

BAKER HUGHES INC

FORM 10-K (Annual Report)

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Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-9397

BAKER HUGHES INCORPORATED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	76-0207995 (I.R.S. EMPLOYER IDENTIFICATION NO.)
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	77027-5177 (ZIP CODE)
3900 ESSEX LANE, HOUSTON, TEXAS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 439-8600

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
COMMON STOCK, \$1 PAR VALUE	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE THE SWISS STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE THE SWISS STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: WARRANTS TO PURCHASE COMMON STOCK

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

At December 6, 1995, the registrant had outstanding 142,266,924 shares of Common Stock, \$1 par value. The aggregate market value of the Common Stock on such date (based on the closing price on the New York Stock Exchange) held by nonaffiliates was approximately \$3,041,203,638.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Annual Report to Stockholders for 1995 are incorporated by reference into Parts I and II.

Portions of Registrant's 1995 Proxy Statement for the Annual Meeting of Stockholders to be held January 24, 1996 are incorporated by reference into

Part III.

PART I

ITEM 1. BUSINESS

The Company operates in two industry segments, oilfield products and services and process products and services. In addition to these industry segments, the Company manufactures and sells other products and provides services to industries not related to either the petroleum or process industries. Certain of the Company's operations are conducted through joint ventures or partnerships.

The Company is a Delaware corporation that was formed in connection with the combination of Baker International Corporation ("Baker") and Hughes Tool Company ("Hughes") consummated on April 3, 1987 (the "Combination"). The shares of each of Baker and Hughes were publicly traded and registered with the Securities and Exchange Commission for more than five years. As used herein, the "Company" refers to Baker Hughes Incorporated and its subsidiaries, unless the context clearly indicates otherwise.

For additional industry segment information for each of the three years in the three-year period ended September 30, 1995, see Note 9 of Notes to Consolidated Financial Statements which Notes are incorporated herein by reference in Part II, Item 8 hereof ("Notes to Consolidated Financial Statements").

OILFIELD PRODUCTS AND SERVICES

The Company manufactures and markets a broad range of rolling cutter and diamond drilling bits, ranging upward from 3-3/4 inches in diameter, which are designed for drilling in specific types of rock formations. The Company believes that it is the leading worldwide manufacturer of rock bits and that its principal competitors in this area are Smith International, Inc. ("Smith"), the Security Division of Dresser Industries, Inc. ("Dresser"), and Reed Tool Company and Hycalog, each operating units of Camco, Incorporated.

The Company also produces and markets drilling fluids (muds) for oil and gas well drilling, as well as chemical additives and specialty chemicals, and provides technical services in connection with their formulation and use. Drilling fluids, which are usually barite and bentonite combined with other chemicals in a water, chemical or oil base, are used to clean the bottom of a hole by removing cuttings and transporting them to the surface, to cool the bit and drill string, to control formation pressures and to seal porous well formations. The Company also furnishes on-site, around-the-clock laboratory analysis and examination of circulated and recovered drilling fluids and recovered drill cuttings to detect the presence of hydrocarbons and identify the formations penetrated by the drill bit. The Company's principal competitors with regard to these products and services are M-I Drilling Fluids, which is jointly owned by Halliburton Company ("Halliburton") and Smith, and Baroid Corporation, a subsidiary of Dresser.

The Company believes that it is the oil and gas industry's leading supplier of directional and horizontal drilling services, downhole motors, coring services, subsurface surveying and measurement-while-drilling services. The Company's specialized positive displacement downhole motors help operators to steer wells into pay zones for conventional directional drilling and short, medium and long-radius horizontal drilling. A full range of measurement-while-drilling systems provided by the Company use mud-pulse telemetry to deliver real-time downhole information on the drilling process and the reservoir. The systems are available for every application, from directional-only service through wireline-replacement real-time logging. Through the well engineering and planning process, the Company provides integrated solutions to customers who desire a long-term partnering relationship and a total systems approach. This approach can encompass virtually all of the Company's oilfield products and services. With regard to these products and services, the Company competes principally with Halliburton, Sperry-Sun, a subsidiary of Dresser, and Anadrill, a subsidiary of Schlumberger Ltd. ("Schlumberger").

Other products of the Company related to drilling include surface and downhole instruments, which collect, display and record data regarding various aspects of the drilling process and the possible accumulation of oil and gas.

After oil and gas wells are drilled, they must be completed and equipped using production tools, serviced to achieve safety and long-term productivity, protected against pressure and corrosion damage and stimulated or repaired during their productive lives. The Company provides a broad range of production tools and oilfield services to meet many of these needs.

Packers, a major product of the Company, are used to seal the space between the production tubing and the casing to protect the casing from reservoir pressures and corrosive formation fluids and also to maintain the separation of productive zones. The Company believes that it is the leading worldwide producer of packers, and that its principal competitors for sale of packers are Dresser Oil Tools, an operating unit of Dresser and Halliburton Energy Services, an operating unit of Halliburton.

The Company manufactures liner hanger tools and equipment used to suspend and set strings of casing pipe in wells. It also manufactures downhole electric submersible pumps and variable frequency drive systems for use with those pumps and provides related control equipment, electrical cable and repair services for artificial lift. The Company provides fishing tool services using specialized tools to locate, dislodge and retrieve twisted off, dropped or damaged pipe, tools or other objects from the well bore. It also provides inflatable and mechanical packers that are used in testing the potential of a well during the drilling phase prior to installation of casing, and under-reamers, which enlarge the well bore at any point below the surface to form a production cavity.

Other completion, remedial and production products and services provided by the Company include specialty chemicals used by the production segments of the petroleum industry (with Petrolite Corporation being the Company's principal competitor with regard to completion,

remedial and production specialty chemicals) as well as industrial chemicals used in refining, waste water treatment, mineral handling and cooling and boiler water processes; control systems for surface and subsurface safety valves and surface flow lines; and flow regulators and packers used in secondary recovery waterflood projects. The Company offers gravel packing, a specialized service that prevents sand from entering the well bore and reducing productivity, as well as other sand control services. It also provides tubing conveyed perforating services to provide paths through the casing and cement sheath in wells so that oil and gas can enter the well bore from the formation. Major gravel packing competitors include the Dowell division of Schlumberger, Halliburton Energy Services, BJ-Western and Dresser Oil Tools. Tubing conveyed perforating competitors include Schlumberger (Well Testing division), Halliburton Energy Services, Dresser Oil Tools and Western Atlas.

PROCESS EQUIPMENT PRODUCTS AND SERVICES

The Company provides a broad range of solid/liquid separation equipment and systems to concentrate product or separate and remove waste material in the mineral, industrial, pulp and paper and municipal industries. The Company's product lines include vacuum filters (drum, disc and horizontal belt), filter presses, belt presses, granular media filters, thickeners, clarifiers, flotation cells and aeration equipment. The Company's principal competitors for sales for mineral and industrial applications are Dorr-Oliver, Outokumpu and Sala; the Company's principal competitors for sales for municipal applications are Envirex and General Filter; and the Company's principal competitor for sales for pulp and paper applications is Ahlstrom.

The Company manufactures and markets solid bowl, screen bowl and pusher centrifuges, tilting pan filters and a high speed Bird Young drum filter for the minerals, chemical and petrochemical sectors where the equipment is used for dewatering of process flow streams. The Company's principal competitors with respect to its centrifuge product lines are Alfa-Laval, Klockner-Humbolt-Deutch and Kraus Maffei.

The Company designs and manufactures systems for the treatment of produced water and its reinjection and treatment of refinery waste streams. The Company's products include coarse filters, fine filters, flotation units, coalescers, deaeration towers and electrochlorination cells. The Company's primary competitors in this area are Serck Baker and Vortoil.

The Company provides parts and service for all of its product lines through a global network of personnel and facilities strategically located to serve the customer community.

MARKETING, COMPETITION AND ECONOMIC CONDITIONS

The products of each of the Company's principal industry segments are marketed primarily through its own sales organizations on a product line basis, although certain products and services are marketed through supply stores and independent distributors. Technical and advisory services are ordinarily provided to assist in the customer's use of the Company's

products and services. Stockpoints and service centers for oilfield products and services are located in areas of drilling and production activity throughout the world. The Company markets its oilfield products and services in nearly all of the oil producing countries. Stockpoints and service centers for process products and services are located near the Company's customers' operations, and the Company markets process products and services throughout the world. In certain foreign areas where direct product sales efforts are not practicable, the Company utilizes licensees, sales agents and distributors.

The products of each of the Company's principal industry segments are sold in highly competitive markets, and its revenues and earnings can be affected by changes in competitive prices, fluctuations in the level of activity in major markets, general economic conditions and governmental regulation. The Company competes with a large number of companies, a few of which have greater resources and more extensive and diversified operations than the Company. The Company believes that the principal competitive factors in the industries that it serves are product and service quality and availability, technical proficiency and price.

INTERNATIONAL OPERATIONS

Revenues attributable to sales of products and provision of services for use outside the United States (which, for 1995, consisted of revenues from non- United States operations of \$1,424.6 million and export sales from the United States of \$238.8 million) accounted for approximately 63%, 63%, and 66% of the Company's total revenues for the years ended September 30, 1995, 1994 and 1993, respectively. These revenues in 1995 were distributed approximately as follows:

Europe, 23%; other Eastern Hemisphere, 20%; and Non-United States Western Hemisphere, 20%. See Note 9 of Notes to Consolidated Financial Statements.

The Company's operations are subject to the risks inherent in doing business in multiple countries with various legal and political policies. These risks include war, boycotts, political changes, expropriation, currency restrictions, taxes and changes in currency exchange rates. Although it is impossible to predict the likelihood of such occurrences or their effect on the Company, management believes these risks to be acceptable. However, there can be no assurance that an occurrence of any one of these events would not have a material adverse effect on its operations.

RESEARCH AND DEVELOPMENT; PATENTS

At September 30, 1995, the equivalent of approximately 315 full-time employees were engaged in research and development activities directed primarily toward improvement of existing products and services, design of specialized products to meet specific customer needs and development of new products and processes. For information regarding the amounts of research and development expense for each of the three-years in the three-year period ended September 30, 1995, see Note 11 of Notes to Consolidated Financial Statements.

The Company has followed a policy of seeking patent protection both inside and outside the United States for products and methods that appear to have commercial significance. The Company believes its patents and trademarks to be adequate for the conduct of its business, and while it regards patent and trademark protection important to its business and future prospects, it considers its established reputation, the reliability of its products and the technical skills of its personnel to be more important. The Company aggressively pursues protection of its patents against patent infringement worldwide.

EMPLOYEES

At September 30, 1995, the Company had a total of approximately 15,200 employees, as compared to approximately 14,700 employees at September 30, 1994. Approximately 784 employees at September 30, 1995 were represented under collective bargaining agreements that terminate at various times through 1996. The Company believes that its relations with its employees are satisfactory.

EXECUTIVE OFFICERS

The following table shows as of December 6, 1995, the name of each executive officer of the Company, together with his age and all offices presently held with the Company.

NAME OF INDIVIDUAL -----	AGE ---	
James D. Woods	64	Chairman of the Board and Chief Executive Officer of the Company since 1987. Employed 1955. President of Baker, 1986 to 1987; and President of the Company, 1987 to October 1995 .
Max L. Lukens	47	President and Chief Operating Officer of the Company since October 1995. Employed 1981. Vice President and Chief Financial Officer of Baker, 1984-1987; Vice President and Chief Financial Officer of the Company, 1987-1989; President, Baker Hughes Production Tools, 1989-1993; Senior Vice President of the Company, 1987-1994; Executive Vice President, 1994-1995; and President, Baker Hughes Oilfield Operations, 1993-1995.
M. Glen Bassett	57	Vice President of the Company since 1995; and President of Baker Performance Chemicals Incorporated since 1983. Employed 1980.

Joseph F. Brady	49	Vice President of the Company since 1995; and President of Centrilift since 1988. Employed 1981. President, Baker Lift Systems, 1983-1987; and President, Baker CAC, Inc., 1987-1988.
James E. Braun	36	Controller since 1993. Employed 1993. From 1981-1993, Deloitte & Touche LLP; Partner of Deloitte & Touche LLP from 1991.
George S. Finley	44	Senior Vice President and Chief Administrative Officer of the Company since 1995. Employed 1982. Controller of the Company, 1987-1993; Vice President of the Company, 1990-1995; and Chief Financial Officer of Baker Hughes Oilfield Operations, 1993-1995.
Roger P. Herbert	49	Vice President of the Company since 1994; and Vice President-Market Development and Technology of the Company since 1995. Employed 1988. President, Baker Hughes Drilling Systems, 1988-1990; President, Baker Hughes MWD, 1990-1991; President, Develco, 1991-1993; and Vice President-Technology and Market Development, Baker Hughes Oilfield Operations, 1993-1995.
Edwin C. Howell	48	Vice President of the Company since 1995; and President of Baker Oil Tools since 1992. Employed 1975. President, Baker Service Tools, 1989-1992.
Eric L. Mattson	42	Senior Vice President of the Company since 1994; and Chief Financial Officer of the Company since 1993. Employed 1980. Treasurer of the Company, 1983-1994; and Vice President of the Company, 1988 to 1994.
Lawrence O'Donnell, III	37	Vice President and General Counsel of the Company since 1995; and Corporate Secretary of the Company since 1992. Employed 1991. Deputy General Counsel of the Company, 1991-1995; and Vice President and General Counsel, Baker Hughes Oilfield Operations, 1994-1995.
Timothy J. Probert	44	Vice President and President of Baker Hughes Process Equipment Operations since 1994. Employed 1972. President, Milpark, 1989-1990; President, Eastman Christensen, 1990-1992; President, Eastman Teleco, 1992-1993; Executive Vice President, Baker Hughes INTEQ, 1993; and Vice President, Drilling & Evaluation Technology Unit, Baker Hughes INTEQ, 1993-1994.

Andrew J. Szescila	48	Vice President of the Company since 1995; and President of Hughes Christensen Company since 1989. Employed 1973. President, BJ Service International, 1987-1988; and President, Baker Service Tools, 1988-1989.
Jabian P. Trahan	49	Vice President of the Company since 1995; and President of Baker Hughes INTEQ since 1993. Employed 1978. President, Baker Sand Control, 1990-1993.

There are no family relationships between the executive officers of the Company.

The Company follows the practice of electing its officers annually immediately after its Annual Meeting of Stockholders.

ENVIRONMENTAL MATTERS

The Company is subject to local, state and federal regulations with regard to air and water quality and other environmental matters. The Company believes that it is in substantial compliance with these regulations. Regulation in this area is in the process of development, and changes in standards of enforcement of existing regulations as well as the enactment and enforcement of new legislation may require the Company, as well as its customers, to modify, supplement or replace equipment or facilities, or to change or discontinue present methods of operation.

While making projections of future costs in the environmental area can be difficult and uncertain, based upon current information, the Company estimates that during the fiscal year ending September 30, 1996, the Company will spend approximately \$11,508,000 to enable the Company to comply with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment (collectively, "Environmental Regulations"). Based upon current information, the Company believes that its compliance with Environmental Regulations will not have a material adverse effect upon the capital expenditures, earnings and competitive position of the Company because the Company has adequate reserves for such compliance expenditures or the cost to the Company for such compliance will be small when compared to the Company's overall net worth.

In addition to the amounts described in the preceding paragraph, based upon current information, the Company estimates that it will incur capital expenditures of approximately \$2,471,000 for environmental control equipment during the fiscal year ending September 30, 1996. Based upon current information, the Company believes that capital expenditures for environmental control equipment for the 1996 and 1997 fiscal years, as well as such future periods as the Company deems relevant, will not have a material adverse effect upon the financial condition of the Company because the aggregate amount of these expenditures for those periods is or will be small when compared to the Company's overall net worth.

The Company and certain of its subsidiaries and divisions have been identified as a potentially responsible party ("PRP") as a result of substances which may have been released in the past at various sites more fully discussed below. The United States Environmental Protection Agency (the "EPA") and appropriate state agencies are supervising investigative and clean-up activities at these sites.

(a) The Company's subsidiaries, Hughes Christensen ("HC"), a division of Baker Hughes Oilfield Operations, Inc. ("BHOO"), Milpark Drilling Fluids ("Milpark") (now known as Baker Hughes INTEQ, a division of BHOO ("INTEQ")), and a former subsidiary of the Company, Baker Hughes Tubular Services, Inc. ("BHTS"), have been named as PRPs in the French Limited Superfund Site, which consists of a 15 acre wastepit and a seven acre lagoon located in Crosby, Texas. The site is on the Superfund National Priorities List. This site has been in active remediation for five years and is managed by a task force of PRPs ("FLTG, Inc. Task Force"). Approximately \$64,700,000 has been spent to date by FLTG, Inc. Task Force, with additional costs of approximately \$18,300,000 being anticipated by FLTG, Inc. Task Force. The contribution of the Company's subsidiaries (including BHTS, which was sold to ICO on September 30, 1992) is estimated to be approximately 1.33% of those costs (such proportion being based upon the ratio that the number of gallons of waste estimated to be contributed to the site by the Company's subsidiaries bears to the total number of gallons of waste estimated to have been disposed of at the site, and being herein sometimes referred to as a "Volumetric Calculation"). A portion of the Company's liability (.77%) is covered by an indemnity from ICO. The Company has settled that portion of its liability for this site not covered by the indemnity (.56%) for \$62,721, and the Company does not anticipate any additional liability for this site. The Company will continue to follow the progress of the site through completion.

(b) Baker Performance Chemicals Incorporated ("BPCI"), a subsidiary of the Company, HC, Milpark, BHTS and Baker Oil Tools ("BOT"), a division of BHOO, have been named as PRPs in the Sheridan Superfund Site, located in Hempstead, Texas. The remedial work at this site is being overseen by the Texas Natural Resource Conservation Commission. A trust formed to remediate the site and to allocate responsibility for the costs of the remedial work estimates that the total cost of remediation will be approximately \$30,000,000, with the contribution of the Company's subsidiaries (including BHTS, which was sold to ICO on September 30, 1992) estimated to be approximately 0.64% of those costs (based upon a Volumetric Calculation).

(c) BPCI and Centrilift, a division of BHOO, have been named as PRPs in the Hardage Industrial Waste Disposal Superfund Site, located in Criner, Oklahoma. It has been estimated that the contribution to the contamination at this site by the Company's two subsidiaries is approximately 0.005% and 0.19%, respectively, of the total waste at such site (based upon a Volumetric Calculation).

An agreement has been reached to release the Company and its subsidiaries from liability for a total of \$325,000 to be paid over three years. The second annual installment in the amount of \$108,333 was paid in October, 1995.

(d) Spectrace Instruments, Inc. ("Spectrace"), a subsidiary of the Company, is a named respondent to an EPA Administrative Order associated with the MEW Study Area, an eight square mile soil and groundwater contamination site located in Mountain View, California. A group of PRPs estimates that the total cost of remediation will be approximately \$80,000,000. The Company's environmental consultants have conducted extensive investigations of Spectrace's operating facility located within the MEW Study Area and have concluded that Spectrace's activities could not have been the source of any contamination in the soil or groundwater at and around the MEW Study Area. The EPA has informed the Company that no further work needs to be performed on Spectrace's site and indicated that the EPA does not believe there is a contaminant source on the property. However, the Company continues to be named in the EPA's Administrative Order. The Company continues to believe the EPA's Administrative Order for Remedial Design and Remedial Action is not valid with respect to the Company's subsidiary and is seeking the withdrawal of the Administrative Order with respect to the Company's subsidiary.

(e) Hughes Tool Company (now known as Hughes Christensen), Eastman Teleco Company (now known as INTEQ), and Eimco Process Equipment Company, a subsidiary of the Company, have been named as PRPs in the Marco of Iota hazardous waste storage and treatment facility located in Iota, Acadia Parish, Louisiana. In 1991, the Marco facility was abandoned by the then existing owners, and the EPA discovered hazardous substances were being released into the surrounding environment. EPA records, corroborated by current Company information, suggest that the contribution to the contamination at this site by these subsidiaries of the Company is less than .1% of the total volume of wastes at this site. The hazardous wastes disposed of at this site have now been removed under the EPA's emergency response authority, and a de minimis buyout offer from the EPA has been accepted by the Company in the total amount of less than \$1,000.

(f) BPCI, by virtue of its acquisition of ChemLink, was named in an administrative action brought by the EPA pursuant to the Toxic Substances Control Act, as amended. The complaint filed by the EPA alleges failure on the part of ChemLink to properly notify the EPA of the manufacture of a new chemical substance and asserts a fine against ChemLink in the amount of \$280,000. Contractual indemnities are available to BPCI as a part of the acquisition of ChemLink that the Company believes cover any liability of BPCI in connection with this action, including any defense costs.

