and other documents filed with the SEC. The foregoing list of important factors is not exclusive. Any forward-looking statements speak only as of the date of this communication. Neither GE nor Baker Hughes undertakes any obligation to update any forward-looking statements, whether as a result of new information or development, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

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A compelling, transformational combination

,,I

The best partner to Oil & Gas customersiK offering solutions based on complementary equipment & services technology

across the full spectrum of the oil and gas value chain ,,I

More innovative solutions to market faster and more cost

effectivelyiK Baker Hughesi? leading products and services

with GE Oil & Gas highly differentiated manufacturing

capabilities ,,I

Best-in class physical + digital technologyiK combine Baker

Hughes domain expertise, technology and culture of

innovation with GE Store and GE industry-leading Digital

Platform ,,I

Value creation for customers and shareholdersiK positioned

to weather short-term volatility and participate in industry

upcycle

5

Impact for Baker Hughes shareholders

,,I

Ongoing ownership in a stronger, more competitive business

,,I

Cash dividend of \$17.50 per share equal to 30%+ of undisturbed share price

,,I

Participation in substantial value creation through synergies

,,I

Revenue growth driven by increased customer touch points

6

Deal overview

Merge GE Oil & Gas with Baker Hughes iK GE owns 62.5%, new

Baker Hughes owns 37.5% +

Create new, publicly traded company with separate investor base

+

GE to contribute \$7.4B to fund cash dividend to Baker Hughes

shareholders upfront +

Close expected mid-2017 ... ~\$.04 accretive to GE EPS in 2018

1

2

Combination of GE Oil & Gas & Baker Hughes establishes a new

industry leader +2x scale, complementary capabilities, more

diversified +Can weather the cycle in short term & over

time; significantly levered to recovery

4

Synergy opportunity is substantial iK cost and revenue

+~\$1.6B synergies (~\$1.2B cost & ~\$0.4B revenue)

Disciplined capital allocation iK O&G long-term fit for GE

+

Essential industry & fits GE Store

5

Efficient transaction structure using like-for-like equity

with modest cash outlay including disposition proceeds

6

3

Platform is positioned to deliver substantial customer value

+

Technical solutions ,, (3)productivity

+Best digital platform

+Global execution



7

Transaction overview ... the "new" Baker Hughes

A win for GE & Baker Hughes shareholders ... creating long-term value

o

Merge GE Oil & Gas with Baker Hughes ... GE owns 62.5%, new

Baker Hughes owns 37.5% through partnership structure

oPublicly traded company with separate investor base; robust

minority protections oOwnership interest & voting aligned

oGE to contribute \$7.4B to fund cash dividend, Baker Hughes

distributes \$17.50 per share dividend to shareholders

oBaker Hughes shareholders receive dividend & 37.5% equity of stronger business

oBlended leadership team

o9 member Board ... 5 appointed by GE, 4 by Baker Hughes, including M. Craighead

Baker Hughes, a GE company

Shareholders

GE Oil & Gas

+ \$7.4B cash

37.5%

62.5%

Newco, Inc.

(NYSE listed)

\$17.50/sh

dividend

100%

\$7.4B cash

(operating partnership)

8

Right time in cycle iK strong long-term fundamentals

Factors driving industry

Oil

iENAM unconventional~25% E&P spend

iNew fields emerging in international onshore

iSubsea & offshore required

2015

2025F

~4.0

Existing

production

New

supply

Existing

production

Gas

iGas ,, (acute accent)~1.5% to 2040

iELNG growing 2-3x faster

iENAM long-term, low cost source

(MBOE/D)

(BCM/Y)

Customer expectations

Transaction assumes slow recovery iK\$45-60/bblthrough 2019

1

Increasing requirements for solutions offering

2

Focusing on cost savings & standardization

3

Driving efficiency & productivity with digital

4

Capex to opexswitch

3.5

Demand102+ MBOE/D

~1% CAGR

Demand4.0+ BCM/Y

~2% CAGR

~20% decline

Source: GE O&G analysis based on IEA, EIA, Rystad, The ICE

2015

2025F

95

~102

Existing

production

New

supply

Existing

production

~20% decline



9

Integrated digitally-enabled offerings  
to set new standards for the oil & gas industry  
Creating a productivity leader in Oil & Gas  
The most advanced service technology company  
The leader in  
O&G technology equipment

+

~70,000 employees  
~\$34B revenue '20F

9

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10

The GE Store

in GE, every business can share & access the same technology, markets, structure & intellect. governed by culture & simplification.