(g) In May 1987, BPCI entered into an Agreed Administrative Order with the then Texas Water Commission, now known as the Texas Natural Resource Conservation Commission ("TNRCC"), with respect to soil and groundwater contamination at the Odessa - Hillmont site located in Odessa, Texas. This site was previously used by BPCI as a chemical blending plant. The contaminated soil has been removed, and the site continues in the groundwater recovery/treatment phase at an annual cost to the Company of approximately \$40,000.

(h) Oil Base, Inc. and Hughes Drilling Fluids (now known as INTEQ) have been identified as PRPs in the PAB Superfund Site located in Abbeville, Louisiana. Due to certain unresolved issues at this site, the Company has estimated that the contribution to the contamination by these entities may be from 2.0% to 5.0% of the total waste at this site. A Volumetric Calculation is not possible because the disposal records maintained at this site are incomplete and inaccurate. The Company's ultimate percentage of liability will depend in part upon the final allocation of volumes among the participating PRPs. Resolution of these issues is currently being sought through the Company's participation in a PRP group formed to implement the EPA Order. Current estimates of the total cost of remediation at this site is approximately \$15,000,000. The Company is currently participating with other PRPs to fund certain remedial design efforts on an interim basis to comply with the EPA Order.

(i) PA Inc., a former subsidiary of the Company, was identified as a PRP in the Sonics International Site, a former hazardous waste disposal facility located near Ranger, Texas. This site is currently being administered by the TNRCC under the Texas Superfund Statute. The Company allegedly contributed 1.64% of the waste volume at the site. It is not possible at this time to quantify the Company's ultimate liability. The remediation proposed by the TNRCC is estimated to cost \$700,000. The PRP Group assessment of the total remedial costs is approximately \$10,000,000.

(j) Milpark (now known as INTEQ) has been identified as a PRP at the Toups Farm Superfund Site (eligible for cleanup under the Texas State Cleanup Fund) located two miles north of South Lake at the intersection of Highway 105 and Highway 326 near Hallettsville, Texas. The site consists of approximately 21 acres and was operated over the years as a municipal landfill, fence post treating company and a hog farm. Based on available information, the Company does not believe that it has any liability for contamination at the site.

(k) The Company and BPCI have been named as PRPs at the former Fike Chemical Company site located in Nitro, West Virginia. The Company and BPCI were alleged to be responsible by virtue of business transactions involving toll chemical processing and raw materials with the site's operator, Fike Chemical. Contractual indemnities are available to BPCI as part of the acquisition

of ChemLink, which the Company believes cover any liability of BPCI in connection with this action, including defense costs.

(l) Milpark and Baker Sand Control (now known as INTEQ) have been named as PRPs at the DL Mud Superfund Site located in Abbeville, Louisiana. This site was used for the disposal of used drilling fluids and drilling muds. However, another named PRP is responsible for over 98% of the waste volume disposed of at this site, and that PRP has agreed to remediate this site totally. The Company does not anticipate that it will have any liability for this site.

(m) Milpark (now known as INTEQ) has been named as a PRP at the Mar Services Superfund site located in Crankton, Louisiana. It has been estimated that the contribution to this site by the Company's subsidiary is approximately .08% of the total volume of solids at the site (based upon a Volumetric Calculation). The site is now undergoing investigative studies to determine the remedial action plan as well as a total estimated cost for remediation.

(n) Teleco Oilfield Services, Inc. (now known as INTEQ) has been named as a PRP at the Solvent Recycling Service of New England Superfund Site located in Southington, Connecticut. Approximately 1,000 companies have been named as PRPs at this site. Calculations from the PRP group verified by the Company, indicate that Teleco contributed .00006% of the volume at the site. The total cost of cleanup at the site is currently estimated to be \$3,500,000. A de minimis buyout offer from either the EPA or the PRP group is anticipated in the future.

While PRPs in Superfund actions have joint and several liability for all costs of remediation and in many of the sites described above it is not possible at this time to quantify the Company's ultimate exposure because the project is either in its early investigative or remediation stage, based upon current information, the Company does not believe that probable and reasonably possible expenditures in connection with any of the sites described above are likely to have a material adverse effect on the Company's financial condition because: (i) the Company has established adequate reserves to cover what the Company presently believes will be its ultimate liability with respect to the matter, (ii) the Company and its subsidiaries have only limited involvement in the sites based upon a Volumetric Calculation, as described above, (iii) there are other PRPs that have greater involvement on a Volumetric Calculation basis who have substantial assets and who may reasonably be expected to pay their share of the cost of remediation, (iv) where discussed above, the Company has insurance coverage or contractual indemnities from third parties to cover the ultimate liability, and (v) the Company's ultimate liability, based upon current information, is small compared to the Company's overall net worth.

The Company is subject to various other governmental proceedings relating to environmental matters, but the Company does not believe that any of these matters is likely to have a material adverse effect on its financial condition.

ITEM 2. PROPERTIES

The Company operates 63 manufacturing plants, almost all of which are owned, ranging in size from approximately 2,000 square feet to approximately 233,000 square feet of manufacturing space and totaling more than 2,888,000 square feet. Of such total, approximately 2,087,000 square feet (72%) are located in the United States, 170,000 square feet (6%) are located in the Western Hemisphere exclusive of the United States, 540,000 square feet (19%) are located in Europe, and 91,000 square feet (3%) are located in the Eastern Hemisphere exclusive of Europe. These manufacturing plants by industry segment and geographic area appear in the table below. The Company also owns or leases and operates various customer service centers and shops, and sales and administrative offices throughout the geographic areas in which it operates.

	Other United States	Other Western Hemisphere	Europe	Hemisphere	Eastern Total
	-----	-----	-----	-----	-----
Oilfield products and services	30	6	8	9	53
Process equipment products and services	6	2	2	-	10

The Company believes that its manufacturing facilities are well maintained. The Company also has a significant investment in service vehicles, rental tools and equipment. During 1994, the Company recognized permanent impairments and wrote down to net realizable value certain inventory, property, plant and equipment. For further information regarding these write-downs, see Note 3 of Notes to Consolidated Financial Statements. The Company believes that it has the capacity to meet increased demands in each of its industry segments.

ITEM 3. LEGAL PROCEEDINGS

The Company is sometimes named as a defendant in litigation relating to the products and services it provides. The Company insures against these risks to the extent deemed prudent by its management, but no assurance can be given that the nature and amount of such insurance will in every case fully indemnify the Company against liabilities arising out of pending and future legal proceedings relating to its ordinary business activities. However, the Company is not a party to any litigation the probable outcome of which, in the opinion of the Company's management, would have a material adverse effect on the consolidated financial position of the Company.

See also " Item 1. Business -- Environmental Matters."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock, \$1.00 par value per share, of the Company (together with the associated Series One Junior Participating Preferred Stock Purchase Rights, the "Common Stock") is principally traded on The New York Stock Exchange. The Common Stock is also traded on the Pacific Stock Exchange and the Swiss Stock Exchange. At December 6, 1995, there were approximately 54,167 stockholders and 16,667 stockholders of record.

For information regarding quarterly high and low sales prices on the New York Stock Exchange for the Common Stock, during the two-years ended September 30, 1995 and information regarding dividends declared on the Common Stock during the two-years ended September 30, 1995, see Note 14 of Notes to Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under the caption "Five Year Summary of Financial Information" in the 1995 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth under the caption "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" in the 1995 Annual Report to Stockholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Company and the independent auditors' report set forth in the 1995 Annual Report to Stockholders are incorporated herein by reference:

Independent Auditors' Report.

Consolidated Statements of Operations for each of the three years in the period ended September 30, 1995.

Consolidated Statements of Financial Position as of September 30, 1995 and 1994.

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended September 30, 1995.

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 1995.

Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors of the Company is set forth in the section entitled "Election of Directors" in the Proxy Statement of the Company for the Annual Meeting of Stockholders to be held January 24, 1996, which section is incorporated herein by reference. For information regarding executive officers of the Company, see "Item 1. Business -- Executive Officers." Additional information regarding compliance by directors and executive officers with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the section entitled "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement for the Annual Meeting of Stockholders to be held on January 24, 1996, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information for this item is set forth in the section entitled "Executive Compensation" in the Proxy Statement of the Company for the Annual Meeting of Stockholders to be held January 24, 1996, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is set forth in the sections entitled "Voting Securities" and "Security Ownership of Management" in the Proxy Statement of the Company for the Annual Meeting of Stockholders to be held January 24, 1996, which sections are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

(1) Financial Statements

All financial statements of the Registrant as set forth under Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

Financial statement schedules are omitted because of the absence of conditions under which they are required or because all material information required to be reported is included in the consolidated financial statements and notes thereto.

(3) Exhibits:

3.1 Restated Certificate of Incorporation (filed as Exhibit 3.1 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).

3.2 By-Laws (filed as Exhibit 3.2 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1992 and incorporated herein by reference).

3.3 Certificate of Designation of Series One Junior Participating Preferred Stock (filed as Exhibit 3.3 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).

3.4 Amended Certificate of Designation of Series One Junior Participating Preferred Stock (filed as Exhibit 3.4 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1992 and incorporated herein by reference).

3.5 Certificate of Designation of Series J Preferred Stock of Baker Hughes Incorporated.

3.6 Certificate of Designation of Series K Preferred Stock of Baker Hughes Incorporated.

3.7 Certificate of Designation of Series L Preferred Stock of Baker Hughes Incorporated (filed as Exhibit 3.8 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1990 and incorporated herein by reference).

4.1 Rights of Holders of the Company's Long-Term Debt. The Company has no long-term debt instrument with regard to which the securities authorized thereunder equal or exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of its long-term debt instruments to the Commission upon request.

4.2 Stockholder Rights Agreement dated as of March 23, 1988, between Baker Hughes Incorporated and Morgan Shareholder Services Trust Company, as Rights Agent (filed as Exhibit 4.2 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year September 30, 1993 and incorporated herein by reference).

4.3 Restated Certificate of Incorporation (filed as Exhibit 3.1 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).

4.4 By-Laws (filed as Exhibit 3.2 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1992 and incorporated herein by reference).

4.5 Certificate of Designation of Series One Junior Participating Preferred Stock (filed as Exhibit 3.3 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).

4.6 Amended Certificate of Designation of Series One Junior Participating Preferred Stock (filed as Exhibit 3.4 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1992 and incorporated herein by reference).

4.7 Certificate of Designation of Series J Preferred Stock of Baker Hughes Incorporated (incorporated herein by reference as Exhibit 3.5 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1995).

4.8 Certificate of Designation of Series K Preferred Stock of Baker Hughes Incorporated (incorporated herein by reference as Exhibit 3.6 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1995).

- 4.9 Certificate of Designation of Series L Preferred Stock of Baker Hughes Incorporated (filed as Exhibit 3.8 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1990 and incorporated herein by reference).
- 10.1 Employment Agreement between Baker Hughes Incorporated and James D. Woods dated December 7, 1994 (filed as Exhibit 10.1 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1994 and incorporated herein by reference).
- 10.2 Executive Severance Agreement between Baker Hughes Incorporated and Eric L. Mattson dated as of May 22, 1991 (filed as Exhibit 10.2 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.3 Employment Agreement between Baker Hughes Incorporated and Max L. Lukens dated as of December 7, 1994 (filed as Exhibit 10.3 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1994 and incorporated herein by reference).
- 10.4 Executive Severance Agreement between Baker Hughes Incorporated and G.S. Finley dated as of May 22, 1991 (filed as Exhibit 10.5 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.5 Amended and Restated 1991 Employee Stock Bonus Plan of Baker Hughes Incorporated (filed as Exhibit 10.5 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1991 and incorporated herein by reference).
- 10.6 Restated 1987 Stock Option Plan of Baker Hughes Incorporated (Amended as of October 24, 1990) (filed as Exhibit 10.7 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1991 and incorporated herein by reference).
- 10.7 1987 Convertible Debenture Plan of Baker Hughes Incorporated (Amended as of October 24, 1990) (filed as Exhibit 10.9 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1991 and incorporated herein by reference).
- 10.8 Baker Hughes Incorporated Supplemental Retirement Plan (filed as Exhibit 10.10 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).

- 10.9 Executive Severance Policy (filed as Exhibit 10.11 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.10 1993 Stock Option Plan (filed as Exhibit 10.12 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.11 1993 Employee Stock Bonus Plan (filed as Exhibit 10.13 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.12 Director Compensation Deferral Plan (filed as Exhibit 10.15 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1993 and incorporated herein by reference).
- 10.13 1995 Employee Annual Incentive Compensation Plan (filed as Exhibit 10.16 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1994 and incorporated herein by reference).
- 10.14 1995 Stock Award Plan (filed as Exhibit 10.17 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1994 and incorporated herein by reference).
- 10.15 Form of Credit Agreement, dated as of September 1, 1994, among Baker Hughes Incorporated and eighteen banks (filed as Exhibit 10.18 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1994 and incorporated herein by reference).
- 10.16 Warrant Agreement dated as of March 15, 1990 between Baker Hughes Incorporated and First Chicago Trust Company of New York (filed as Exhibit 10.15 to Annual Report of Baker Hughes Incorporated on Form 10-K for the year ended September 30, 1990 and incorporated herein by reference).
- 11.1 Statement of Computation of Earnings per Common Share.
- 13.1 Portions of 1995 Annual Report to Stockholders.
- 21.1 Subsidiaries of Registrant.
- 23.1 Consent of Deloitte & Touche LLP.
- 27.1 Financial Data Schedule (for Securities and Exchange Commission purposes only).

(B) REPORTS ON FORM 8-K:

Form 8-K filed June 21, 1995, regarding repurchase by Baker Hughes Incorporated of 4,000,000 shares of its Convertible Preferred Stock, previously issued to Sonat Inc. in connection with the acquisition of Teleco Oilfield Services, Inc. by Baker Hughes Incorporated from Sonat, Inc. No Financial Statements were filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 14th day of December, 1995.

BAKER HUGHES INCORPORATED

By */s/ JAMES D. WOODS*

(James D. Woods, Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> -----
<i>/s/ JAMES D. WOODS</i> ----- <i>(James D. Woods)</i>	<i>Chairman of the Board and Chief Executive Officer (principal executive officer)</i>	<i>December 14, 1995</i>
<i>/s/ E. L. MATTSON</i> ----- <i>(E. L. Mattson)</i>	<i>Senior Vice President and Chief Financial Officer (principal financial officer)</i>	<i>December 14, 1995</i>
<i>/s/ JAMES E. BRAUN</i> ----- <i>(James E. Braun)</i>	<i>Controller (principal accounting officer)</i>	<i>December 14, 1995</i>
<i>/s/ LESTER M. ALBERTHAL, JR.</i> ----- <i>(Lester M. Alberthal, Jr.)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ GORDON M. ANDERSON</i> ----- <i>(Gordon M. Anderson)</i>	<i>Director</i>	<i>December 14, 1995</i>

<i>/s/ VICTOR G. BEGHINI</i> ----- <i>(Victor G. Beghini)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ JACK S. BLANTON</i> ----- <i>(Jack S. Blanton)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ HARRY M. CONGER</i> ----- <i>(Harry M. Conger)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ EUNICE M. FILER</i> ----- <i>(Eunice M. Filter)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ JOE B. FOSTER</i> ----- <i>(Joe B. Foster)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ RICHARD D. KINDER</i> ----- <i>(Richard D. Kinder)</i>	<i>Director</i>	<i>December 14, 1995</i>
<i>/s/ JOHN F. MAHER</i> ----- <i>(John F. Maher)</i>	<i>Director</i>	<i>December 14, 1995</i>

----- Director December , 1995
(Dana G. Mead)

/s/ DONALD C. TRAUSCHT Director December 14, 1995
(Donald C. Trauscht)

EXHIBIT 3.5

**CERTIFICATE OF DESIGNATION
OF SERIES J PREFERRED STOCK
OF
BAKER HUGHES INCORPORATED**

Baker Hughes Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That, pursuant to authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of said Corporation, and pursuant to the provisions of Section 151 of Title 8 of the Delaware Code of 1953, as amended, said Board of Directors, at a meeting thereof duly and regularly held on December 7, 1988, adopted recitals and resolutions providing for the powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of certain series of preferred stock, which recitals and resolutions are as follows:

WHEREAS, the Restated Certificate of Incorporation of this Corporation provides for a class of shares of preferred stock, par value \$1.00 per share, issuable from time to time in one or more series; and

WHEREAS, the Board of Directors of this Corporation is authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of preferred stock, to fix the number of shares constituting any such series, and to determine the designation thereof, or any of them; and

WHEREAS, in connection with the combination (the "Combination") of Baker International Corporation ("Baker") and Hughes Tool Company, pursuant to the Agreement and Plan of Reorganization, dated October 22, 1986, this Corporation assumed the obligations of Baker with respect to the convertible subordinated debentures of Baker issued under Baker's 1982 Convertible Debenture Plan as amended;

WHEREAS, prior to the consummation of the Combination, the outstanding debentures were convertible into Series A through H Preferred Stock of Baker;

WHEREAS, pursuant to the Combination, the outstanding debentures are now convertible into preferred stock of the same designated series of this Corporation;

WHEREAS, the Board of Directors of this Corporation has previously authorized a series of One Hundred Thirty-Six Thousand Three Hundred Twenty-Four (136,324) of Preferred Stock designated as Series I Preferred Stock, no shares of which have been issued and the Board of Directors of this Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to the tenth series of preferred stock into which such debentures are convertible (such tenth series hereinafter referred to as the "Series J Preferred Stock") and the number of shares constituting and the designation of such series;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby fixes and determines there shall be a series of Preferred Stock designated Series J Preferred Stock; that the number of shares of such series shall be One Hundred Seventy-Five Thousand Six Hundred and Seven (175,607); and that the preferences and relative, optional and other special rights of the Series J Preferred Stock and the qualifications, limitations or restrictions of such preferences and/or rights shall be as follows:

1. DIVIDENDS. The holders of record of Preferred Stock shall be entitled to receive, out of funds legally available therefor, cash

dividends at the rate of \$0.80 per share per fiscal year. All dividends payable hereunder shall be payable quarterly or otherwise as the Board of Directors may from time to time determine when and as declared by the Board of Directors. The right to such dividends on Preferred Stock shall not be cumulative and no right shall accrue to the holders of such shares by reason of the fact that dividend on such shares are not declared in any prior year. The holders of Preferred Stock shall be entitled to no other cash dividends in excess of the dividends at said rate.

2. REDEMPTION. Any series of the Preferred Stock may be redeemed, in whole or in part, out of funds legally available therefor, at the option of the Corporation by vote of its Board of Directors, at any time or from time to time, at the redemption price equal to \$13.375 per share, plus an amount equal to all dividends declared but unpaid at the date fixed for redemption (such price, plus such dividend, is hereafter referred to as the "redemption price").

In case of the redemption of only a part of any series of the outstanding Preferred Stock, this Corporation shall designate by lot the shares to be redeemed or shall effect such redemption pro rata.

Not more than 60 days, but at least 20 days prior to the date fixed for redemption, a written notice shall be mailed to each holder of record of Series J Preferred Stock to be redeemed, by certified mail with postage prepaid, addressed to each holder at his address as shown on the records of the Corporation (a) notifying each holder of the election of the Corporation to redeem such shares, (b) stating the date fixed for redemption thereof, (c) setting forth the redemption price and (d) stating the place at which each holder may obtain payment of the redemption price upon surrender of his share certificates.

On or after the date fixed in such notice of redemption, each holder of Series J Preferred Stock of a series to be redeemed shall present and surrender his certificate or certificates representing such stock to this

Corporation at a place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In case less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after the date fixed in any such notice as the date of redemption, unless default is made in the payment of the redemption price, all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price, shall cease, and such shares shall not thereafter be transferred on the books of the Corporation, and such stock shall not be deemed to be outstanding for any purpose whatsoever.

The Corporation may at its option at any time after such notice of redemption has been given, deposit a sum sufficient to redeem, on the date fixed for redemption shares of Series J Preferred Stock called for redemption, and not yet redeemed with a bank or trust company in the United States, as a trust fund for the benefit of the respective holders of the shares designated for redemption, and such deposit, from and after the date fixed for redemption, shall constitute full payment of the redemption price of the shares to the holders thereof and shall be conclusive evidence that no default shall be made in the payment of the redemption price as to such shares.

3. **LIQUIDATION PREFERENCE.** In the event of any voluntary or involuntary dissolution, liquidation or winding up the Corporation, the holders of shares of Series J Preferred Stock outstanding shall be entitled to receive, or to have deposited in trust for them as provided in Section 2 hereof, out of assets of the Corporation, before any distribution of any asset shall be made to the holders of Common Stock or other shares junior to the Series J Preferred Stock as to distribution of assets, an amount which shall be equal to \$13.375 per share plus an amount equal to declared but unpaid dividends thereon. After the holders of Series J Preferred Stock shall have

received the foregoing amounts per share plus an equal to declared but unpaid dividends as aforesaid, they shall not participate in any remaining assets and surplus funds of the Corporation.

If the amounts which each of the holders of the shares of the Series J Preferred Stock, and any other series of preferred stock of the Corporation ranking equally as to Distribution of assets with the shares of Series J Preferred Stock, are entitled to receive in such events are not paid, or deposited in trust, in full, the shares of Series J Preferred Stock and of such other series shall share ratably in any distribution of assets in accordance with the amounts which would be payable on such distribution if all amounts to which the holders of the Series J Preferred Stock and of each such series are entitled were paid, or deposited in trust, in full.

Neither the merger of the Corporation with or into any other corporation nor the sale of all or substantially all of its assets shall be deemed a dissolution, liquidation or winding up of the corporation within the meaning of this Section.

4. **CONVERSION RIGHTS.** The holders of shares of Series J Preferred Stock shall have conversion rights as follows:

(a) The shares of Series J Preferred Stock shall be convertible, at the option of the respective holders thereof, at the office of the Corporation into fully paid and nonassessable shares (calculated to the nearest 1/100th of a share, fractions less than 1/100th of a share being disregarded) of Common Stock of the Corporation, at the conversion price in effect at the time of conversion determined as hereinafter provided, each share of the Series J Preferred Stock being taken at \$13.375 for the purposes of such conversion. The price at which shares of Common Stock shall be deliverable upon conversion of shares of Series J Preferred Stock of any series (herein called the "conversion price"), shall be initially \$13.375 per share of Series J Preferred Stock, i.e., upon conversion, each share of Series J Preferred Stock will be exchanged for one

share of Common Stock. Such initial conversion price shall be subject to adjustment from time to time in certain instances, as hereinafter provided. The Corporation shall make payment or adjustment on account of any dividends declared but not paid on shares of Series J Preferred Stock surrendered for conversion. In case of the call for redemption of any shares of Series J Preferred Stock, such right of conversion shall terminate as to the shares designated for redemption, at the close of business on the day preceding the day fixed for redemption, unless default is made in the payment of the redemption price.

(b) Before any holder of Series J Preferred Stock shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation and shall give written notice to the Corporation that he elects to convert the same and shall state in writing therein the name or names in which he wishes the certificate or certificates for shares of Common Stock to be issued. If the holder fails to specify the name in which certificates are to be issued, they shall be issued in his name. The Corporation, as soon as practicable thereafter, shall issue and deliver at such office to such holder of Series J Preferred Stock or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid, together with cash in lieu of any fraction of a share as hereinafter provided. Such conversion shall be deemed to have been made as of the date of such surrender of the shares of Series J Preferred Stock to be converted (or, in the event of a proposed redemption and if the Corporation so allows, on the date of receipt of satisfactory notice of conversion if certificates of Series J Preferred Stock so converted are thereafter delivered to the Corporation within 30 days), and the person or person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on said date.

(c) The conversion price of Series J Preferred Stock shall be subject to adjustment, at any time or from time to time hereafter, if the Corporation shall issue or sell any shares of Common Stock, under the circumstances set forth in subsections 4(d)(l) or 4(f) hereof, for a consideration per share less than the conversion price of Series J Preferred Stock in effect immediately prior to such issue or sale ("Current Conversion Price"). In any such event, forthwith upon such issue or sale, the Current Conversion Price for Preferred Stock in effect immediately prior to such issue or sale shall be reduced to a price (calculated to the nearest cent) determined by dividing (i) an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issue or sale multiplied by the then existing Current Conversion Price for Preferred Stock, and (B) the consideration, if any, received by the Corporation upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale. No adjustment of the Current Conversion Price for Preferred Stock, however, shall be made in an amount less than \$1.00 per share, but any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, shall amount to \$1.00 per share or more.

(d) For the purposes of such adjustments, the following provisions shall be applicable:

(1) In case at any time the Corporation shall declare a dividend or make any other distribution upon any stock of the Corporation payable in Common Stock, any Common Stock issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(2) In case at any time the Corporation shall take a record of the holders of Common Stock for the purpose of entitling them to receive a dividend or other distribution payable in Common Stock, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to

have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(3) The number of shares of Common Stock outstanding at any given time shall include all shares of Common Stock issuable in respect of script certificates issued in lieu of fractions of common shares of Common Stock.

(e) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights or warrants to purchase Common Stock and any dividend of distribution paid in cash out of the retained earnings of the Corporation), the Current Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Current Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price per share (as determined by the Board of Directors of the Corporation) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution.

(f) In case at any time the Corporation shall subdivide its outstanding shares of common stock into a greater number of shares, the Current Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced and conversely, in

case the outstanding shares of Common Stock of the Corporation, shall be combined into a smaller number of shares, the Current Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(g) Whenever the Current Conversion Price is adjusted, as herein provided, the Corporation shall promptly mail to each holder of Series J Preferred Stock notice of such adjustment, which notice shall set forth a brief statement of the facts requiring such adjustment.

(h) In case of any capital reorganization or any reclassification of the capital stock of the Corporation or in case of the consolidation or merger of the Corporation with or into another corporation or the conveyance of all or substantially all of the assets of the Corporation to another corporation, each share of Series J Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such shares of Series J Preferred Stock would have been entitled upon such reorganization, reclassification, consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the shares of Series J Preferred Stock, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the shares of Series J Preferred Stock.

(i) In case:

(1) the Corporation shall take a record of the holders of shares of its Common Stock for the purpose of entitling them to receive a dividend, or any other distribution, other than ordinary cash dividends; or

(2) the Corporation shall take a record of the holders of shares of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights; or

(3) of any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), consolidation or merger of the Corporation with or into another corporation, or conveyance of all or substantially all of the assets of the Corporation into another corporation; or

(4) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, then the Corporation shall cause to be mailed to the holders of record of Series J Preferred Stock or any security convertible into Series J Preferred Stock at their last addresses as they shall appear on the records of the Corporation, at least 20 days (or 10 days in any case specified in clauses

(1) and (2) above) prior to the applicable record date hereinafter specified, a notice stating (1) the date on which a record is to be taken for the purpose of such dividend or distribution of rights, or, if a record is not to be taken, the date as of which the holders of Common Stock of record would be entitled to such dividend or distribution of rights, and (2) the date on which such capital reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other assets deliverable upon such reorganization, reclassification, consolidation, merger, sale dissolution, liquidation or winding up.

(j) The Corporation will at all times reserve and keep available out of its authorized Common Stock and/or shares of its Common Stock then owned or held by or for the account of the Corporation, solely for the purpose of delivery upon conversion of Series J Preferred Stock such number of shares of Common Stock as shall then be deliverable upon the conversion of all outstanding or potentially issuable Series J Preferred Stock. All shares of Common Stock which shall be so deliverable shall be duly and validly issued and fully paid and nonassessable.

(k) If any shares of Common Stock required to be reserved for purposes of conversion of Series J Preferred Stock require registration with or approval of any governmental authority under any federal or state law, or listing upon any national securities exchange, before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered, approved or listed, as the case may be.

(l) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series J Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series J Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(m) No fractional shares of Common Stock shall be issued upon the conversion of shares of Series J Preferred Stock. If any fractional interest in a share of Common Stock would, except for the provisions of this subsection 4(m), be deliverable upon the conversion of any shares of Series J Preferred

Stock, the Corporation shall, in lieu of delivering the fractional share therefor, adjust such fractional interest by payment to the holder of such surrendered shares of Series J Preferred Stock of an amount in cash equal (computed to the nearest cent) to the current market value of such fractional interest, as determined in good faith by the Board of Directors of the Corporation. This subsection shall similarly apply to successive issues, sales, split-ups, combinations, reclassifications or reorganizations.

5. VOTING RIGHTS. Except as provided by law or as provided above, the holders of Series J Preferred Stock shall not be entitled to notice of stockholders' meetings or to vote upon the election of directors or upon any other matter.

RESOLVED FURTHER, that the Chairman of the Board, the President or any Vice President, and the Secretary, the Chief Financial Officer, the Treasurer, or any Assistant Secretary or Assistant Treasurer of this Corporation are each authorized to execute, verify and file a certificate of determination of preferences in accordance with Delaware law;

IN WITNESS WHEREOF, said Baker Hughes Incorporated has caused this certificate to be signed by Max L. Lukens, its Senior Vice President, and attested by Sandra E. Alford, its Assistant Secretary, this 7th day of December, 1988.

BAKER HUGHES INCORPORATED

By: /s/ Max L. Lukens

Max L. Lukens
Senior Vice President

ATTEST:

By: /s/ Sandra E. Alford

Sandra E. Alford
Assistant Secretary

EXHIBIT 3.6

**CERTIFICATE OF DESIGNATION
OF SERIES K PREFERRED STOCK
OF
BAKER HUGHES INCORPORATED**

Baker Hughes Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That, pursuant to authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of said Corporation, and pursuant to the provisions of Section 151 of Title 8 of the Delaware Code of 1953, as amended, said Board of Directors, at a meeting thereof duly and regularly held on December 6, 1989, adopted recitals and resolutions providing for the powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of certain series of preferred stock, which recitals and resolutions are as follows:

WHEREAS, the Restated Certificate of Incorporation of this Corporation provides for a class of shares of preferred stock, par value \$1.00 per share, issuable from time to time in one or more series; and

WHEREAS, the Board of Directors of this Corporation is authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of preferred stock, to fix the number of shares constituting any such series, and to determine the designation thereof, or any of them; and

WHEREAS, in connection with the combination (the "Combination") of Baker International Corporation ("Baker") and Hughes Tool Company, pursuant to the Agreement and Plan of Reorganization, dated October 22, 1986, this Corporation assumed the obligations of Baker with respect to the convertible subordinated debentures of Baker issued under Baker's 1982 Convertible Debenture Plan as amended:

WHEREAS, prior to the consummation of the Combination, the outstanding debentures were convertible into Series A through H Preferred Stock of Baker;

WHEREAS, pursuant to the Combination, the outstanding debentures are now convertible into preferred stock of the same designated series of this Corporation;

WHEREAS, the Board of Directors of this Corporation has previously authorized a series of One Hundred Thirty-six Thousand, Three Hundred Twenty-four (136,324) shares of Preferred Stock designated as Series I Preferred Stock, no shares of which have been issued; and

WHEREAS, the Board of Directors of this Corporation has previously authorized a series of One Hundred Seventy-five Thousand, Six Hundred Seven (175,607) shares of Preferred Stock designated as Series J Preferred Stock, of which Twenty-one Thousand, Four Hundred Seventy-two (21,472) shares have been issued; and

WHEREAS, the Board of Directors of this Corporation desires, pursuant to its authority as aforesaid, to determine and fix the rights, preferences, privileges and restrictions relating to the eleventh series of preferred stock into which such debentures are convertible (such eleventh series hereinafter referred to as the "Series K Preferred Stock") and the number of shares constituting and the designation of such series;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby fixes and determines there shall be a series of Preferred Stock designated Series K Preferred Stock; that the number of shares of such series shall be

One Hundred Seventy-seven Thousand, Eight Hundred Sixty-six (177,866); and that the preferences and relative, optional and other special rights of the Series K Preferred Stock and the qualifications, limitations or restrictions of such preferences and/or rights shall be as follows:

1. **DIVIDENDS.** The holders of record of Preferred Stock shall be entitled to receive, out of funds legally available therefor, cash dividends at the rate of \$1.32 per share per fiscal year. All dividends payable hereunder shall be payable quarterly or otherwise as the Board of Directors may from time to time determine when and as declared by the Board of Directors. The right to such dividends on Preferred Stock shall not be cumulative and no right shall accrue to the holders of such shares by reason of the fact that dividends on such shares are not declared in any prior year. The holders of Preferred Stock shall be entitled to no other cash dividends in excess of the dividends at said rate.

2. **REDEMPTION.** Any series of the Preferred Stock may be redeemed, in whole or in part, out of funds legally available therefor, at the option of the Corporation by vote of its Board of Directors, at any time or from time to time, at the redemption price equal to \$21.95 per share, plus an amount equal to all dividends declared but unpaid at the date fixed for redemption (such price, plus such dividend, is hereafter referred to as the "redemption price").

In case of the redemption of only a part of any series of the outstanding Preferred Stock, this Corporation shall designate by lot the shares to be redeemed or shall effect such redemption pro rata.

Not more than 60 days, but at least 20 days prior to the date fixed for redemption, a written notice shall be mailed to each holder of record of Series K Preferred Stock to be redeemed, by certified mail with postage prepaid, addressed to each holder at his address as shown on the records of the Corporation (a) notifying each holder of the election of the Corporation to redeem such shares, (b) stating the date fixed for redemption thereof, (c) setting forth the redemption price and (d) stating the place at which each holder may obtain payment of the redemption price upon surrender of his share certificates.

On or after the date fixed in such notice of redemption, each holder of Series K Preferred Stock to be redeemed shall present and surrender his certificate or certificates representing such stock to this Corporation at a place designated in such notice and thereupon the redemption price of such shares shall be paid to or on

the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In case less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after the date fixed in any such notice as the date of redemption, unless default is made in the payment of the redemption price, all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price, shall cease, and such shares shall not thereafter be transferred on the books of the Corporation, and such stock shall not be deemed to be outstanding for any purpose whatsoever.

The Corporation may at its option at any time after such notice of redemption has been given, deposit a sum sufficient to redeem, on the date fixed for redemption shares of Series K Preferred Stock called for redemption, and not yet redeemed with a bank or trust company in the United States, as a trust fund for the benefit of the respective holders of the shares designated for redemption, and such deposit, from and after the date fixed for redemption, shall constitute full payment of the redemption price of the shares to the holders thereof and shall be conclusive evidence that no default shall be made in the payment of the redemption price as to such shares.

3. LIQUIDATION PREFERENCE. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the holders of shares of Series K Preferred Stock outstanding shall be entitled to receive, or to have deposited in trust for them as provided in Section 2 hereof, out of assets of the Corporation, before any distribution of any asset shall be made to the holders of Common Stock or other shares junior to the Series K Preferred Stock as to distribution of assets, an amount which shall be equal to \$21.95 per share plus an amount equal to declared but unpaid dividends thereon. After the holders of Series K Preferred Stock shall have received the foregoing amounts per share plus an amount equal to declared but unpaid dividends as aforesaid, they shall not participate in any remaining assets and surplus funds of the Corporation.

If the amounts which each of the holders of the shares of the Series K Preferred Stock and any other series of preferred stock of the Corporation ranking equally as to distribution of assets with the shares of Series K Preferred Stock, are entitled to receive in such event are not paid, or deposited in trust, in full, the shares of Series K Preferred Stock and of such other series shall share ratably in any distribution of assets in accordance with the amounts which would be payable on

such distribution if all amounts to which the holders of the Series K Preferred Stock and of each such series are entitled were paid, or deposited in trust, in full.

Neither the merger of the Corporation with or into any other corporation nor the sale of all or substantially all of its assets shall be deemed a dissolution, liquidation or winding up of the Corporation within the meaning of this Section.

4. CONVERSION RIGHTS. The holders of shares of Series K Preferred Stock shall have conversion rights as follows:

(a) The shares of Series K Preferred Stock shall be convertible, at the option of the respective holders thereof, at the office of the Corporation into fully paid and nonassessable shares (calculated to the nearest 1/100th of a share, fractions less than 1/100th of a share being disregarded) of Common Stock of the Corporation, at the conversion price in effect at the time of conversion determined as hereinafter provided, each share of the Series K Preferred Stock being taken at \$21.95 for the purposes of such conversion. The price at which shares of Common Stock shall be deliverable upon conversion of shares of Series K Preferred Stock of any series (herein called the "conversion price") shall be initially \$21.95 per share of Series K Preferred Stock, i.e., upon conversion, each share of Series K Preferred Stock will be exchanged for one share of Common Stock. Such initial conversion price shall be subject to adjustment from time to time in certain instances, as hereinafter provided. The Corporation shall make payment or adjustment on account of any dividends declared but not paid on shares of Series K Preferred Stock surrendered for conversion. In case of the call for redemption of any shares of Series K Preferred Stock, such right of conversion shall terminate as to the shares designated for redemption, at the close of business on the day preceding the day fixed for redemption, unless default is made in the payment of the redemption price.

(b) Before any holder of Series K Preferred Stock shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation and shall give written notice to the Corporation that he elects to convert the same and shall state in writing therein the name or names in which he wishes the certificate or certificates for shares of Common Stock to be issued. If the holder fails to specify the name in which certificates are to be issued, they shall be issued in his name. The Corporation, as soon as practicable thereafter, shall issue and deliver at such office to such holder of Series K Preferred Stock

or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid, together with cash in lieu of any fraction of a share as hereinafter provided. Such conversion shall be deemed to have been made as of the date of such surrender of the shares of Series K Preferred Stock to be converted (or, in the event of a proposed redemption and if the Corporation so allows, on the date of receipt of satisfactory notice of conversion if certificates of Series K Preferred Stock so converted are thereafter delivered to the Corporation within 30 days), and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on said date.

(c) The conversion price of Series K Preferred Stock shall be subject to adjustment, at any time or from time to time hereafter, if the Corporation shall issue or sell any shares of Common Stock, under the circumstances set forth in subsections 4(d)(1) or 4(f) hereof, for a consideration per share less than the conversion price of Series K Preferred Stock in effect immediately prior to such issue or sale ("Current Conversion Price"). In any such event, forthwith upon such issue or sale, the Current Conversion Price for Preferred Stock in effect immediately prior to such issue or sale shall be reduced to a price (calculated to the nearest cent) determined by dividing (i) an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such issue or sale multiplied by the then existing Current Conversion Price for Preferred Stock, and (B) the consideration, if any, received by the Corporation upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale. No adjustment of the Current Conversion Price for Preferred Stock, however, shall be made in an amount less than \$1.00 per share, but any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, shall amount to \$1.00 per share or more.

(d) For the purposes of such adjustments, the following provisions shall be applicable:

(1) In case at any time the Corporation shall declare a dividend or make any other distribution upon any stock of the Corporation payable in Common Stock, any Common Stock issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(2) In case at any time the Corporation shall take a record of the holders of Common Stock for

the purpose of entitling them to receive a dividend or other distribution payable in Common Stock, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(3) The number of shares of Common Stock outstanding at any given time shall include all shares of Common Stock issuable in respect of script certificates issued in lieu of fractions of common shares of Common Stock.

(e) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights or warrants to purchase Common Stock and any dividend of distribution paid in cash out of the retained earnings of the Corporation, the Current Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Current Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price per share (as determined by the Board of Directors of the Corporation) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution.

(f) In case at any time the Corporation shall subdivide its outstanding shares of Common Stock into a greater number of shares, the Current Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced and conversely, in case the outstanding shares of Common Stock of the Corporation, shall be combined into a smaller number of shares, the Current Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(g) Whenever the Current Conversion Price is adjusted, as herein provided, the Corporation shall promptly mail to each holder of Series K Preferred Stock notice of such adjustment, which notice shall set forth a brief statement of the facts requiring such adjustment.

(h) In case of any capital reorganization or any reclassification of the capital stock of the Corporation or in case of the consolidation or merger of the Corporation with or into another corporation or the conveyance of all or substantially all of the assets of the Corporation to another corporation, each share of Series K Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such shares of Series K Preferred Stock would have been entitled upon such reorganization, reclassification, consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the shares of Series K Preferred Stock, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the shares of Series K Preferred Stock.

(i) In case:

(1) the Corporation shall take a record of the holders of shares of its Common Stock for the purpose of entitling them to receive a dividend, or any other distribution, other than ordinary cash dividends; or

(2) the Corporation shall take a record of the holders of shares of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights; or

(3) of any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), consolidation or merger of the Corporation with or into another corporation, or conveyance of all or substantially all of the assets of the Corporation into another corporation; or

(4) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation, then the Corporation shall cause to be mailed to the holders of record of Series K Preferred Stock or any security convertible into Series K Preferred Stock at their last addresses as they shall appear on the records of the Corporation, at least 20 days (or 10 days in any case specified in clauses (1) and (2) above) prior

to the applicable record date hereinafter specified, a notice stating (1) the date on which a record is to be taken for the purpose of such dividend or distribution of rights, or, if a record is not to be taken, the date as of which the holders of Common Stock of record would be entitled to such dividend or distribution of rights, and (2) the date on which such capital reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other assets deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up.