Supported by GE Capital:

iE

Financing infrastructure investments

,,I

GE Store principle:

iE

Contribute

iE

Crowdsource

iE

Collaborate

,,I

Inourced components:

iE

Alternators and computational fluid dynamics from Aviation

iE

Turbine technology from Oil & Gas + Marine to Transportation

iE

Ceramic Matrix Composites (CMCs), from Oil & Gas to Aviation

iE

And more ...

,,I

Cross-industry technology

GE DIGITAL

ENERGY CONNECTIONS

Electrification, controls and power conversion technology

POWER

Combustion science and services, installed base

AVIATION

Advanced materials, manufacturing, and engineering productivity

TRANSPORTATION

Engine technology and localization in growth regions

LIGHTING

LED is gateway to energy efficiency

OIL & GAS

Services and technologyiXa first-mover in growth regions

HEALTHCARE

Diagnostics technologyiXa first-mover and anchor in growth markets

RENEWABLE ENERGY

Sustainable power systems and storage

GLOBAL RESEARCH

GLOBAL GROWTH ORGANIZATION

CULTURE & SIMPLIFICATION

GE CAPITAL

10

Creating an industry leader

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12  
2020F outlook  
~\$34  
~\$8  
Revenue  
EBITDA  
,,I  
~\$1.6B synergies  
-~\$1.2B cost, ~\$0.4B revenue  
(Proforma financials, \$ in billions)  
Baker Hughes, a GE company  
1  
Complete fullstream portfolio  
2  
Complementary technology iK with opportunity to leverage GE  
Store  
3  
Solutions-based offerings & services for customers  
Predix platform to enable digital capabilities  
5  
4  
Robust synergy opportunities  
A stronger company  
~23%  
EBITDA  
margin  
A better company together iK servicing customers

---

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Strong complementary portfolio ... ability to go fullstream

GE Oil & Gas

Baker Hughes

Top 3 in segment

Meaningful footprint

Limited presence

Business segments (% '15 revenue)

Marketposition

Advanced Drilling Services (24%)

Directional drilling, measurement and logging while drilling, drilling bits and fluids

Logging & Evaluation (6%)

Wireline & surface logging, reservoir / core analysis, geoscience & seismic services

Completions Systems (40%)

Well construction, completion equipment, wellbore intervention, pressure pumping

Production Optimization (22%)

Artificial lift (ESP, gas lift, progressing cavity pump), chemicals, intelligent production sys. Industrial Services (8%)

Processing and pipeline services

Business segments (% '15 revenue)

Marketposition

Surface (13%)

Artificial lift (ESP & RLS), surface wellheads, downhole tools, logging services

Subsea Systems & Drilling (26%)

Trees and wellheads, power & processing, manifolds, risers, BOPs and drilling systems

Turbomachinery Solutions (33%)

Gas turbines, compressors, modular LNG, turboexpanders, heat exchangers

Downstream Technology (14%)

Steam turbines, recip. compressors, pumps, valves and fuel gas systems

Digital Solutions (14%)

Monitoring, inspection, measurement equipment & services

1



14

Strong competitive scope and value proposition across the industry

MIDSTREAM

TRANSPORT HYDROCARBONS

DOWNSTREAM

PROCESS AND MARKET PRODUCTS

Fullstream combination with GE Store providing best-in-class  
productivity solutions to customers