(j) The Corporation will at all times reserve and keep available out of its authorized Common Stock and/or shares of its Common Stock then owned or held by or for the account of the Corporation, solely for the purpose of delivery upon conversion of Series K Preferred Stock such number of shares of Common Stock as shall then be deliverable upon the conversion of all outstanding or potentially issuable Series K Preferred Stock. All shares of Common Stock which shall be so deliverable shall be duly and validly issued and fully paid and nonassessable.

(k) If any shares of Common Stock required to be reserved for purposes of conversion of Series K Preferred Stock require registration with or approval of any governmental authority under any federal or state law, or listing upon any national securities exchange, before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered, approved or listed, as the case may be.

(l) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series K Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series K Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(m) No fractional shares of Common Stock shall be issued upon the conversion of shares of Series K

Exhibit 11.1

**COMPUTATION OF EARNINGS PER COMMON SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Years Ended September 30,		
	1995	1994	1993
	-----	-----	-----
PRIMARY EARNINGS (NOTE A:)			
Income before extraordinary loss and cumulative effect of accounting changes	\$119,983	\$131,142	\$ 58,856
Dividends on preferred stock	(8,000)	(12,000)	(12,000)
Repurchase of preferred stock	(17,600)		
	-----	-----	-----
Subtotal	94,383	119,142	46,856
Extraordinary loss		(44,320)	
Accounting changes	(14,598)	(44,165)	
	-----	-----	-----
Net income applicable to common stock	\$ 79,785	\$ 30,657	\$ 46,856
	=====	=====	=====
Shares:			

Weighted average number of common shares outstanding	141,215	140,532	139,321
Assuming conversion of dilutive stock options	111	90	308
	-----	-----	-----
Weighted average number of common shares outstanding as adjusted	141,326	140,622	139,629
	=====	=====	=====
Primary earnings per common share:			

Income before extraordinary loss and cumulative effect of accounting changes	\$.66	\$.85	\$.34
Extraordinary loss		(.31)	
Accounting changes	(.10)	(.32)	
	-----	-----	-----
Net income	\$.56	\$.22	\$.34
	=====	=====	=====
FULLY DILUTED EARNINGS (NOTE A:)			
Net income applicable to common stock	\$ 79,785	\$ 30,657	\$ 46,856
Interest expense, net of tax, related to dilutive convertible debt			2,188
	-----	-----	-----
Net income as adjusted	\$ 79,785	\$ 30,657	\$ 49,044
	=====	=====	=====
Shares:			

Weighted average number of common shares outstanding	141,215	140,532	139,321
Assuming conversion of dilutive convertible debt			7,165
Assuming conversion of dilutive stock options	128	90	309
	-----	-----	-----
Weighted average number of common shares outstanding as adjusted	141,343	140,622	146,795
	=====	=====	=====
Fully diluted earnings per common share:			

Income before extraordinary loss and cumulative effect of accounting changes	\$.66	\$.85	\$.33
Extraordinary loss		(.31)	
Accounting changes	(.10)	(.32)	
	-----	-----	-----
Net income	\$.56	\$.22	\$.33
	=====	=====	=====

Note A: This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB

Opinion No. 15 because it results in dilution of less than 3%.

Exhibit 13.1

1995 Financial Statements

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MANAGEMENT REPORT OF FINANCIAL RESPONSIBILITIES Baker Hughes Incorporated

The management of Baker Hughes Incorporated is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system includes written policies, an organizational structure providing division of responsibilities, the selection and training of qualified personnel and a program of financial and operational reviews by a professional staff of corporate auditors. The system is designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements. Management believes that, as of September 30, 1995, the Company's internal control system provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period and is cost effective.

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's Standards of Conduct which is distributed throughout the Company. Management maintains a systematic program to assess compliance with the policies included in the code.

The Board of Directors, through its Audit/Ethics Committee composed solely of nonemployee directors, reviews the Company's financial reporting, accounting and ethical practices. The Audit/Ethics Committee recommends to the Board of Directors the selection of independent public accountants and reviews their fee arrangements. It meets periodically with the independent public accountants, management and the corporate auditors to review the work of each and the propriety of the discharge of their responsibilities. The independent public accountants and the corporate auditors have full and free access to the Audit/Ethics Committee, without management present, to discuss auditing and financial reporting matters.

/s/ James D. Woods

*James D. Woods
Chairman and Chief
Executive Officer*

/s/ Eric L. Mattson

*Eric L. Mattson
Senior Vice President and
Chief Financial Officer*

/s/ James E. Braun

*James E. Braun
Controller*

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS Baker Hughes Incorporated**

BUSINESS ENVIRONMENT

Baker Hughes has eight divisions that provide products and services to two industry segments worldwide: Oilfield and Process Equipment. Oilfield Operations generate approximately 87% of the Company's consolidated revenues.

Oilfield Operations consist of five divisions that provide products, services and solutions used in the drilling, completion, production and maintenance of oil and gas wells. The business environment for Oilfield Operations and its corresponding operating results are significantly affected by worldwide expenditures of the petroleum industry. Important factors establishing the levels of these expenditures include, but are not limited to, world economic conditions, crude oil and natural gas supply and demand balances, the legislative environment in the United States and other major countries, war, insurrection, weather, OPEC policy and other developments in the Middle East and other major petroleum producing regions.

Process Equipment Operations consist of three divisions that serve a broad range of process industries. They are recognized throughout the world as leaders in filtration, sedimentation, centrifugation and flotation processes for the separation of solids from liquids, and liquids from liquids. The business environment for Process Equipment Operations, which also includes Tracor Europa, a computer peripherals division, is significantly affected by worldwide economic conditions in the specific markets that they serve.

**OPERATING ENVIRONMENT
FOR OILFIELD OPERATIONS**

Historically, crude oil and natural gas prices and the number of rotary rigs operating have been prevalent factors in determining the level of worldwide exploration and production expenditures. However, the operating environment for the oilfield service industry has been changing over the past several years. While prices and rig count are still relevant as an indicator of expenditure activity, a number of new trends are beginning to emerge that could alter the oilfield service market place. One key trend is the concept of integrated solutions, which is to involve the oilfield service company in the planning, engineering and integrating of several products and services. Another trend is the application of new technologies aimed at reducing the finding costs for oil and gas.

Crude oil and natural gas prices and the Baker Hughes rotary rig count are summarized in the tables below as annual averages followed by the Company's outlook. While reading the Company's outlook set forth below, caution is advised that the factors described above in "-Business Environment" could negatively impact the Company's expectations for oil and gas prices and drilling activity.

Oil and Gas Prices

Fiscal Year	1995	1994	1993
WTI (\$/Bbl)	18.29	16.87	19.49
U.S. Spot Natural Gas (\$/mcf)	1.42	1.88	2.04

Barring any significant change in OPEC policy, the Company expects crude oil to trade between \$17 and \$19/Bbl in 1996 while remaining susceptible to short-term price fluctuations as the growth in worldwide demand is met by increased production by non-OPEC producing countries. U.S. natural gas prices are expected to strengthen in 1996 with demand for natural gas expected to grow 2% to 3% per year. The Company believes that higher natural gas prices and a tightening market would stimulate exploration and development drilling of natural gas.

Rotary Rig Count

Fiscal Year	1995	1994	1993
U.S. - Land	638	684	686
U.S. - Offshore	100	101	72
Canada	247	245	160
North America	985	1030	918
Latin America	266	223	205
North Sea	42	42	48
Other Europe	66	67	68
Africa	65	66	69
Middle East	123	135	158
Asia Pacific	186	214	233
International	748	747	781
Worldwide	1733	1777	1699
U.S. Workover	1298	1336	1379

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS Baker Hughes Incorporated**

North America

With the current softness in oil and gas prices, the Company anticipates a modest decline in North American drilling activity. In the U.S., the Company is expecting a decrease in gas-directed drilling to be partially offset by a modest increase in oil-directed drilling resulting in a slight increase in offshore activity and relatively flat land activity. Canadian activity is expected to fall short of 1995 levels.

International

The Company is cautiously optimistic that most areas internationally will post an increasing rig count in 1996. The Company is forecasting increases in Latin America, the North Sea and West Africa while activity in the Middle East and Asia Pacific is forecasted to be flat.

RESULTS OF OPERATIONS			

Revenues (In millions)	1995	1994	1993

Consolidated Revenues:			
Sales	\$1,805.1	\$1,727.7	\$1,945.8
Services and Rentals	832.4	777.0	755.9
Total	2,637.5	2,504.7	2,701.7

Less Pumpsystems and EM&C Operations:			
Sales		96.5	334.5
Services and Rentals			15.7
Total		96.5	350.2

Revenues from Ongoing Operations:			
Sales	1,805.1	1,631.2	1,611.3
Services and Rentals	832.4	777.0	740.2
Total	\$2,637.5	\$2,408.2	\$2,351.5

Consolidated revenues for 1995 increased 5.3% from 1994. Consolidated revenues for 1994 decreased 7.3% from 1993. Consolidated revenues were impacted in 1994 and 1993 by the revenues of disposed businesses. EnviroTech Measurements & Controls ("EM&C") was sold in March 1994 and EnviroTech Pumpsystems ("Pumpsystems") was sold in September 1994. The results of Pumpsystems and EM&C have been reported in a manner similar to discontinued operations since March 1994 and June 1993, respectively, which represents the date at which the decisions to divest the businesses were made. As such, consolidated results of operations for 1994 include six months of Pumpsystems' revenues and expenses. The last six months of Pumpsystems' net operating results are reflected as a separate line in the Company's consolidated statement of operations. Nine months of EM&C revenues and expenses are included in the consolidated results for 1993. There are no EM&C revenues and expenses included in the consolidated results for 1994. EM&C operated near break even levels from July 1993 to March 1994 with a small net operating loss offsetting the gain on the sale.

Revenues from ongoing operations were up 9.5% in 1995 from 1994 and 2.4% in 1994 from 1993. In 1995, Oilfield Operations represented approximately 87% of consolidated revenues (\$2,288.2 million) with the remaining 13% represented by Process Equipment Operations (\$349.3 million).

In 1995, the Oilfield Operations experienced revenue growth in spite of decreases in the Baker Hughes rotary rig count and the U.S. workover rig count. Sales revenue and service and rentals revenue were both up 8.4%. Changes in the mix of the worldwide rig count

had a significant impact on the revenue of the Company. Certain areas of the world, including offshore U.S., North Sea and West Africa, historically provide more revenue per rig because of the more difficult and complex drilling conditions. Conditions such as deep water, high pressure and sensitive environment require the premium products and services offered by the Company. Additionally, technological advances in the design and application of the Company's products and services allow oil and gas operators to reach and extract greater quantities of hydrocarbons from a single drilling rig or wellbore. For example, from a single offshore drilling rig, multiple wells can be drilled, completed and produced and, as such, the revenue generating capability of a single drilling rig increases. The Company enjoys ancillary benefits in situations like these because of the wide breadth of products and services offered by the Company. The Oilfield Operations' 1995 results were favorably impacted by these two important trends.

Oilfield Operations was well positioned to take advantage of growth opportunities in a number of key geographic markets. In Latin America, Oilfield Operations saw its largest revenue growth in 1995 as revenue increased 38%. The revenue improvement was driven by an increase in drilling activity in Venezuela and Argentina. Oilfield Operations saw revenue increases in the Gulf of Mexico as horizontal drilling remained strong. Despite flat rig activity in the North Sea, revenue in Europe was up 6% due in large part to growing integrated solutions business. Middle East revenues were up 19% for the year, paced by an increase in Oman where the Company is the leading provider of horizontal drilling technology. Strong performance in these areas were partially offset by a difficult year in Africa and the former Soviet Union ("FSU"). Revenues in the FSU were \$53.3 million in 1995 and \$74.6 million in 1994.

Oilfield Operations reported revenues of \$2,110.9 million in 1994, up 3.3% from 1993. Sales revenue was up 2.6% and services and rentals revenue was up 4.7%. Much of the improvement in Oilfield Operations sales, services and rentals revenue is attributable to increased drilling activity in the Western Hemisphere, U.S.-Offshore and the Canadian market, fueled in large part by natural gas drilling. Partially offsetting this trend was a decline in the average number of workover rigs running in the U.S. However, much of the improvement in the Western Hemisphere was offset by declines in the European and West Africa markets, most notably in geographic areas where Oilfield Operations enjoys significant revenue on a per rig basis.

In 1995, Process Equipment Operations' sales, services and rentals revenue reported an increase of 17.1% from 1994. The minerals processing industry, specifically copper, and the pulp and paper industry experienced significant growth during 1995 benefiting Process Equipment Operations. In 1994, sales, services and rentals revenue declined 3.4% from 1993 primarily due to project deferrals and a general weakness in the economic conditions in most markets that they serve.

Operating Income (In millions)	1995	1994	1993
Consolidated Operating Income	\$255.9	\$185.9	\$158.9
Plus Unusual Charges-net	31.8	42.0	
Less Operating Income of Pumpsystems and EM&C		(17.9)	(23.1)
Operating Income from Ongoing Operations	\$255.9	\$199.8	\$177.8

Consolidated operating income in 1995 increased 37.7% from 1994 levels and in 1994 increased 17.0% from 1993 levels. Operating income from ongoing operations, which excludes the net unusual charges and operating income of Pumpsystems and EM&C, increased 28.1% in 1995 and 12.4% in 1994. Oilfield Operations provided \$269.6 million of operating income in 1995, up 29.0% from 1994 (excluding the 1994 unusual charge) and \$209.0 million in 1994, up 16.9% from 1993. Process Equipment Operations provided \$32.3 million of operating income in 1995, up 49.5% from 1994 and \$21.6 million in 1994, virtually flat compared to 1993. The increases year over

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Baker Hughes Incorporated

year result primarily from improved revenues and the impact of the Company's ongoing quality programs where, through various actions, increases in efficiency and productivity produce cost savings.

Cost and Expenses

Operating expenses, excluding unusual charges, typically fluctuate within a narrow band as a percentage of consolidated revenues as the Company manages expenses both in absolute terms and as a function of revenues.

The total of cost of sales, cost of services and rentals, research and engineering and marketing and field service expenses as a percentage of total revenue decreased from 83.2% in 1994 to 81.5% in 1995 reflecting the realization of cost reductions as explained above. Individually, cost of sales, cost of services and rentals and marketing and field service expense increased in 1995 in line with the revenue increase.

Research and engineering ("R&E") decreased for the year due primarily to the reorganization of the R&E function at two divisions in Oilfield Operations and the disposition of Pumpsystems in 1994. The reorganizations consisted of reductions in headcount as well as a change in focus to product related engineering where costs are now included in cost of sales and marketing and field service expense. General and administrative expense, which is less sensitive to changes in revenue, increased \$18.9 million in 1995. The increase in 1995 is due to the resolution of certain legal matters during the year, the accrual for other claims and the writedown of certain foreign properties held for disposal to their estimated net realizable value. Amortization of goodwill and intangibles has remained relatively flat in 1995 compared to 1994 as no significant acquisitions or dispositions were made in the current year.

In 1994, cost of sales, cost of services and rentals, research and engineering and marketing and field service expenses decreased in line with the revenue decreases associated with the dispositions of EM&C and Pumpsystems. General and administrative expense and amortization of goodwill and other intangibles both decreased in 1994 also reflective of the impact of the disposed businesses.

Unusual Charges-net

1994: During the fourth quarter of 1994, the Company recorded a \$32.4 million unusual charge related to the restructuring and reorganization of certain divisions, primarily Baker Hughes INTEQ as part of a continuing effort to maintain a cost structure appropriate for current and future market conditions. Noncash provisions of the charge total \$16.3 million and consist primarily of the write-down of excess facilities and operating assets to net realizable value. The remaining \$16.1 million of the charge represents cash expenditures related to severance under existing benefit arrangements, the relocation of people, equipment and inventory and abandoned leases. The Company spent \$11.2 million in 1995 and \$3.1 million in 1994 and expects to spend the remaining \$1.8 million in 1996. In addition, an MWD (measurement-while-drilling) product line was discontinued when it was decided to market and support other MWD products resulting in the write-off of property and inventory of \$15.0 million. Offsetting these charges was an unusual gain of \$19.3 million related to the May 1994 cash settlement of a suit against certain insurance carriers in the Parker & Parsley litigation discussed below.

1993: During the first quarter of 1993, the Company recognized a charge of \$17.5 million relating to an agreement for the settlement of the civil antitrust litigation involving the marketing of tricone rockbits. During the second quarter of 1993, the Company, along with Dresser Industries and Parker & Parsley Petroleum Development Incorporated, entered into a Memorandum of Understanding covering the settlement of all outstanding litigation among the parties. In recognition of the settlement, the Company recorded an unusual charge of \$24.5 million. Cash payments totalling \$75.0 million were made during the third quarter of 1993.

Interest Expense

Interest expense decreased \$8.2 million in 1995 compared to 1994. The decrease in 1995 is attributable to the repurchase or defeasance of all the outstanding 6% discount debentures in the last half of 1994. Offsetting interest expense in 1993 is \$3.6 million of the reversal of accrued interest expense on certain Internal Revenue Service issues. Excluding these reversals, interest expense decreased \$4.5 million in 1994. The decrease in 1994 is attributable to lower average debt outstanding offset by a slightly higher overall effective interest rate.

Interest Income

Interest income increased \$1.7 million in 1995 due to an increase in the average short-term investments during the year. Interest income decreased \$2.8 million in 1994. The decrease was due to the repayment of notes receivables and a decrease in short-term investments.

Income Taxes

The effective income tax rate for 1995 was 41.5% as compared to 42.0% in 1994 and 41.2% in 1993. The effective rates differ from the federal statutory rates due primarily to taxes on foreign operations and nondeductible goodwill amortization offset by the recognition of loss and credit carryforwards.

Extraordinary Loss

During 1994, the Company recorded an extraordinary loss of \$44.3 million, net of a tax benefit of \$23.9 million, in connection with the repurchase or defeasance of \$225.0 million face amount of its outstanding 6% debentures due March 2002. At September 30, 1995, \$45.9 million of the debentures have been considered extinguished through defeasance.

Net Income Per Share of Common Stock

In June 1995, the Company repurchased all outstanding shares of its convertible preferred stock for \$167.0 million. The fair market value of the preferred stock was \$149.4 million on its date of issuance. The repurchase price in excess of this amount, \$17.6 million, is deducted from net income in arriving at net income per share of common stock. In addition, net income is adjusted for dividends on preferred stock of \$8.0 million in 1995. Net income is adjusted for dividends on preferred stock of \$12.0 million in 1994 and 1993.

CAPITAL RESOURCES AND LIQUIDITY

Financing Activities

Net cash outflows from financing activities were \$95.5 million in 1995 compared to \$429.8 million and \$56.0 million in 1994 and 1993, respectively.

Total debt outstanding at September 30, 1995 was \$801.3 million, compared to \$653.3 million at September 30, 1994 and \$944.3 million at September 30, 1993. The debt to equity ratio was .529 at September 30, 1995, compared to .399 at September 30, 1994 and .586 at September 30, 1993.

In 1994, the Company used cash to reduce overall debt levels. A total of \$368.1 million was used to reduce borrowings under short-term facilities and repurchase or defease all of its outstanding 6% discount debentures which had an effective interest rate of 14.66%. During 1994, the Company also issued debenture purchase warrants under favorable terms for \$7.0 million that entitled the holders to purchase \$93.0 million of the Company's debentures. In the first half of 1995, all holders exercised their warrants and purchased \$93.0 million in debentures.

In June 1995, the Company repurchased all outstanding shares of its convertible preferred stock for \$167.0 million. Existing cash on hand and borrowings from commercial paper and revolving credit facilities funded the repurchase. Cash dividends decreased in 1995 due to the repurchase.

In 1993, the Company increased total debt while at the same time taking advantage of lower interest rates. During 1993, the Company sold \$385.3 million principal amount at maturity of Liquid Yield Option Notes ("LYONS") due May 2008. The net proceeds of \$223.9 million were used to repay borrowings from short-term facilities incurred to fund the 1992 Teleco acquisition, retire debentures and fund working capital needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Baker Hughes Incorporated

At September 30, 1995, the Company had \$667.1 million of credit facilities with commercial banks, of which \$402.4 million is committed. These facilities are subject to normal banking terms and conditions and do not materially restrict the Company's activities.

During 1995, the U.S. dollar was relatively flat against most European currencies where the Company has a significant net asset position. The Company was impacted, however, by the devaluation of the Mexican peso resulting in an increase of \$4.8 million in the cumulative foreign currency translation adjustment account. During 1994, the U.S. dollar weakened against most European currencies. As a result of this and the sale of EM&C and Pumpsystems, the cumulative foreign currency translation adjustment account decreased \$34.7 million.

Investing Activities

Net cash outflows from investing activities were \$94.1 million in 1995 compared to cash inflows of \$258.4 million in 1994 and cash outflows of \$76.7 million in 1993.

Proceeds from the disposal of assets and noncore businesses generated \$44.8 million in 1995, \$367.1 million in 1994 and \$50.2 million in 1993. Property additions increased in 1995 to \$138.9 million from \$108.6 million in 1994. In 1993 property additions were \$126.9 million. The increase in 1995 is in line with the Company's objective of replacing capital to increase productivity and ensure that the necessary capacity is available to meet market demand. Part of the decrease in 1994 is due to the sale of EM&C and Pumpsystems.

Likewise, the ratio of capital expenditures to depreciation has increased from 88.5% in 1994 to 121.6% in 1995. The majority of the capital expenditures have been in Oilfield Operations where the largest single item is the expenditure for rental tools and equipment to supplement the rental fleet. Funds provided from operations and outstanding lines of credit are expected to be more than adequate to meet future capital expenditure requirements. The Company expects 1996 capital expenditures to be between \$170.0 million and \$190.0 million.

Operating Activities

Net cash inflows from operating activities were \$127.3 million, \$230.8 million and \$23.0 million in 1995, 1994 and 1993, respectively.

The decrease of \$103.5 million in 1995 was due primarily to the build up of working capital in Oilfield Operations to support increased activity, in particular the significant increase in Latin America, and several new emerging markets (e.g. Vietnam and China), and the reduction in liabilities resulting from cash payments for costs associated with the disposition of Pumpsystems and the restructuring accruals recorded in the fourth quarter of 1994. These uses of cash were offset by an increase in net income adjusted for noncash items.

The increase of \$207.8 million in 1994 was due primarily to an increase in net income, adjusted for noncash items, litigation settlements totalling \$75.0 million that were paid in 1993 and a decrease in the build up of working capital.

OTHER MATTERS

In May 1995, President Clinton signed an Executive Order prohibiting virtually all transactions between the U.S. and Iran, and in September 1995, the U.S. Department of Treasury issued implementing regulations. The Order and regulations generally do not reach to the activities of non-U.S. subsidiaries. At September 30, 1995, the Company, through its non-U.S. subsidiaries, had receivables from the National Iranian Oil Company ("NIOC") in an amount of approximately one percent of stockholders' equity. These receivables are currently being paid pursuant to an agreement with the NIOC. It is not possible to predict with any accuracy how the current state of U.S.-Iran relations will impact the Company's ability to collect these receivables. Sales to Iran in the year ended September 30, 1995 and 1994 were not significant.

ACCOUNTING STANDARDS

Postemployment Benefits

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits," effective October 1, 1994. The Company recognized a charge to income of \$14.6 million (\$.10 per share), net of a \$7.9 million tax benefit, in the first quarter of 1995. Expense under SFAS No. 112 for 1995 was not significantly different from the prior method of cash basis accounting.

Postretirement Benefits Other Than Pensions

The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective October 1, 1993. The Company elected to immediately recognize the cumulative effect of the change in accounting and recorded a charge of \$69.6 million, net of a tax benefit of \$37.5 million, in the first quarter of 1994. Expense under SFAS No. 106 for 1994 was not significantly different from the prior method of cash basis accounting.

Accounting for Income Taxes

The Company adopted SFAS No. 109, "Accounting for Income Taxes," effective October 1, 1993, without restatement of prior years and recorded a credit to income of \$25.5 million in the first quarter of 1994. An additional benefit of \$21.9 million was allocated to capital in excess of par value, which reflects the cumulative tax effect of exercised employee stock options for which the Company has taken tax deductions in its U.S. federal tax returns.

Investments in Debt and Equity Securities

The Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective September 30, 1994, and recorded a charge to a separate component of stockholders' equity for unrealized losses on securities available for sale of \$2.8 million, net of a tax benefit of \$1.5 million. A gain or loss will be recognized in the consolidated statement of operations when a security is sold.

Impairment of Long-Lived Assets

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which is effective for the Company on October 1, 1996. The statement sets forth guidance as to when to recognize an impairment of long-lived assets, including goodwill, and how to measure such an impairment. The methodology set forth in SFAS No. 121 is not significantly different from the Company's current policy and, therefore, the Company does not expect the adoption of SFAS No. 121, as it relates to impairment, to have a significant impact on the consolidated financial statements. SFAS No. 121 also addresses the accounting for long-lived assets to be disposed of. The Company has not yet determined the impact of this aspect of SFAS No. 121 on the consolidated financial statements.

Stock Based Compensation

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is effective for the Company on October 1, 1996. SFAS No. 123 permits, but does not require, a fair value based method of accounting for employee stock option plans which results in compensation expense being recognized in the results of operations when stock options are granted. The Company plans to continue the use of its current intrinsic value based method of accounting for such plans where no compensation expense is recognized. However, as required by SFAS No. 123, the Company will provide pro forma disclosure of net income and earnings per share in the notes to the consolidated financial statements as if the fair value based method of accounting had been applied.

INDEPENDENT AUDITORS' REPORT Baker Hughes Incorporated

STOCKHOLDERS OF BAKER HUGHES INCORPORATED:

We have audited the consolidated statements of financial position of Baker Hughes Incorporated and its subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Baker Hughes Incorporated and its subsidiaries at September 30, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 1, the Company changed its method of accounting for postemployment benefits effective October 1, 1994 to conform with Statement of Financial Accounting Standards No. 112. Also as discussed in Note 1, the Company changed its method of accounting for postretirement benefits other than pensions and for income taxes effective October 1, 1993 to conform with Statement of Financial Accounting Standards No. 106 and Statement of Financial Accounting Standards No. 109, respectively.

/s/ Deloitte & Touche LLP

*November 15, 1995
Houston, Texas*

CONSOLIDATED STATEMENTS OF OPERATIONS Baker Hughes Incorporated

Years Ended September 30, (In thousands, except per share amounts)	1995	1994	1993
Revenues:			
Sales	\$1,805,108	\$1,727,734	\$1,945,793
Services and rentals	832,356	777,024	755,904
Total	2,637,464	2,504,758	2,701,697
Costs and expenses:			
Costs of sales	1,045,672	1,015,458	1,154,865
Cost of services and rentals	418,342	389,605	395,286
Research and engineering	83,546	91,011	102,057
Marketing and field service	601,228	586,671	610,337
General and administrative	202,903	184,013	201,322
Amortization of goodwill and other intangibles	29,884	30,775	36,916
Unusual charges - net		31,829	42,000
Operating income of business sold		(10,488)	
Total	2,381,575	2,318,874	2,542,783
Operating income	255,889	185,884	158,914
Gain on sale of Pumpsystems		101,000	
Interest expense	(55,595)	(63,835)	(64,703)
Interest income	4,806	3,067	5,840
Income before income taxes, extraordinary loss and cumulative effect of accounting changes	205,100	226,116	100,051
Income taxes	(85,117)	(94,974)	(41,195)
Income before extraordinary loss and cumulative effect of accounting changes	119,983	131,142	58,856
Extraordinary loss (net of \$23,865 income tax benefit)		(44,320)	
Cumulative effect of accounting changes:			
Income taxes		25,455	
Postretirement benefits other than pensions (net of \$37,488 income tax benefit)		(69,620)	
Postemployment benefits (net of \$7,861 income tax benefit)	(14,598)		
Accounting changes - net	(14,598)	(44,165)	
Net income	\$ 105,385	\$ 42,657	\$ 58,856
Per share of common stock:			
Income before extraordinary loss and cumulative effect of accounting changes	\$ 0.67	\$ 0.85	\$ 0.34
Extraordinary loss		(0.31)	
Cumulative effect of accounting changes	(0.10)	(0.32)	
Net income	\$ 0.57	\$ 0.22	\$ 0.34

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION Baker Hughes Incorporated

September 30, (In thousands)	1995	1994
Current Assets:		
Cash and cash equivalents	\$ 6,817	\$ 69,179
Receivables-less allowance for doubtful accounts: 1995, \$24,809; 1994, \$21,405	709,588	612,414
Inventories:		
Finished goods	595,417	508,198
Work in process	61,622	53,644
Raw materials	70,743	81,204
Total inventories	727,782	643,046
Deferred income taxes	92,550	45,959
Other current assets	28,078	29,394
Total current assets	1,564,815	1,399,992
Property:		
Land	35,393	35,174
Buildings	314,184	294,104
Machinery and equipment	607,061	586,863
Rental tools and equipment	570,279	530,814
Total property	1,526,917	1,446,955
Accumulated depreciation	(951,858)	(886,871)
Property-net	575,059	560,084
Other assets:		
Investments	92,474	89,601
Property held for disposal	58,544	73,496
Other assets	103,321	80,054
Excess costs arising from acquisitions - less accumulated amortization: 1995, \$136,174; 1994, \$112,008	772,378	796,455
Total other assets	1,026,717	1,039,606
Total	\$3,166,591	\$2,999,682

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION Baker Hughes Incorporated

September 30, (In thousands)	1995	1994

Current Liabilities:		
Accounts payable-trade	\$ 304,689	\$ 253,616
Short-term borrowings	2,130	863
Current portion of long-term debt	768	14,436
Accrued employee compensation and benefits	133,135	113,304
Income taxes payable	28,445	29,729
Taxes other than income	25,176	20,608
Accrued insurance	27,475	26,492
Accrued interest	11,978	10,676
Other accrued liabilities	46,335	74,847

Total current liabilities	580,131	544,571

Long-term debt	798,352	637,972

Deferred income taxes	118,350	53,841

Postretirement benefits other than pensions	97,187	95,951

Other long-term liabilities	58,965	28,875

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1 par value (authorized and outstanding 4,000,000 shares in 1994 of \$3.00 convertible preferred stock)		4,000
Common stock, \$1 par value (authorized 400,000,000 shares; outstanding 142,237,000 shares in 1995 and 140,889,000 shares in 1994)	142,237	140,889
Capital in excess of par value	1,342,317	1,474,013
Retained earnings	140,106	125,276
Cumulative foreign currency translation adjustment	(107,689)	(102,915)
Unrealized loss on securities available for sale	(3,365)	(2,791)

Total stockholders' equity	1,513,606	1,638,472

Total	\$3,166,591	\$2,999,682
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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY Baker Hughes Incorporated

For the three years ended September 30, 1995 (In thousands)	Preferred Stock (\$1 Par Value)	Common Stock (\$1 Par Value)	Capital In Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Unrealized Loss on Securities Available for Sale	Total
Balance, September 30, 1992	\$ 4,000	\$ 138,624	\$1,418,857	\$ 176,517	\$ (92,476)		\$1,645,522
Net income				58,856			58,856
Cash and accrued dividends on \$3.00 convertible preferred stock				(12,000)			(12,000)
Cash dividends on common stock (\$.46 per share)				(64,096)			(64,096)
Foreign currency translation adjustment					(45,139)		(45,139)
Stock issued pursuant to employee stock plans		1,813	25,692				27,505
Balance, September 30, 1993	4,000	140,437	1,444,549	159,277	(137,615)		1,610,648
Net income				42,657			42,657
Cash and accrued dividends on \$3.00 convertible preferred stock				(12,000)			(12,000)
Cash dividends on common stock (\$.46 per share)				(64,658)			(64,658)
Foreign currency translation adjustment					17,825		17,825
Disposition of businesses					16,875		16,875
Income tax accounting change			21,896				21,896
Investment accounting change					\$ (2,791)	(2,791)	
Stock issued pursuant to employee stock plans		452	7,568				8,020
Balance, September 30, 1994	4,000	140,889	1,474,013	125,276	(102,915)	(2,791)	1,638,472
Net income				105,385			105,385
Cash and accrued dividends on \$3.00 convertible preferred stock				(8,000)			(8,000)
Cash dividends on common stock (\$.46 per share)				(64,955)			(64,955)
Foreign currency translation adjustment					(4,774)		(4,774)
Repurchase of \$3.00 convertible preferred stock	(4,000)		(145,400)	(17,600)			(167,000)
Unrealized loss adjustment						(574)	(574)
Stock issued pursuant to employee stock plans		1,348	13,704				15,052
Balance, September 30, 1995		\$ 142,237	\$1,342,317	\$ 140,106	\$(107,689)	\$ (3,365)	\$1,513,606

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS Baker Hughes Incorporated

Years Ended September 30, (In thousands)	1995	1994	1993

Cash flows from operating activities:			
Net income	\$ 105,385	\$ 42,657	\$ 58,856
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization of:			
Property	114,170	122,812	141,699
Other assets and debt discount	40,368	46,526	47,371
Deferred tax provision	44,783	47,366	19,349
Noncash portion of unusual charges-net		47,988	
Gain on disposal of assets	(18,313)	(18,034)	(14,594)
Gain on disposition of businesses		(109,550)	
Foreign currency translation loss-net	1,948	1,892	441
Cumulative effect of accounting changes	14,598	44,165	
Extraordinary loss		44,320	
Change in receivables	(94,660)	(22,740)	(74,828)
Change in inventories	(79,937)	(58,035)	(50,506)
Change in accounts payable-trade	51,734	24,890	(2,962)
Changes in other assets and liabilities	(52,805)	16,520	(101,859)

Net cash flows from operating activities	127,271	230,777	22,967

Cash flows from investing activities:			
Property additions	(138,876)	(108,639)	(126,901)
Proceeds from disposal of assets	44,786	38,664	40,928
Proceeds from disposition of businesses		328,389	9,299

Net cash flows from investing activities	(94,090)	258,414	(76,674)

Cash flows from financing activities:			
Net borrowings (payments) from commercial paper and revolving credit facilities	42,674	(162,590)	(95,010)
Retirement of debentures		(205,497)	(18,197)
Proceeds from exercise of debenture purchase warrants	93,000		
Net proceeds from issuance of debenture purchase warrants		7,026	
Net proceeds from issuance of notes			223,911
Repurchase of preferred stock	(167,000)		
Proceeds from exercise of stock options and stock purchase grants	9,773	7,900	21,358
Dividends	(73,955)	(76,658)	(76,096)

Net cash flows from financing activities	(95,508)	(429,819)	55,966

Effect of exchange rate changes on cash	(35)	2,815	(1,959)

Increase (decrease) in cash and cash equivalents	(62,362)	62,187	300
Cash and cash equivalents, beginning of year	69,179	6,992	6,692

Cash and cash equivalents,
end of year

\$ 6,817 \$ 69,179 \$ 6,992
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See Notes to Consolidated Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation: The consolidated financial statements include the accounts of Baker Hughes Incorporated and all majority owned subsidiaries (the "Company"). Investments in which ownership interest ranges from 20 to 50 percent and the Company exercises significant influence over operating and financial policies are accounted for on the equity method. In 1994, the Company changed its accounting for other investments as explained below. Prior to 1994, other investments were accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain minor reclassifications have been made to the 1994 balances to conform to the 1995 presentation.

Revenue recognition: Revenue from product sales are recognized upon delivery of products to the customer. Revenues from services and rentals are recorded when such services are rendered.

Inventories: Inventories are stated primarily at the lower of average cost or market.

Property: Property is stated principally at cost less accumulated depreciation, which is generally provided by using the straight-line method over the estimated useful lives of individual items. The Company manufactures a substantial portion of its rental tools and equipment, and the cost of these items includes direct and indirect manufacturing costs.

Property held for disposal: Property held for disposal is stated at the lower of cost or estimated net realizable value.

Investments: The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective September 30, 1994. Investments in debt and equity securities, other than those accounted for by the equity method, are reported at fair value with unrealized gains or losses, net of tax, recorded as a separate component of stockholders' equity.

Excess costs arising from acquisitions: Excess costs arising from acquisitions of businesses ("Goodwill") are amortized on the straight-line method over the lesser of expected useful life or forty years. The carrying amount of unamortized Goodwill is reviewed for potential impairment loss when events or changes in circumstances indicate that the carrying amount of Goodwill may not be recoverable. An impairment loss of Goodwill is recorded in the period in which it is determined that it is not recoverable. The determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense, of the business unit to which the Goodwill relates.

Income taxes: The Company adopted SFAS No. 109, "Accounting for Income Taxes," effective October 1, 1993, without restatement of prior years. The cumulative effect of adopting SFAS No. 109 was a credit to income of \$25.5 million (\$.18 per share). An additional benefit of \$21.9 million was allocated to capital in excess of par value, which reflects the cumulative tax effect of exercised employee stock options for which the Company has taken tax deductions in its U.S. federal tax returns.

Deferred income taxes are determined utilizing an asset and liability approach. This method gives consideration to the future tax consequences associated with differences between the financial accounting and tax basis of assets and liabilities.

Environmental matters: Remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred.

Postretirement benefits other than pensions: The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," effective October 1, 1993. The standard requires that the estimated cost of postretirement benefits other than pensions be accrued over the period earned rather than expensed in the period the benefits are paid. The cumulative effect of adopting SFAS No. 106 on the immediate recognition basis was a charge to income of \$69.6 million (\$.50 per share), net of a tax benefit of \$37.5 million.

Postemployment benefits: The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective October 1, 1994. The standard requires that the cost of benefits provided to former or inactive employees after employment, but before retirement, be accrued when it is probable that a benefit will be provided, or in the case of service related benefits, over the period earned. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The cumulative effect of adopting SFAS No. 112 was a charge to income of \$14.6 million (\$.10 per share), net of a tax benefit of \$7.9 million.

Foreign currency translation: Gains and losses resulting from balance sheet translation of foreign operations where a foreign currency is the functional currency are included as a separate component of stockholders' equity. Gains and losses resulting from balance sheet translation of foreign operations where the U.S. dollar is the functional currency are included in the consolidated statements of operations.

Financial Instruments: The Company uses forward exchange contracts and currency swaps to hedge certain firm commitments and transactions denominated in foreign currencies. Gains and losses on forward contracts are deferred and offset against foreign exchange gains or losses on the underlying hedged item. The Company uses interest rate swaps to manage interest rate risk. The interest differentials from interest rate swaps are recognized as an adjustment to interest expense. The Company's policies do not permit financial instrument transactions for speculative purposes.

Income per share: Income per share amounts are based on the weighted average number of shares outstanding during the respective years (141,215,000 in 1995, 140,532,000 in 1994, and 139,321,000 in 1993) and exclude the negligible dilutive effect of shares issuable in connection with employee stock plans. Net income is adjusted for dividends on preferred stock. Per share amounts in 1995 are also reduced by \$17.6 million related to the repurchase of the Company's convertible preferred stock.

Statements of cash flows: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 2 DISPOSITIONS

1994

In September 1994, the Company sold the EnviroTech Pumpsystems ("Pumpsystems") group of companies. The decision to divest Pumpsystems was part of a continuing review of the Company's core product and service competencies. The sale provided approximately \$210.0 million in proceeds and resulted in a gain of \$101.0 million. Pumpsystems' operating revenues and expenses have been reported in a manner similar to discontinued operations since March 1994. As such, the first six months of Pumpsystems' revenues and expenses are included in the consolidated results for 1994 and the last six months net operating results are reflected as a separate line in the Company's consolidated statement of operations.

In July 1993, the Company announced that the EnviroTech Measurements & Controls ("EM&C") group of companies would no longer be considered part of its core business. EM&C operating revenues and expenses have been reported in a manner similar to discontinued operations since June 1993. As such, there are no EM&C revenues and expenses included in the consolidated results for 1994 and nine months of EM&C revenues and expenses are included in the consolidated results for 1993. EM&C operated near break even levels from July 1993 to March 1994 with a small net operating loss offsetting the gain on the sale. In March 1994, the Company completed the sale of EM&C which provided \$134.0 million in proceeds and resulted in a gain of \$8.6 million.

NOTE 3 UNUSUAL CHARGES-NET

1994

During 1994, the Company recognized \$31.8 million of net unusual charges consisting of the following items:

(In thousands)	

Insurance recovery in the Parker & Parsley litigation	\$(19,281)
Discontinued product line	15,005
Oilfield restructurings:	
Severance under existing benefit arrangements	5,869
Relocation of property, inventory and people	5,773
Writedown of assets to net realizable value	18,650
Abandoned leases	2,082
Other	3,731

Unusual charges-net	\$ 31,829
	=====

In May 1994, the Company realized a gain of \$19.3 million from the cash settlement of a suit against certain insurance carriers in the Parker & Parsley litigation described below.