Drilling & evaluation

Completion & production

Production & surface equipment

Subsea & drilling systems

LNG and pipeline solutions

Refinery &

petrochemical solutions

UPSTREAM

FIND AND PRODUCE HYDROCARBONS

\$XB

Industry spend '15

~\$600B

~\$100B

~\$100B

%

Newco presence

~60%

~30%

~10%

Powered by the GE Store

Materials

Electrical Technologies

Software Sciences & Analytics

Imaging

& Sensors

Advanced

Manufacturing

Computational Fluid Dynamics

14

15  
Exploration /Early Stages  
Geophysical Equipment Services  
-  
Drilling  
Drill Bits  
-  
Downhole Drilling Tools  
-  
Solids Control & Waste Mgmt.  
-  
Drilling & Completion Fluids  
-  
Land Contract Drilling  
-  
-  
Rig Equipment  
-  
Drilling Services  
Casing & Tubing and Cementing Services  
Completions  
Coiled Tubing Services  
Completion Equipment & Services  
Hydraulic Fracturing  
Production Testing  
-  
Surface Equipment  
Rental & Fishing Services  
-  
Wireline Logging  
Production  
Subsea Equipment  
-  
-  
Artificial Lift  
Specialty Chemicals  
-  
Upstream turbomachinery\*  
-  
-  
-  
Mid-/ Down-stream  
Pipeline\*  
-  
-  
-  
LNG liquefaction\*  
-  
-  
-  
Downstream & Process Equip.\*  
-  
Total 2016 revenue  
\$24  
\$29  
\$16  
\$6  
2016  
Segment Size

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Top 3 in segment

Meaningful footprint

Limited presence

Combined portfolio matches oil field service leaders Source:

Spears OMR October 2016, Quest, ThomsonEikonestimates Note:

market segment analysis excludes \$10B market for Digital

Solutions across up-/mid-/downstream and other industries +

\*

GE management estimate

~\$7

~\$52

~\$41

~\$33

~\$22

(\$ in billions)

16

Complementary capabilities

Balanced portfolio

,,I

Largest O&G equipment provider

,,I

Full value chain exposure (UpstreamiVmidstream-downstream)

GE Store

,,I

Materials & modeling

,,I

Digital thread

,,I

Global reach / strong balance sheet

Manufacturing excellence

,,I

Best-in-class processes

,,I

Advanced / virtual mfg. capabilities

Services capabilities

,,I

Established global infrastructure

,,I

Complete upstream offering

Advanced products

,,I

Robust portfolio iK offshore&complex reservoir solutions

,,I

Strong development capabilities

Integrated project management

,,I

Customer interaction through out life of field

,,I

Reservoir understanding

Common Technology DNA

Combination creates an industry differentiated solutions

provider iK ability to better,more efficiently serve our

customers Breadth of portfolio

Geographic presence

Efficiency of operations

New business models

2

17

Baker Hughes + GE Store iK future of drilling

Technology injection for drilling

+

Battery technology ,, (3)Downhole batteries

+

GE Healthcare technology ,, (3)Advanced sensor analytics (i.e. NMR, acoustics)

+

Systems modeling & integration ,, (3)shorter BHA (From 65i? to 30i?)

+

Fluid mechanics science ,, (3)Downhole power generation

+

Material science ,, (3)Corrosion resistant BHA

+

Bit composite encapsulated sensors ,, (3)Accurate well placement

Benefits

,, I

Increased rate of penetration iK drill faster

,, I

Increasing tool performance iK drill more efficiently

,, I

Increasing longevity & overall utilization

,, I

Better wellbore trajectory

,, I

HP/HT capabilities to ensure durability

,, I

Real-time analytics and data visibility

,, I

Technology enhancements & adv. manufacturing iK cost out

Baker Hughes best-in-class drilling system enhanced by GE

technology AutoTrakTM: 100MM+ ft. drilled iK record 13,574

ft. in one run in 3Q i?16 in NAM

18

Onshore completion & production

Offshore completion & production

Evaluation & drilling

Mid & downstream

,,I

Subsea infrastructure: x-trees, manifolds, processing

,,I

Well access & control

,,I

Infrastructure maintenance

,,I

Rotating equip. for offshore

,,I

Subsurface construction

,,I

Well intervention

,,I

Stimulation

,,I

Artificial lift

,,I

Chemicals

,,I

Surface wellheads

,,I

Artificial lift

,,I

Oilfield power

,,I

Pumps & compression

,,I

Subsurface construction

,,I

Well intervention

,,I

Stimulation

,,I

Artificial lift

,,I

Chemicals

,,I

Compression: LNG and pipeline

,,I

Power generation

,,I

Measurement & control

,,I

Gas distribution

,,I

Valves and flow technology

,,I

Digital: asset optimization

,,I

Chemicals

,,I

Well access & control: IWOCs and BOPs

,,I

Drilling tools  
,,I  
Wireline tools  
,,I  
Advanced drilling  
,,I  
Drilling support: bits, fluids  
,,I  
Wireline logging  
,,I  
Subsurface software  
,,I  
Reservoir sampling & analysis  
CAPEX  
OPEX  
3  
Integrated solutions across the value chain  
18