During the fourth quarter of 1994, the Company discontinued an MWD (measurement- while-drilling) product line when it decided to market and support other MWD products resulting in the write-off of property and inventory of \$15.0 million. In addition, the Company recorded a \$32.4 million charge related to the restructuring and reorganization of certain divisions, primarily Baker Hughes INTEQ. Cash provisions of the charge totalled \$16.1 million. The Company spent \$11.2 million in 1995, \$3.1 million in 1994 and expects to spend the remaining \$1.8 million in 1996.

During the first quarter of 1993, the Company recognized an unusual charge of \$17.5 million in connection with reaching an agreement with representatives of the class plaintiffs for the settlement of a class action civil antitrust lawsuit concerning the marketing of tricone rock bits. A cash payment of \$17.5 million was made in April 1993.

During the second quarter of 1993, the Company, along with Dresser Industries and Parker & Parsley Petroleum Development Incorporated, settled all outstanding litigation among the parties over alleged intentional product delivery or service variance on a number of well stimulation projects. In recognition of settlement, the Company recorded an unusual charge of \$24.5 million. A cash payment of \$57.5 million was made for the Company's portion in May 1993.

NOTE 4 INDEBTEDNESS

Long-term debt at September 30, 1995 and 1994 consisted of the following:

(In thousands)	1995	1994
Commercial Paper with an average interest rate of 6.85% at September 30, 1995	\$ 15,000	
Revolving Credit Facilities due through 1999 with an average interest rate of 8.84% at September 30, 1995	81,961	\$ 47,693
Liquid Yield Option Notes ("LYONS") due May 2008 with a yield to maturity of 3.5% per annum, net of unamortized discount of \$140,505 (\$149,329 in 1994)	244,745	235,921
7.625% Notes due February 1999 with an effective interest rate of 7.73%, net of unamortized discount of \$938 (\$1,198 in 1994)	149,062	148,802
4.125% Swiss Franc 200 million Bonds due June 1996 with an effective interest rate of 7.82%	107,896	107,222
8% Notes due May 2004 with an effective interest rate of 8.08%, net of unamortized discount of \$1,175 (\$1,292 in 1994)	98,825	98,708
Debentures with an effective interest rate of 8.59%, due January 2000		93,000
Other indebtedness with an average interest rate of 6.73% at September 30, 1995	8,631	14,062
Total debt	799,120	652,408
	-----	-----
Less current maturities	768	14,436
	-----	-----
Long-term debt	\$798,352	\$637,972
	=====	=====

At September 30, 1995, the Company had \$667.1 million of credit facilities with commercial banks, of which \$402.4 million is committed. The majority of these facilities expire in 1999. The Company's policy is to classify commercial paper and borrowings under revolving credit facilities as long-term debt since the Company has the ability under certain credit agreements, and the intent, to maintain these obligations for longer than one year. These facilities are subject to normal banking terms and conditions and do not materially restrict the Company's activities.

The LYONS are convertible into the Company's common stock at a conversion price of \$34.85 per share, calculated as of November 5, 1995 and increases at an annual rate of 3.5%. At the option of the Company, the LYONS may be redeemed for cash at any time on or after May 5, 1998, at a redemption price equal to the issue price plus accrued original issue discount through the date of redemption. At the option of the holder, the LYONS may be redeemed for cash on May 5, 1998, or on May 5, 2003, for a redemption price equal to the issue price plus accrued original issue discount through the date of redemption.

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In May through September 1994, the Company repurchased or defeased all of its outstanding 6% discount debentures for \$205.5 million and generated an extraordinary loss of \$44.3 million (\$.31 per share), net of a tax benefit of \$23.9 million. At September 30, 1995, \$45.9 million of the debentures have been considered extinguished through defeasance.

In April 1994, the Company issued debenture purchase warrants for \$7.0 million that entitled the holders to purchase \$93.0 million of the Company's debentures. In October 1994 through January 1995, all warrants were exercised and \$93.0 million of debentures were purchased.

Maturities of long-term debt for the next five years are as follows: 1996-\$108.7 million; 1997-\$4.5 million; 1998-\$.1 million; 1999-\$190.1 million and 2000- \$149.2 million. At September 30, 1995, the 4.125% Swiss Franc 200.0 million Bonds ("SFrBonds") were classified as long-term as the Company has the intent and the ability to refinance them on a long-term basis through available credit facilities.

NOTE 5 FINANCIAL INSTRUMENTS

At September 30, 1995, the Company had \$306.5 million aggregate notional amount interest rate swap agreements outstanding maturing in 1998 and 2000. These swaps effectively exchange a weighted average fixed interest rate of 5.0% for variable interest rates on the notional amount. The variable interest rate is six-month LIBOR plus 2% and 30-day commercial paper rates minus 1.96% on notional amounts of \$93.0 million and \$213.5 million, respectively. In the unlikely event that the counterparties fail to meet the terms of an interest rate swap agreement, the Company's exposure is limited to the interest rate differential.

The SFrBonds are hedged through a foreign currency swap agreement and a foreign currency option. These instruments convert the Company's Swiss Franc denominated principal and interest obligations under the SFrBonds into U.S. dollar denominated obligations. In the unlikely event of nonperformance by the counterparty, the Company's credit exposure at September 30, 1995 is represented by the fair value of the contract of \$66.2 million.

Except as described below, the estimated fair values of the Company's financial instruments at September 30, 1995 and 1994 approximate their carrying value as reflected in the consolidated statement of financial position. The Company's financial instruments include cash and short-term investments, receivables, investments, payables, debt and interest rate and foreign currency contracts. The fair value of such financial instruments has been estimated based on quoted market prices and the Black-Scholes pricing model.

The estimated fair value of the Company's debt, at September 30, 1995 and 1994 was \$886.5 million and \$673.6 million, respectively, which differs from the carrying amounts of \$801.3 million and \$653.3 million, respectively, included in the consolidated statement of financial position. The fair value of the Company's interest rate and currency contracts at September 30, 1995 and 1994, which are designated as hedges to the Company's debt and related interest cost, was \$68.7 million and \$28.0 million, respectively, which should be considered a reduction to the fair value of the debt mentioned above.

NOTE 6 PREFERRED STOCK

In April 1992, the Company issued four million shares of \$3.00 convertible preferred stock (\$1 par value per share and \$50 liquidation preference per share) to Sonat, Inc. in connection with the Teleco acquisition. The preferred stock was convertible at the option of the holder at any time into the Company's common stock at a conversion price of \$32.50 per share.

The preferred stock was redeemable at any time, in whole or in part, at the option of the Company on at least thirty and not more than sixty days notice at \$50 per share, plus accrued dividends. Dividends on the preferred stock were cumulative at the rate of \$3.00 per share per annum. Such dividends were payable quarterly as declared by the Board of Directors.

In June 1995, the Company repurchased all outstanding shares of its convertible preferred stock for \$167.0 million. The fair market value of the preferred stock was \$149.4 million on its original date of issuance. The repurchase price in excess of this amount, \$17.6 million, is deducted from net income in arriving at net income per share of common stock.

NOTE 7 EMPLOYEE STOCK PLANS

The Company has stock option plans that provide for granting of options for the purchase of common stock to directors, officers and other key employees. These stock options may be granted subject to terms ranging from one to ten years at a price equal to the fair market value of the stock at the date of grant.

Stock option activity for the Company during 1995, 1994 and 1993 was as follows:

Number of Shares (In thousands)	1995	1994	1993

Stock options outstanding, beginning of year	4,879	2,890	2,726
Granted (per share):			
1995 \$19.13 to \$20.50	1,349		
1994 \$20.13 to \$21.88		2,291	
1993 \$23.00			1,001
Exercised (per share):			
1995 \$13.38 to \$21.95	(153)		
1994 \$10.25 to \$15.38		(31)	
1993 \$10.25 to \$28.50			(721)
Expired	(1,060)	(271)	(116)

Stock options outstanding, end of year (per share: \$13.38 to \$28.50 at September 30, 1995)	5,015	4,879	2,890
	=====		

At September 30, 1995, options were exercisable for 2.2 million shares, and 4.2 million shares were available for future option grants.

The Company has a plan that provides for the sale of convertible debentures to certain officers and key employees. An aggregate of \$30.0 million principal amount of debentures may be issued under the plan, which are convertible into shares of common stock after one year. At September 30, 1995, a total of \$5.9 million principal amount of debentures are outstanding and convertible into 257,000 shares of common stock at \$13.38 to \$28.50 per share.

The Company has an Employee Stock Purchase

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Baker Hughes Incorporated

Plan (the "Plan") under which there remain authorized and available for sale to employees, at a discount of 15%, an aggregate of 2,068,000 shares of the Company's common stock. Based on the market price of common stock on the date of grant, the Company estimates that approximately 450,000 shares will be purchased in July 1996. Under the Plan, 414,000, 421,000 and 521,000 shares were issued at \$17.96, \$17.96 and \$19.02 per share during 1995, 1994 and 1993, respectively.

NOTE 8 INCOME TAXES

The geographical sources of income before income taxes, extraordinary loss and cumulative effect of accounting changes for the three years ended September 30, 1995 are as follows:

(In thousands)	1995	1994	1993
United States	\$128,273	\$139,940	\$ 41,024
Foreign	76,827	86,176	59,027
Income before income taxes, extraordinary loss and cumulative effect of accounting changes	\$205,100	\$226,116	\$100,051

The provision for income taxes for the three years ended September 30, 1995 are as follows:

(In thousands)	1995	1994	1993
Currently payable:			
United States	\$ 3,730	\$ 10,875	\$ 2,552
Foreign	36,604	36,733	19,294
Total currently payable	40,334	47,608	21,846
Deferred:			
United States	42,106	46,433	(1,053)
Foreign	2,677	933	20,402
Total deferred	44,783	47,366	19,349
Total provision for income taxes	\$ 85,117	\$ 94,974	\$ 41,195

The provision for income taxes differs from the amount computed by applying the U.S. statutory income tax rates to income before income taxes, extraordinary loss and cumulative effect of accounting changes for the reasons set forth below:

(In thousands)	1995	1994	1993
Statutory income tax	\$ 71,785	\$ 79,141	\$ 34,818
Incremental effect of foreign operations	24,828	21,591	22,812
Goodwill amortization	4,155	5,653	6,903
State income taxes - net of U.S. tax benefit	995	2,940	1,701
Operating loss and credit carryforwards	(13,103)	(12,662)	(26,714)
Other-net	(3,543)	(1,689)	1,675
Provision for income taxes	\$ 85,117	\$ 94,974	\$ 41,195

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and operating loss and tax credit carryforwards. The tax effects of the Company's temporary differences and carryforwards at September 30, 1995 and 1994 are as follows:

(In thousands)	1995	1994

Deferred tax liabilities:		
Property	\$ 54,500	\$ 56,100
Other assets	60,650	33,900
Excess costs arising from acquisitions	59,800	44,400
Undistributed earnings of foreign subsidiaries	34,150	29,600
Other	21,600	15,700

Total	230,700	179,700

Deferred tax assets:		
Receivables	3,200	4,900
Inventory	66,800	48,600
Employee benefits	47,400	36,750
Other accrued expenses	32,500	28,300
Operating loss carryforwards	27,000	27,400
Tax credit carryforwards	32,100	46,960
Other	11,800	7,750

Subtotal	220,800	200,660
Valuation allowance	(15,900)	(28,840)

Total	204,900	171,820

Net deferred tax liability	\$ 25,800	\$ 7,880
	=====	

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future. The Company has reserved the operating loss carryforwards in certain non-U.S. jurisdictions where its operations have decreased, currently ceased or the Company has withdrawn entirely. At September 30, 1994, the Company had fully reserved the U.S. credit portion of all its foreign tax credit ("FTC") carryforwards based on a recent historical pattern of expiring foreign tax credits and the lack of taxable income in amounts sufficient to utilize the foreign tax credit carryforwards. At September 30, 1995, the Company determined that a valuation allowance was no longer required for the U.S. credit portion of its FTC carryforwards based on the expected utilization of FTC carryforwards in 1995 and expectations that taxable income will be generated during the carryforward period in amounts sufficient to utilize the FTC carryforwards. In addition, changes in the Company's profitability in Latin America resulted in a change in the valuation allowance for certain non-U.S. operating loss carryforwards. These changes in circumstances reduced the valuation allowance by \$8.3 million in 1995.

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Provision has been made for U.S. and additional foreign taxes for the anticipated repatriation of certain earnings of foreign subsidiaries of the Company. The Company considers the undistributed earnings of its foreign subsidiaries above the amount already provided to be permanently reinvested. These additional foreign earnings could become subject to additional tax if remitted, or deemed remitted, as a dividend; however, the additional amount of taxes payable is not practicable to estimate.

At September 30, 1995, the Company had approximately \$32.1 million of general business, alternative minimum tax and foreign tax credits available to offset future payments of federal income taxes expiring in varying amounts between 1996 and 2008. At September 30, 1995, the Company had approximately \$8.4 million of U.S. capital loss carryforwards, which expire in varying amounts between 1998 and 2000.

NOTE 9 INDUSTRY SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates principally in two industry segments - oilfield and process.

Oilfield Industry: Manufacture and sale of equipment and provision of services used during and subsequent to the drilling of oil and gas wells to achieve safety and long-term productivity, to provide structural integrity to protect against pressure and corrosion damage and to stimulate or rework wells during their productive lives by chemical, mechanical or other stimulation means.

Process Industry: Manufacture and sale of process equipment for separating and treating liquids, solids and slurries for environmental and other process industries. The process industry also includes the results of Tracor Europa, a computer peripherals operation.

Disposed Businesses: The disposed businesses segment information includes the results of significant operations that have been disposed of in prior years.

The Company maintains worldwide manufacturing plants and service locations to serve these industry segments. Intersegment sales and transfers between geographic areas are priced at the estimated fair value of the products or services negotiated between the selling and receiving units. Operating profit is total revenues less costs and expenses (including unusual charges-net) but before deduction of general corporate expenses totalling \$35.0 million, \$32.8 million and \$35.6 million in 1995, 1994 and 1993, respectively. Identifiable assets are those assets that are used by the Company's operations in each industry segment or are identified with the Company's operations in each geographic area. Corporate assets consist principally of cash, assets held for disposal, investments and notes receivable which amount to \$253.6 million, \$281.3 million and \$231.2 million at September 30, 1995, 1994 and 1993, respectively.

Summarized financial information concerning the industry segments and geographic areas in which the Company operated at September 30, 1995, 1994 and 1993 and for each of the years then ended is shown in the following tables:

(In thousands)	Oilfield	Process	Disposed Businesses	Eliminations	Total
Operations by Industry Segment:					
1995					
Revenues from unaffiliated customers:					
Sales	\$1,481,969	\$323,139			\$1,805,108
Services and rentals	806,254	26,102			832,356
Intersegment sales	9	7		\$ (16)	
Total revenues	2,288,232	349,248		(16)	2,637,464
Operating profit	269,630	32,334	\$ (11,083)		290,881
Identifiable assets	2,695,050	211,304	6,923	(318)	2,912,959
Capital expenditures	132,189	5,142		1,545	138,876
Depreciation and amortization	136,311	5,589		2,154	144,054
1994					
Revenues from unaffiliated customers:					
Sales	\$1,366,555	\$264,725	\$ 96,454		\$1,727,734
Services and rentals	744,086	32,938			777,024
Intersegment sales	297	589	4,678	\$ (5,564)	
Total revenues	2,110,938	298,252	101,132	(5,564)	2,504,758
Operating profit	157,906	21,628	39,116		218,650
Identifiable assets	2,504,512	188,265	30,594	(4,939)	2,718,432
Capital expenditures	100,514	4,188	2,713	1,224	108,639
Depreciation and amortization	141,369	7,260	4,053	1,513	154,195
1993					
Revenues from unaffiliated customers:					
Sales	\$1,332,407	\$278,849	\$ 334,537		\$1,945,793
Services and rentals	710,725	29,479	15,700		755,904
Intersegment sales	359	522	5,154	\$ (6,035)	
Total revenues	2,043,491	308,850	355,391	(6,035)	2,701,697
Operating profit	178,776	21,820	(6,130)		194,466
Identifiable assets	2,461,070	167,891	285,465	(2,330)	2,912,096
Capital expenditures	106,562	6,059	13,548	732	126,901
Depreciation and amortization	154,304	7,786	15,071	1,457	178,618

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(In thousands)	Western Hemisphere		Eastern Hemisphere		Eliminations	Total
	United States	Other	Europe	Other		
Operations by Geographic Area:						
1995						
Revenues from unaffiliated customers:						
Sales	\$ 952,836	\$290,317	\$ 349,374	\$ 212,581		\$1,805,108
Services and rentals	260,032	155,650	248,521	168,153		832,356
Transfers between geographic areas	210,032	28,639	43,534	25,576	\$ (307,781)	
Total revenues	1,422,900	474,606	641,429	406,310	(307,781)	2,637,464
Operating profit	67,038	77,305	99,914	46,624		290,881
Identifiable assets	1,901,670	348,850	528,454	319,159	(185,174)	2,912,959
Export sales of U.S. companies		89,314	10,414	139,111		238,839
1994						
Revenues from unaffiliated customers:						
Sales	\$ 870,023	\$253,834	\$ 362,994	\$ 240,883		\$1,727,734
Services and rentals	308,106	108,282	209,875	150,761		777,024
Transfers between geographic areas	180,345	23,177	36,588	23,433	\$ (263,543)	
Total revenues	1,358,474	385,293	609,457	415,077	(263,543)	2,504,758
Operating profit	33,439	59,688	65,077	60,446		218,650
Identifiable assets	1,631,374	278,109	552,104	411,317	(154,472)	2,718,432
Export sales of U.S. companies		77,219	14,883	152,478		244,580
1993						
Revenues from unaffiliated customers:						
Sales	\$ 929,943	\$254,678	\$ 371,346	\$ 389,826		\$1,945,793
Services and rentals	281,844	95,325	195,224	183,511		755,904
Transfers between geographic areas	175,411	23,039	48,252	28,183	\$ (274,885)	
Total revenues	1,387,198	373,042	614,822	601,520	(274,885)	2,701,697
Operating profit	(20,640)	43,077	65,606	106,423		194,466
Identifiable assets	1,689,377	298,381	663,132	402,428	(141,222)	2,912,096
Export sales of U.S. companies		79,236	14,503	197,607		291,346

NOTE 10 EMPLOYEE BENEFIT PLANS

Postretirement Benefits Other Than Pensions

The Company provides postretirement health care benefits for substantially all U.S. employees. Expense recognized in 1995 and 1994 under SFAS No. 106 was \$9.5 million and \$8.8 million, respectively. In 1993, the Company recognized \$9.5 million as expense for postretirement health care benefits under the cash basis method. The Company's postretirement plans are not funded.

The following table sets forth the funded status and amounts recognized in the Company's consolidated statements of financial position at September 30, 1995 and 1994:

(In thousands)	1995	1994

Accumulated postretirement benefit obligation ("APBO"):		
Retirees	\$ (70,885)	\$ (83,449)
Fully eligible active plan participants	(9,568)	(9,856)
Other active plan participants	(17,683)	(19,920)
	-----	-----
Total	(98,136)	(113,225)
Unrecognized net (gain) loss	(8,740)	7,595
	-----	-----
Accrued postretirement benefit cost	\$(106,876)	\$(105,630)
	=====	=====
Net periodic postretirement benefit cost (in thousands):		
Service cost of benefits earned	\$ 1,300	\$ 1,300
Interest cost on APBO	8,200	7,500
	-----	-----
Net periodic postretirement benefit cost	\$ 9,500	\$ 8,800
	=====	=====

The assumed health care cost trend rate used in measuring the APBO as of September 30, 1995 was 8.0% for 1996 declining gradually each successive year until it reaches 5% in 2002, after which it remains constant. A 1% increase in the trend rate for health care costs would have increased the APBO by approximately 5% and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by approximately 5%. The assumed discount rate used in determining the APBO was 7.5%.

Defined Benefit Pension Plans

The Company has several noncontributory defined benefit pension plans covering various domestic and foreign employees. Pension expense for these plans was \$1.4 million, \$1.4 million and \$1.3 million in 1995, 1994 and 1993, respectively. Generally, the Company makes annual contributions to the plans in amounts necessary to meet minimum governmental funding requirements.

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Net pension expense includes the following components:

(In thousands)	1995	1994	1993
Service cost - benefits earned during the period	\$ 1,375	\$ 954	\$ 1,413
Interest cost on projected benefit obligation	2,406	2,329	3,348
Actual return on assets	(4,793)	(1,710)	(3,545)
Net amortization and deferral	2,391	(216)	126
Net pension expense	\$ 1,379	\$ 1,357	\$ 1,342

The weighted average assumptions used in the accounting for the defined benefit plans were:

	1995	1994	1993
Discount rate	7.3%	7.7%	7.3%
Rates of increase in compensation levels	3.0%	3.5%	4.5%
Expected long-term rate of return on assets	8.5%	8.6%	8.8%

The following table sets forth the funded status and amounts recognized in the Company's consolidated statements of financial position at September 30, 1995 and 1994:

# (In thousands)	1995		1994	
	Overfunded Plans	Underfunded Plans	Overfunded Plans	Underfunded Plans
Actuarial present value of benefit obligations:				
Vested benefit obligation	\$ (21,906)	\$ (9,316)	\$ (15,309)	\$ (12,922)
Accumulated benefit obligation	\$ (22,826)	\$ (9,995)	\$ (15,518)	\$ (13,848)
Projected benefit obligation	\$ (24,050)	\$ (11,752)	\$ (16,812)	\$ (16,185)
Plan assets at fair value	30,828	3,324	22,159	7,387
Projected benefit obligation (in excess of) less than plan assets	6,778	(8,428)	5,347	(8,798)
Unrecognized prior service cost	371		259	98
Unrecognized net (gain) loss	(2,922)	(251)	(2,024)	239
Unrecognized net liability at transition	7	327	320	97
Prepaid pension cost (pension liability)	\$ 4,234	\$ (8,352)	\$ 3,902	\$ (8,364)

Pension plan assets are primarily mortgages, private placements, bonds and common stocks.

Thrift Plan

Virtually all U.S. employees not covered under one of the Company's pension plans are eligible to participate in the Company sponsored Thrift Plan. The Thrift Plan allows eligible employees to elect to contribute from 2% to 15% of their salaries to an investment trust. Employee contributions are matched by the Company at the rate of \$1.00 per \$1.00 employee contribution for the first 2% and \$.50 per \$1.00 employee contribution for the next 4% of the employee's salary. In addition, the Company contributes for

all eligible employees between 2% and 5% of their salary depending on the employee's age as of January 1 each year with such contributions becoming fully vested to the employee after five years of employment. The Company's contribution to the Thrift Plan and other defined contribution plans amounted to \$27.5 million, \$26.3 million and \$23.6 million in 1995, 1994 and 1993, respectively.

Postemployment Benefits

The Company provides certain postemployment benefits to substantially all domestic former or inactive employees following employment but before retirement. Net postemployment expense in 1995 under SFAS No. 112 was \$2.8 million, which consisted of service and interest cost of \$1.0 million and \$1.8 million, respectively. Expense in 1994 and 1993 was \$2.0 million and \$2.2 million, respectively. Certain disability income benefits are provided through a qualified plan which is funded by contributions from the Company and employees. The primary asset of the plan is a guaranteed insurance contract with an insurance company. At September 30, 1995, the disability income obligation was \$10.2 million assuming a discount rate of 7% and the guaranteed insurance contract had a contract value of \$18.6 million. Certain additional benefits, primarily the continuation of medical benefits while on disability, are provided through a nonqualified, unfunded plan. At September 30, 1995, the plan has an accumulated benefit obligation of \$27.8 million assuming a discount rate of 7%.

NOTE 11 STOCKHOLDER RIGHTS AGREEMENT AND OTHER MATTERS

The Company has a Stockholder Rights Agreement to protect against coercive takeover tactics. Pursuant to the agreement, the Company distributed to its stockholders one Right for each outstanding share of common stock. Each Right entitles the holder to purchase from the Company .01 of a share of the Series One Junior Participating Preferred Stock and, under certain circumstances, securities of the Company or an acquiring entity at 1/2 market value. The Rights are exercisable only if a person or group either acquires 20% or more of the Company's outstanding common stock or makes a tender offer for 30% or more of the Company's common stock. The Rights may be redeemed by the Company at a price of \$.03 per Right at any time prior to a person or group acquiring 20% or more of the Company's common stock. The Rights will expire on March 23, 1998.

Supplemental consolidated statement of operations information is as follows:

(In thousands)	1995	1994	1993

Operating leases (generally transportation equipment and warehouse facilities)	\$32,952	\$30,089	\$36,500
Research and development	37,423	37,393	41,067
Income taxes paid	49,672	39,397	43,112
Interest paid	45,206	55,488	65,673

At September 30, 1995, the Company had long-term operating leases covering certain facilities and equipment on which minimum annual rental commitments for each of the five years in the period ending September 30, 2000 are \$28.7 million, \$19.3 million, \$12.2 million, \$8.1 million and \$7.0 million, respectively, and \$46.6 million in the aggregate thereafter. The Company has not entered into any significant capital leases.

NOTE 12 LITIGATION

Glyn Snell

In August 1994, the Company made a payment of \$7.5 million to settle a class action suit on behalf of Glyn Snell and other royalty interest owners implicating Dresser Industries, BJ Services Company USA, Inc., the Company and affiliates in damages to the same wells included in the Parker & Parsley litigation.

TRW Inc.

In January 1994, the Company paid \$10.4 million to TRW Inc. ("TRW") to satisfy a judgment TRW had obtained in connection with a damage suit filed against the Company and affiliates in connection with the sale of certain disc and decanter machines by the affiliates prior to the Company's acquisition of the affiliates in 1989.

Other

See Note 3 for additional litigation matters that have been resolved. The Company is sometimes named as a defendant in litigation relating to the products and services it provides. The Company insures against these risks to the extent deemed prudent by its management, but no assurance can be given that the nature and amount of such insurance will in every case fully indemnify the Company against liabilities arising out of pending and future legal proceedings relating to its ordinary business activities.

NOTE 13 ENVIRONMENTAL MATTERS

The Company's past and present operations include activities which are subject to extensive federal and state environmental regulations.

The Company has been identified as a potentially responsible party ("PRP") in remedial activities related to various "Superfund" sites. Applicable federal law imposes joint and several liability on each PRP for the cleanup of these sites leaving the Company with the uncertainty that it may be responsible for the remediation cost attributable to other PRPs who are unable to pay their share of the remediation costs. Generally, the Company has determined its share of such total cost based on the ratio that the number of gallons of waste estimated to be contributed to the site by the Company bears to the total number of gallons of waste estimated to have been disposed at the site. The Company has accrued what it believes to be its share of the total cost of remediation of these Superfund sites. No accrual has been made under the joint and several liability concept since the Company believes that the probability that it will have to pay material costs above its share is remote due to the fact that the other PRPs have substantial assets available to satisfy their obligation.

At September 30, 1995 and 1994, the Company had accrued approximately \$13.3 million and \$18.8 million, respectively, for remediation costs, including the Superfund sites referred to above. The measurement of the accruals for remediation costs is subject to uncertainties, including the evolving nature of environmental regulations and the difficulty in estimating the extent and remedy of agreements may be available to the Company to mitigate the remediation costs, such amounts have not been considered in measuring the remediation accrual. The Company believes that the likelihood of material losses in excess of those amounts recorded is remote.

NOTE 14 QUARTERLY DATA (UNAUDITED):

Summarized quarterly financial data for the years ended September 30, 1995 and 1994 are shown in the table below:

(In thousands of dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year Total
Fiscal Year 1995: *					
Revenues	\$ 606,917	\$ 652,609	\$ 668,404	\$ 709,534	\$2,637,464
Gross Profit **	105,006	124,304	124,495	134,871	488,676
Income before cumulative effect					
of accounting change	24,231	28,000	32,242	35,510	119,983
Net income	9,633	28,000	32,242	35,510	105,385
Per share of common stock:					
Income before cumulative effect					
of accounting change	.15	.18	.09	.25	.67
Net income	.05	.18	.09	.25	.57
Dividends per share	.115	.115	.115	.115	.46
Fiscal Year 1994: *					
Revenues	\$ 624,562	\$ 650,016	\$ 590,532	\$ 639,648	\$2,504,758
Gross Profit **	104,882	114,747	100,293	102,091	422,013
Income before extraordinary loss and cumulative effect of					
accounting changes	16,879	23,288	34,439	56,536	131,142
Net income (loss)	(27,286)	23,288	22,651	24,004	42,657
Per share of common stock:					
Income before extraordinary loss and cumulative effect of					
accounting changes	.10	.14	.22	.39	.85
Net income (loss)	(.22)	.14	.14	.16	.22
Dividends per share	.115	.115	.115	.115	.46

* See Notes 1, 2, 3 and 4 for information regarding accounting changes and earnings per share calculation, dispositions, unusual charges-net and the extraordinary loss, respectively. ** Represents revenues less (i) cost of sales, (ii) cost of services and rentals, (iii) research and engineering expense and (iv) marketing and field service expense.

Stock Prices by Quarter

30									
25	\$24 3/4	\$22 1/8	\$22	\$22 1/8			\$23 3/4	\$23 3/8	
20	\$18 7/8	\$17	\$17 1/4	\$18 3/8	\$20 7/8	\$20 3/4	\$19 7/8	\$20	
15					\$17	\$16 3/4			
10									
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
	-----				-----				
	1994				1995				

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION Baker Hughes Incorporated

(In thousands, except per share amounts)	1995	1994	1993	1992	1991
Total revenues	\$2,637,464	\$2,504,758	\$2,701,697	\$2,538,515	\$2,828,357
Costs and expenses:					
Costs and expenses applicable to revenues	2,148,788	2,082,745	2,262,545	2,132,928	2,283,064
General and administrative	232,787	214,788	238,238	232,407	249,833
Unusual charges - net		31,829	42,000	79,190	62,946
Operating income of business sold		(10,488)			
Total	2,381,575	2,318,874	2,542,783	2,444,525	2,595,843
Operating income	255,889	185,884	158,914	93,990	232,514
Gain on sale of Pumpsystems		101,000			
Gain on sale of subsidiary stock					56,103
Interest expense	(55,595)	(63,835)	(64,703)	(68,112)	(83,561)
Interest income	4,806	3,067	5,840	6,078	7,295
Income before income taxes, extraordinary loss and cumulative effect of accounting changes	205,100	226,116	100,051	31,956	212,351
Income taxes	(85,117)	(94,974)	(41,195)	(26,925)	(38,893)
Income before extraordinary loss and cumulative effect of accounting changes	119,983	131,142	58,856	5,031	173,458
Extraordinary loss		(44,320)			
Cumulative effect of accounting changes	(14,598)	(44,165)			
Net income	\$ 105,385	\$ 42,657	\$ 58,856	\$ 5,031	\$ 173,458
Per share of common stock:					
Income before extraordinary loss and cumulative effect of accounting changes	\$.67	\$.85	\$.34	\$.00	\$ 1.26
Net income	.57	.22	.34	.00	1.26
Dividends	.46	.46	.46	.46	.46
Financial Position:					
Cash and cash equivalents	\$ 6,817	\$ 69,179	\$ 6,992	\$ 6,692	\$ 51,709
Working capital	984,684	855,421	920,969	715,472	652,404
Total assets	3,166,591	2,999,682	3,143,340	3,212,938	2,905,602
Long-term debt	798,352	637,972	935,846	812,465	545,242
Stockholders' equity	1,513,606	1,638,472	1,610,648	1,645,522	1,545,361

See Note 1 of Notes to Consolidated Financial Statements for a discussion of the adoption of new accounting standards in 1995 and 1994. In addition to the dispositions discussed in Note 2 of Notes to Consolidated Financial Statements, the Company acquired Teleco Oilfield Services Inc. in 1992 and ChemLink Group, Inc. in 1991. The Company also sold Baker Hughes Tubular Services ("BHTS") in 1992 and the TOTCO division of Exlog, Inc. and the remaining 29% of BJ Services Company in 1991. See Note 3 of Notes to Consolidated Financial Statements for a description of the unusual charges-net in 1994 and 1993. The unusual charges-net in 1992 consisted primarily of restructurings in Oilfield Operations and litigation claims offset by the gain on the disposition of BHTS. The unusual charges-net in 1991 consisted primarily of the restructuring of Hughes Christensen Company and litigation and insurance claims offset by the gain on the disposition of TOTCO. See Note 4 of Notes to Consolidated Financial Statements for a description of the extraordinary loss in 1994.

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Azimuth Sales Ltd.	Cayman Islands	100%	
Baker Canada Holding, Inc.	Delaware	(6)	
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Holdings (U.S.), Inc.	Nevada	100%	
Baker Hughes (U.K.) Ltd.	England		(2)
BFCC Ltd.	England		100%
Baker Hughes (BJ) Limited	Scotland		100%
Baker Hughes France S.A.	France		(1)
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Hughes INTEQ Administrative Services S.A.R.L.	France		100%
Baker Hughes INTEQ-France S.A.	France		100%
Baker Hughes INTEQ Congo S.A.R.L.	Congo		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
CECA, U.A.E.	Abu Dhabi		100%
CKS Drilling Fluids Services, Inc.	Delaware		100%
CKS Espanola S.A.	Spain		80%
Drilling Fluids Services (Far East) Sdn. Bhd.	Malaysia		70%
Malaysia Mud and Chemicals Sdn. Bhd.	Malaysia		50%
EXLOG Samega S.N.C.	France		100%
Hughes Christensen France	Operating Division		---
Milpark - CKS de Angola	Angola		100%
Milpark Nigeria Ltd.	Nigeria		60%
Baker International S.A.	France		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
Eimco Wemco S.A.	France		100%
Baker Hughes (M) Sdn. Bhd.	Malaysia		49%
Baker Hughes Limited	England		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Process Systems	Operating Division		---
Baker Oil Tools U.K.	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Aquaness	Assumed Name		---
Centrilift U.K.	Operating Division		---
Hughes Christensen	Operating Division		---
Wemco G.B.	Operating Division		---
Baker Oil Tools (UK) Limited	England		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Baker Production Services (UK) Limited	England		100%
Eastman Christensen de Espana, S.A.	Spain		100%
Eimco Process Equipment Limited	England		100%
Hughes Tool Company of Australia Limited	Delaware		(28)
Hughes Tool Company Limited	England		100%
Baker Service Tools B.V.	The Netherlands		100%
Centrilift Netherlands	Operating Division		---
Lombard Baker Leasing Co.	England Partnership		49%
P.T. Eastman Christensen Indonesia	Indonesia		(26)
Technical Oilfield Services Ltd.	England		100%
Tri-State Oil Tool (U.K.) Limited	England		100%
Baker Quimica de Colombia S.A.	Colombia		(13)
Eimco-Wemco de Colombia S.A.	Colombia		(21)
Baker Hughes Australia Holding, Inc.	Delaware	(4)	
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Hughes do Brasil Ltda.	Brazil		(9)
Baker Hughes Equipamentos Ltda.	Operating Division		---
Centrilift Brazil	Operating Division		---
Exploration Logging Brazil	Operating Division		---
Hughes Tool do Brazil	Operating Division		---
Baker Hughes Equipamentos Ltda.	Brazil	(5)	
Baker Hughes Finance, Inc.	Delaware	100%	
Baker Hughes Environmental Services, Inc.	Delaware		100%
Baker Hughes France S.A.	France		(1)
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Hughes INTEQ Administrative Services S.A.R.L.	France		100%
Baker Hughes INTEQ-France S.A.	France		100%
Baker Hughes INTEQ Congo S.A.R.L.	Congo		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
CECA, U.A.E.	Abu Dhabi		100%
CKS Drilling Fluids Services, Inc.	Delaware		100%
CKS Espanola S.A.	Spain		80%
Drilling Fluids Services (Far East) Sdn. Bhd.	Malaysia		70%
Malaysia Mud and Chemicals Sdn. Bhd.	Malaysia		50%
EXLOG Samega S.N.C.	France		100%
Hughes Christensen France	Operating Division		---
Milpark - CKS de Angola	Angola		100%
Milpark Nigeria Ltd.	Nigeria		60%
Baker International S.A.	France		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
Eimco Wemco S.A.	France		100%
Baker Hughes FSC Inc.	Barbados		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Baker Hughes Holding Company	Delaware	100%	
Baker Hughes Argentina, S.A.	Argentina		(35)
Centrilift/Kobe	Operating Division		---
Hughes Christensen	Operating Division		---
Hughes Tool Company Chile Ltda.	Chile		95%
Lufkin Argentina S.A.	Argentina		(18)
Baker Hughes Oilfield Operations, Inc.	California		100%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Eastern S.A.	Panama		100%
Baker Hughes de Venezuela S.A.	Venezuela		(36)
Baker Sand Control Venezuela	Operating Division		---
Baker Eastern S.A.	Operating Division		---
Baker Nigeria Ltd.	Nigeria		(11)
Baker Far East Ltd.	Bermuda		100%
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Hughes (C.I.) Ltd.	Cayman Islands		100%
Baker Hughes Singapore Pte.	Singapore		(33)
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Process Systems	Operating Division		---
Baker Oil Tools Asia Pacific	Operating Division		---
Baker Sand Control	Operating Division		---
Bird Machine	Operating Division		---
Centrilift	Operating Division		---
Eastman Teleco	Operating Division		---
Eimco Process Equipment	Operating Division		---
EXLOG	Operating Division		---

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Hughes Christensen/Singapore	Operating Division		---
Milpark Drilling Fluids	Operating Division		---
Tri-State Oil Tools Singapore	Operating Division		---
Baker Hughes de Mexico, S. de R.L. de C.V.	Mexico		(7)
Baker Hughes Services de Mexico S.A. de C.V.	Mexico		(31)
Proveedores Para Operaciones Energeticas S.A. de C.V.	Mexico		(12)
Baker Hughes de Venezuela S.A.	Venezuela		(36)
Baker Sand Control Venezuela	Operating Division		---
Baker Hughes Drilling Systems (Bolivia) Ltda.	Bolivia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes INTEQ Cameroon	Cameroon		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Hughes INTEQ de Venezuela S.A.	Venezuela		100%
Bank Sand Control Venezuela	Operating Division		---
Baker Hughes INTEQ International Branches, Inc.	Delaware		100%
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Hughes INTEQ International Ltd.	Bermuda		100%
Eastman Whipstock (China) Ltd.	Hong Kong		100%
Baker Hughes Mining Tools Peru, S.A.	Peru		100%
Baker Hughes Norge A/S	Norway		100%
Baker Hughes INTEQ	Operating Division		---
Baker Oil Tools	Operating Division		---
Centrilift	Operating Division		---
Hughes Christensen Norway	Operating Division		---
Baker Hughes Services de Mexico S.A. de C.V.	Mexico		(31)
Baker Hughes Services International, Inc.	Delaware		100%
Baker Hughes S.p.A.	Italy		(14)
Baker Hughes INTEQ	Operating Division		---
Baker Oil Tools	Operating Division		---
Eimco	Operating Division		---
Hughes Christensen	Operating Division		---
Baker Hughes Thailand Co., Ltd.	Thailand		100%
Baker International Cote D'Ivoire S.A.R.L.	Ivory Coast		(10)
Baker (Malaysia) Sdn. Bhd.	Malaysia		100%
Baker Oil Tools Malaysia	Operating Division		---
Baker Nigeria Ltd.	Nigeria		(11)
Baker Oil Tools	Operating Division		---
Baker Oil Tools SPD	Operating Division		---
Baker Oil Tools Surface Safety Systems Company	D/B/A		---
Elder Oil Tools	Operating Division		---
Tri-State Oil Tools	Operating Unit		---
Baker Oil Tools (Brunei) Sdn. Bhd.	Brunei		50%
Baker Performance Chemicals Incorporated	California		100%
Alamex, Inc.	Delaware		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Aquaness Chemicals	Operating Division		---
Aquaness Industrias de Venezuela, S.A.	Venezuela		100%
Aquaness Quimica de Venezuela S.A.	Venezuela		55%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Pipeline Products	Operating Division		---
Baker Quimica de Colombia S.A.	Colombia		(13)
Eimco-Wemco de Colombia S.A.	Colombia		(21)
ChemLink	Operating Division		---
Magna Herbicide	D/B/A		---
Magna International Limited	Bermuda		100%
Oreprep	D/B/A		---
P.T. Elnusa Chemlink	Indonesia		49%
South Kern Industrial Partnership	California Partnership		(37)
Baker Production Services, Inc.	Texas		100%
BHT Products	Texas Partnership		(29)
Baker Production Services (Bermuda) Ltd.	Bermuda		100%
Baker Mira Saudi Arabia Limited	Saudi Arabia		(32)
Baker Hughes de Venezuela S.A.	Venezuela		(36)
Baker Sand Control Venezuela	Operating Division		---
Baker Production Technology International Inc.	Nevada		100%
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Hughes (Deutschland) Holding GmbH	Germany		100%
Baker Hughes (Deutschland) GmbH	Germany		100%
Baker Hughes INTEQ GmbH	Germany		100%
Gummiwerk Christensen-Netzsch GmbH	Germany		50%
Hughes Christensen	Operating Division		---