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19

Great customers across all segments

Top GE Oil & Gas customers

Top Baker Hughes customers

Opportunity

+

End-to-end integrated customer solutions

+

Broad portfolio offering

+

Reliable long-term partner

+

Digitize assets & oilfields

+

New technology introduction

+

Global capabilities

+

New business models

Providing customers productivity solutions across the value chain



20

Robust synergy opportunity

Drivers

~\$26B

~\$1.2B

\$MM

2018F

2019F

2020F

~\$0.6B

~\$1.0B

~\$1.2B

Cost synergy timing

2020F

spend

Cost

synergies

~4.5%

cost out

Experienced teams ... have successfully managed downturn

4

Sourcing/procurement improvements

~\$400

-Material deflation through combined buy

1

-Consolidate properties across extensive footprint

~\$200

Manufacturing & service footprint rationalization

2

~\$200

-Advanced manufacturing & digital condition-based maintenance

Process optimization

3

-Right-size back office, eliminate duplication

~\$400

SG&A consolidation

4

Revenue synergies

~\$400

-Enhanced ability to deliver integrated solutions,

address greater scope of projects

5

21  
Cost synergy examples  
Structural savings  
Enhancements through digital thread:  
Brilliant Factories ... 30% reduction in lead time  
Functional support consolidation  
560  
660  
Manufacturing & service optimization  
GE  
~25% facility overlap ... consolidation opportunity  
+  
o  
Process harmonization  
oSimplification  
oDuplication removal  
oIntegration  
Simplification  
Legacy  
Redesigned  
Unique  
Units  
190+  
21  
From:  
Product cost out  
Legacy of manufacturing excellence:  
acquisition example ... 50% reduction in rod-lift unit cost  
o  
BCC sourcing  
oDesign changes  
oLogistics commonality  
o  
Supplier rationalization + volume leverage  
oStandardization + demand management  
BHI  
Facilities rationalization  
1  
2  
Material deflation

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22

Petro-economies looking for integrated capabilities

+

Reservoirs in harsher environments & more remote locations

+

Project size and complexity is increasing

+

Lack of established infrastructure ... power generation

+

Buying preference toward productive solutions ... simpler supply chain to gain lowest cost per barrel +

Significant pipeline of identifiable projects to be developed

Africa subcontinental -onshore

-

Remote area

-

Limited infrastructure ... investment beyond E&P

-

Lack of local work force

West Africa -offshore

-

Stranded gas ... monetization during field development

-

Ultra-deepwaterwells

-

Connection to onshore power plants

Brazil -offshore

-

Complex, multi-prospect discovery

-

Early production system during reservoir evaluation

-

Concept hinges on FPSO

Examples

Unique offering ... Newco + GE Store, capabilities from molecule to megawatt

23

Winning in Digital

5

GE Store Digital capabilities

Oil & Gas applications

MACHINE & EQUIPMENTHEALTH

SecurelyConnectEquipment

HighProbabilityof Detection

Data-RichActionableInsights

RELIABILITYMANAGEMENT

Collaboration

ConfidenceAround BestOutcomes

IdentifyEmergingProblems

MAINTENANCEOPTIMIZATION

BalancePerformance& Reliability

OptimizeMaintenance

MaintenanceStrategy

Digital Thread

Becoming the Digital Industrial standard within the industry ...

driving integrated customer outcomes

Oil & Gas Ecosystem

+

Physics

Analytics

Applications

Asset Performance Management

Brilliant Factory

Intelligent Environments

Operations & Process Optimization

Production Optimization

From molecule to power generation

The power data coming to O&G to drive improved customer outcomes

Digital Twin

24

Financial outlook

Proforma financials

~\$14

~\$28

~\$34

2H'17F

'18F

'20F

(\$ in billions)

Value creation for investors

Revenue

~\$24-a)

(a-Based on '17F analyst consensus

Assumptions

~8%

~18%

~23%

EBITDA%

~\$0.5B

~\$1.7B

~\$3.6B

FCF

o

Assume \$45-60/bbl oil price through 2019; slow recovery to \$60 in 2019

o

~\$1.2B cost synergies by '20 ... ~4.5% of cost

o

~\$0.4B revenue synergies by '20 ... +1% share

o

No additional debt for Baker Hughes

o

Baker Hughes ~60% of '14 peak EBITDA in '20

+

Creating an unparalleled fullstream digital industrial service company for the industry

+

Brings together two leading industry players with deep history of technical innovation +

Capability to provide integrated solutions for customers

+

Best-in class physical & digital technology ... supported by the GE Store

+

Robust synergy opportunities

+

Better positioned to navigate cycles

+

Significant value creation opportunity for investors

Impact for GE

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Deal valuation and funding

Valuation

GE cash outlay

\$7.4B

Debt-funded

iE

\$7.4B borrowing from GE Capital iK leveraging excess debt at no incremental cost to GE through i(Y)19

iE

\$7.4B is part of leverage capacity

iE

No GE rating impact

GE contributes iK

,,I

100% of GE Oil & Gas

,,I

\$7.4B of cash

62.5%

Baker Hughes contributes iK

,,I

100% of Baker Hughes

Synergies

NPV of synergies ~\$13.7B

,,I

BHI shareholders ~\$5.1B

,,I

GE shareholders ~\$8.6B

(\$ in billions)

37.5%

BHI/GE partnership

---

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GE earnings impact & valuation

GE EPS impact

~\$ (.02)

~\$.04

~\$.08

'17F

'18F

'20F

o

Expect mid-year 2017 close ... 2017 minimal synergies + purchase accounting

o

~\$1.6B of synergies by 2020 ... ~75% cost, ~25% revenue

o

Baker Hughes achieves ~60% of 2014 peak earnings in 2020

o

Free cash flow conversion ~90% by 2020; incremental ~\$1B FCF by 2019

EPS accretive in 2018 + long-term value creation

Deal valuation

IRR

CFRR > 10%

NPV of synergies

EBITDA multiple-a)

Synergized multiple-b)

> 15%

Yr. 5

\$13.7B

11.0x

6.7x

(a-BHI TEV in transaction / BHI 2018 consensus EBITDA

(b-BHI TEV in transaction / (BHI 2018 consensus EBITDA plus run rate synergies)



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Capital allocation

,,I

No change to capital allocation strategy

+

Sustain an attractive dividend iK yield > peers

+

GE Capital dividends through 2018 allocated to buyback

+

Continue organic investment in P&E, R&D, global, digital, pension

+

Disciplined M&A iK improve competitive position, returns >15%

Capital allocation strategy unchanged

,,I

Transaction funded within leverage capacity

,,I

Plan to sell GE Water

+Running process with potential buyers iK targeting mid-2017 close

+Industry leader in technology, products, and services

+Gain will fund restructuring & integration costs for BHI deal iK up to

\$1B excess gain to fund core GE restructuring

29

+

Creating an unparalleled fullstreamdigital industrial service company for the industry

+

Brings together two leading industry players with deep history of technical innovation +

Capability to provide integrated solutions for customers

+

Best-in class physical & digital technology ... supported by the GE Store

+

Global reach with operations in ~120 countries

+

Provides for significant synergy opportunities

+

Better positioned to navigate industry cycles

Baker Hughes, a GE company

Molecule to megawatt ... significant value creation for investors

30

GE is uniquely positioned

Premium Industrial businesses

+Essential... builds, powers, moves, cures

+Valuable... foundation of GE Store

Leadership in analytics & SW for assets

Leadership in next generation manufacturing

Leading today

Tomorrow

+

New levels of productivity for GE, our customers & the world

Baker Hughes, a GE Company

+

Builds leader in essential industry

+

Enhances digital capability

+

Leverages the GE Store

Strategic value

Financial value

~\$.04

~\$.08

'18F

'20F

(GE EPS impact)

Baker Hughes, a GE Company

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