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Baker Oil Tools Germany	Operating Division		---
Centrilift Germany	Operating Division		---
Eimco	Operating Division		---
Lynes International Services Inc.	Panama		100%
Baker Quimica de Colombia S.A.	Colombia		(13)
Eimco-Wemco de Colombia S.A.	Colombia		(21)
Baker Real Estate	Operating Division		---
Baker RTC (Delaware), Inc.	Delaware		100%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker RTC International Limited	Bermuda		100%
Baker Hughes Services de Venezuela C.A.	Venezuela		100%
Centrilift Colombia/Ecuador	Operating Division		---
Productos Centrilift S.A.	Venezuela		100%
Reed Rock do Brazil Industrial Ltda.	Brazil		99%
Baker Sand Control Limited	Bermuda		100%
Baker Hughes de Venezuela S.A.	Venezuela		(36)
Baker Sand Control Venezuela	Operating Division		---
Baker Sand Control Services Pte. Ltd.	Singapore		100%
Baker Sand Control Servicios Tecnicos, Ltda.	Brazil		(15)
Baker Transworld, Inc.	California		100%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker International Cote D'Ivoire S.A.R.L.	Ivory Coast		(10)
Baker Transworld, Inc. y Compania Limitada Chile	Chile		(17)
Eimco-Wemco de Colombia S.A.	Colombia		(21)
Baker Transworld, Inc. y Compania Limitada Chile	Chile		(17)
Bakerline Far East, Inc.	Delaware		100%
Bakerline Services Ltd.	Cayman Islands		100%
Centrilift-U.S.	Operating Division		---
Baker Hughes Production Services	Operating Division		---
Centrilift-Peru	Operating Division		---
Christensen-Netzsch Rubber, Inc.	Oklahoma		50%
Christensen Gulf Services Limited Liability Company	Dubai		40%
ChuanShi Christensen Diamond Bit Company, Ltd.	China		50%
Clays Pump Service	Operating Division		---
Eastman Whipstock (Cameroon) S.A.R.L.	Cameroon		100%
Eisenman Chemical Company	Delaware		100%
EXLOG (A.G.) Limited	Jersey		100%
EXLOG International, Inc.	Panama		100%
EXLOG Egypt	Operating Division		---
EXLOG International-Asia Pacific	Operating Division		---
EXLOG International-Papua New Guinea	Operating Division		---
PT Sarana Indonesia	Operating Division		---
EXLOG (Malaysia) Sdn. Bhd.	Malaysia		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
EXLOG Overseas, Inc.	Panama		100%
EXLOG S.A.	Nevada		100%
Baker Hughes Argentina S.A.	Argentina		(35)
Centrilift/Kobe	Operating Division		---
Hughes Christensen	Operating Division		---
Hughes Tool Company Chile Ltda.	Chile		95%
Lufkin Argentina S.A.	Argentina		(18)
Baker Hughes Equipamentos Ltda.	Brazil		(5)
Baker Hughes INTEQ S.A.	Argentina		100%
EXLOG de Venezuela S.A.	Venezuela		100%
Exploration Logging Arabian Gulf Limited	Jersey		49%
Exploration Logging Espanola S.A.	Spain		100%
Fluidos de Perforacion Milchem Guatemala S.A.	Guatemala		100%
Holtex, Inc.	Delaware		100%
Proveedores Para Operaciones Energeticas S.A. de C.V.	Mexico		(12)
Precision Mecanica, S.A. de C.V.	Mexico		100%
Baker Hughes de Mexico, S. de R.L. de C.V.	Mexico		(7)
Proveedores Para Operaciones Energeticas S.A. de C.V.	Mexico		(12)
Hughes Christensen	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Hughes Services Middle East Company	Delaware		100%
Mid-East Drill Bit Manufacturing Co. Ltd.	Saudi Arabia		50%
Hughes Tool (C.I.) Ltd.	Cayman Islands		100%
Abunayyan-Hughes Tool S.A. Ltd. Co.	Saudi Arabia		50%
Baker Hughes Singapore Pte.	Singapore		(33)
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Process Systems	Operating Division		---
Baker Oil Tools Asia Pacific	Operating Division		---
Centrilift	Operating Division		---
Eimco Process Equipment	Operating Division		---
Hughes Christensen/Singapore	Operating Division		---
Tri-State Oil Tools Singapore	Operating Division		---
Bird Machine	Operating Division		---
Hughes Tool Co. S.A.	Delaware		100%
Hughes Tool Company of Australia Ltd.	Delaware		(28)
International Mud Services Inc.	Panama		100%
Kobe WHTC	California		100%
Lufkin Argentina S.A.	Argentina		(18)
Lynes, Inc.	Texas		100%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Milchem Gabon S.A.	Gabon		100%
Milpark de Venezuela, S.A.	Venezuela		100%
Milpark Caribe, C.A.	Venezuela		100%
Milpark International Limited	Bahamas		100%
Milchem International (Nigeria) Ltd.	Nigeria		100%
Milpark Kuwait for Drilling Fluids Company	Kuwait		49%
Milchem Libya Co., Ltd.	Libya		49%
P. T. Milchem Indonesia	Indonesia		75%
Milpark Western Hemisphere Incorporated	Delaware		100%
Plumayen Holdings Inc.	Panama		100%
Plumayen do Brazil Ltda.	Brazil		100%
Productos Industriales Mineros S.A. (Prima)	Colombia		100%
E.P.E.C.-Colombia Prima	Operating Division		---
Pump-Teq	Operating Division		---
Servicios Y Herramientas Petroleras S.A. de C.V.	Mexico		(22)
Baker Hughes Inmobiliaria	Mexico		100%
Supply Products	Operating Division		---
Teleco Inc.	Delaware		100%
Teleco Oilfield Services International Ltd.	Cayman		100%
Teleco Oilfield Services Offshore Ltd.	Cayman		100%
Teleco Oilfield Services Sdn. Bhd.	Malaysia		49%
TOTCO de Venezuela C.A.	Venezuela		100%
Tri-State Oil Tool (Egypt) S.A.	Panama		100%
Tri-State Oil Tool (M) Sdn. Bhd.	Malaysia		100%
Tri-State Oil Tool de Mexico, S.A. de C.V.	Mexico		(16)
Tri-State Oil Tool S.A.	Panama		100%
Tri-State Oil Tool (Thailand) Ltd.	Cayman Islands		100%
Baker Hughes Ventures, Inc.	Delaware		100%
BH Russia Operations, Inc.	Delaware		100%
Camcor-Chem, Inc.	Delaware		100%
BTH Products	Texas Partnership		(29)
EnviroTech Controls Incorporated	Delaware		100%
EVT Holdings, Inc.	Delaware		100%
Baker Canada Holding, Inc.	Delaware		(6)
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Baker Hughes do Brasil Ltda.	Brazil		(9)
Baker Hughes Equipamentos Ltda.	Operating Division		---
Centrilift Brazil	Operating Division		---
Exploration Logging Brazil	Operating Division		---
Hughes Tool do Brazil	Operating Division		---
Baker Hughes (U.K.) Ltd.	England		(2)
BFCC Ltd.	England		100%
Baker Hughes (BJ) Limited	Scotland		100%
Baker Hughes France S.A.	France		(1)
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Hughes INTEQ Administrative Services S.A.R.L.	France		100%
Baker Hughes INTEQ-France S.A.	France		100%
Baker Hughes INTEQ Congo S.A.R.L.	Congo		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
CECA, U.A.E.	Abu Dhabi		100%
CKS Drilling Fluids Services, Inc.	Delaware		100%
CKS Espanola S.A.	Spain		80%
Drilling Fluids Services (Far East) Sdn. Bhd.	Malaysia		70%
Malaysia Mud and Chemicals Sdn. Bhd.	Malaysia		50%
EXLOG Samega S.N.C.	France		100%
Hughes Christensen France	Operating Division		---
Milpark - CKS de Angola	Angola		100%
Milpark Nigeria Ltd.	Nigeria		60%
Baker International S.A.	France		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
Eimco Wemco S.A.	France		100%
Baker Hughes (M) Sdn. Bhd.	Malaysia		49%
Baker Hughes Limited	England		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Process Systems	Operating Division		---
Baker Oil Tools U.K.	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Aquaness	Assumed Name		---
Centrilift U.K.	Operating Division		---
Hughes Christensen	Operating Division		---
Wemco G.B.	Operating Division		---
Baker Oil Tools (UK) Limited	England		100%
Baker Production Services (UK) Limited	England		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Eastman Christensen de Espana, S.A.	Spain		100%
Eimco Process Equipment Limited	England		100%
Hughes Tool Company of Australia Limited	Delaware		(28)
Hughes Tool Company Limited	England		100%
Baker Service Tools B.V.	The Netherlands		100%
Centrilift Netherlands	Operating Division		---
Lombard Baker Leasing Co.	England Partnership		49%
P.T. Eastman Christensen Indonesia	Indonesia		(26)
Technical Oilfield Services Ltd.	England		100%
Tri-State Oil Tool (U.K.) Limited	England		100%
Baker International Limited	England		100%
Baker Process Technology de Mexico S.A. de C.V.	Mexico		100%
Baker Hughes Mining Tools Mexico	Operating Division		---
Eimco Process Equipment Company	Operating Division		---
Eimco S.A.	Chile		100%
Eimco-Wemco de Colombia S.A.	Colombia		(21)
Eimco-Wemco Chile Ltda.	Chile		(19)
Reminto (Proprietary) Limited	South Africa		100%
Wemco	Operating Division		---
Wemco Products	Assumed Name		---
Hughes Tool Company (Far East) Pte. Ltd.	Singapore		100%
Milchem Venezuela Corporation	Delaware		100%
Milchem Venezuela Corporation, C.A.	Venezuela		100%
Servicios Y Herramientas Petroleras, S.A. de C.V.	Mexico		(22)
Tri-State Oil Tool de Mexico, S.A. de C.V.	Mexico		(16)
Baker Hughes INTEQ International, Ltd.	Bermuda	100%	
Eastman Whipstock (China) Ltd.	Hong Kong		100%
Baker Hughes INTEQ Sdn. Bhd.	Brunei	51%	
Baker Hughes RO, Inc.	Delaware	100%	
Baker Hughes Russia, Inc.	Delaware	100%	
Baker Hughes (Cyprus) Limited	Cyprus		100%
Baker Hughes JSC	Russia		100%
Centrilift	Operating Division		---
Baker Hughes Kazakhstan Ltd.	Republic of Kazakhstan		100%
Baker Hughes S.p.A.	Italy	(14)	
Baker Hughes INTEQ	Operating Division		---
Baker Oil Tools	Operating Division		---
Eimco	Operating Division		---
Hughes Christensen	Operating Division		---
Baker Hughes (U.K.) Ltd.	England	(2)	
BFCC Ltd.	England		100%
Baker Hughes (BJ) Limited	Scotland		100%
Baker Hughes France S.A.	France		(1)
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Hughes INTEQ Administrative Services S.A.R.L.	France		100%
Baker Hughes INTEQ-France S.A.	France		100%
Baker Hughes INTEQ Congo S.A.R.L.	Congo		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
CECA, U.A.E.	Abu Dhabi		100%
CKS Drilling Fluids Services, Inc.	Delaware		100%

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
CKS Espanola S.A.	Spain		80%
Drilling Fluids Services (Far East) Sdn. Bhd.	Malaysia		70%
Malaysia Mud and Chemicals Sdn. Bhd.	Malaysia		50%
EXLOG Samega S.N.C.	France		100%
Hughes Christensen France	Operating Division		---
Milpark - CKS de Angola	Angola		100%
Milpark Nigeria Ltd.	Nigeria		60%
Baker International S.A.	France		100%
Baker Hughes INTEQ S.A.	Gabon		(27)
Baker Sand Control France	Operating Division		---
Eimco Wemco S.A.	France		100%
Baker Hughes (M) Sdn. Bhd.	Malaysia		49%
Baker Hughes Limited	England		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Process Systems	Operating Division		---
Baker Oil Tools U.K.	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Aquaness	Assumed Name		---
Centrilift U.K.	Operating Division		---
Hughes Christensen	Operating Division		---
Wemco G.B.	Operating Division		---
Baker Oil Tools (UK) Limited	England		100%
Baker Production Services (UK) Limited	England		100%
Baker Oil Treating India (Private) Ltd.	India		(25)
Eimco Process Equipment Limited	England		100%
Hughes Tool Company Limited	England		100%
Baker Service Tools B.V.	The Netherlands		100%
Centrilift Netherlands	Operating Division		---
Eastman Christensen de Espana, S.A.	Spain		100%
Hughes Tool Company of Australia Limited	Delaware		(28)
Lombard Baker Leasing Co.	England Partnership		49%
P.T. Eastman Christensen Indonesia	Indonesia		(26)
Technical Oilfield Services Ltd.	England		100%
Tri-State Oil Tool (U.K.) Limited	England		100%
Baker Hughes Nederland B.V.	The Netherlands	100%	
Baker Hughes Denmark A/S	Denmark		100%
Baker Hughes INTEQ	Operating Division		---
Baker Oil Tools Denmark	Operating Division		---
Baker Hughes INTEQ	Operating Division		---
Baker Hughes INTEQ (China) Limited	Guernsey		100%
Baker Oil Tools	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Bird Machine	Operating Division		---
Ferranti Eastman Survey GmbH	Switzerland		49%
Hughes Christensen Co. Holland	Operating Division		---
Milchem Nederland B.V.	The Netherlands		100%
Societe Camerounaise de Broyage Minerai Petroliers	Cameroon		65%
Tekchem B.V.	The Netherlands		100%
Tracor Europa B.V.	The Netherlands		100%
Tracor Europa N.V.	Belgium		(34)
Tracor France S.A.R.L.	France		100%
Tracor Europa N.V.	Belgium		(34)
Baker Hughes USA, Inc.	Delaware	100%	
Baker Canada Holding, Inc.	Delaware		(6)

NAME OF SUBSIDIARIES AND SUB-SUBSIDIARIES	JURISDICTION OR ORGANIZATION	PERCENTAGE OWNED BY REGISTRANT	PERCENTAGE OWNED BY SUBSIDIARY
Baker Hughes Canada Inc.	Canada		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools	Operating Division		---
Baker Hughes Wyoming LLC	Wyoming		(20)
Baker Oil Tools Canada	Operating Division		---
Baker Performance Chemicals	Operating Division		---
Baker Supply Products	Operating Division		---
Bird Machine of Canada	Operating Division		---
Canada Intermediates/CHEM-LINK	Trade Name		---
Centrilift Canada	Operating Division		---
Chem-Link	Operating Division		---
Christensen Diamond Products del Peru S.A.	Peru		100%
Econolift Systems Canada	Operating Division		---
Eimco Fluid Process International	Operating Division		---
Eimco Process Equipment	Operating Division		---
Eimco-Wemco Chile Ltda.	Chile		(19)
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker Hughes Australia Holding, Inc.	Delaware		(4)
Baker Hughes Australia Pty. Limited	Australia		(30)
BHA Superannuation (Nominees) Pty. Limited	Australia		100%
Baker Hughes INTEQ	Operating Division		---
Baker Hughes Mining Tools of Australia	Operating Division		---
Baker Oil Tools Australia	Operating Division		---
Centrilift-Australia	Operating Division		---
Eastman Christensen (Australia) Pty. Limited	Australia		100%
Hughes Christensen	Operating Division		---
Teleco Oilfield Services Pty. Limited	Western Australia		100%
Baker Hughes PNG Pty. Ltd.	New Guinea		(24)
Tri-State Oil Tools Company	Texas		100%
Baker Hughes South Africa (Proprietary) Ltd.	South Africa		100%
Baker Hughes Mining Tools	Operating Division		---
Hughes Christensen South Africa (Proprietary) Limited	South Africa		100%
Mangueras Industriales Schiaffino S.A.	Chile		99.9%
Ramsey Comercio Industria Ltd.	Brazil		(8)
Baker International (Espana), S.A.	Spain	100%	
Baker Oil Tools (Espana) S.A.	Spain	100%	
Baker Quimica de Colombia S.A.	Colombia	(13)	
Eimco-Wemco de Colombia S.A.	Colombia		(21)
Baker Sand Control Servicios Tecnicos, Ltda.	Brazil	(15)	
Bird Machine Company, Inc.	Delaware	100%	
Bird Machine International, Inc.	Massachusetts	100%	
BW-Hughes Tool Stock Corporation	Delaware	100%	
Christensen Saudi Arabia Limited	Saudi Arabia	40%	
CTC International Corporation	Texas	100%	
Completion Technology Center, Inc.	Texas		100%
Completion Tool Company Singapore Private Limited	Singapore		100%
CTC Foreign Sales Corp.	Barbados		100%
CTC Overseas, Inc.	Texas		100%
Oil Base de Venezuela, C.A.	Venezuela	100%	
Varco International, Inc.	Delaware	20%	

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(1)	Baker Hughes France S.A.	Baker Hughes Finance, Inc. - 44% Baker Hughes (U.K.) Ltd. - 55% Baker Oil Tools (UK) Limited* Hughes Tool Company Limited* George Reekie* Jean Paul E. Pradal* Peter J. Woolley* ----- * Total of 1% (Held in trust for Baker Hughes (U.K.) Ltd.
(2)	Baker Hughes (U.K.) Ltd.	Baker Holdings (U.S.), Inc. - 48% Baker Hughes Incorporated - 38% EVT Holdings, Inc. - 14%
(3)	Baker Oil Tools India (Private) Limited	Baker Oil Tools Division of Baker Hughes Limited - 40% Khushalani Group - 60%
(4)	Baker Hughes Australia Holding, Inc.	Baker Hughes Incorporated - 5.07% Baker Hughes INTEQ International Branches, Inc. - 6.73% Baker Hughes Oilfield Operations, Inc. - 56.99% Baker Hughes USA, Inc. - 6.84% Baker Production Technology International, Inc. - 11.59% Baker RTC (Delaware), Inc. - 4.69% EVT Holdings, Inc. - 8.10%
(5)	Baker Hughes Equipamentos Ltda.	Baker Hughes Incorporated - 99% EXLOG S.A. - 1%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(6)	Baker Canada Holding, Inc.	Baker Hughes Incorporated - 18% Baker Hughes Oilfield Operations, Inc. - 13% Baker Hughes USA, Inc. - 3% Baker Performance Chemicals Incorporated - 7% Baker RTC (Delaware), Inc. - 12% Baker Transworld, Inc. - 12% EVT Holdings, Inc. - 7% Lynes, Inc. - 28%
(7)	Baker Hughes de Mexico, S. de R.L. de C.V.	Baker Hughes Oilfield Operations, Inc. - 97% Precision Mecanica, S.A. de C.V. - 2% Giuseppe Castiglioni* Alfredo Freyssonier* Emilio Paulon Gasparini* Eugenio Perez Gil* Manuel Garcia Ramos* ----- * Total of 1%
(8)	Ramsey Comercio Industria Ltd.	Baker Hughes Canada, Inc. - 50% Baker Hughes USA, Inc. - 50%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(9)	Baker Hughes do Brasil Ltda.	Baker Hughes Incorporated - 99% EVT Holdings, Inc. - 1%
(10)	Baker International Cote D' Ivoire S.a.r.l.	Baker Hughes Oilfield Operations, Inc. - 99.5% Baker Transworld, Inc. - .5%
(11)	Baker Nigeria Ltd.	Baker Eastern S.A. (Panama Company) - 1% Baker Hughes Oilfield Operations, Inc. - 59% Nigerian National Petroleum Corporation - 35% Baker Nigeria Ltd. Employees - 5%
(12)	Proveedores Para Operaciones Energeticas S.A. de C.V.	Baker Hughes de Mexico, S. de R.L. de C.V. - 31% Holtex, Inc. - 49% Ing. Alejandro Herce Caro - .50% Ing. Pedro Herce Berassin - 19% Lic. Relipe Septien Flores - .50%
(13)	Baker Quimica de Colombia S.A.	Baker Holdings (U.S.), Inc. - .1% Baker Hughes Incorporated - .1% Baker Hughes Oilfield Operations, Inc. - .1% Baker Performance Chemicals Incorporated (Ca. Company)- 99.7%
(14)	Baker Hughes S.p.A.	Baker Hughes Oilfield Operations, Inc. - 99.9% Baker Hughes Incorporated - .1%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(15)	Baker Sand Control Servicios Tecnicos, Ltda.	Baker Hughes Incorporated - 1% Baker Hughes Oilfield Operations, Inc. - 99%
(16)	Tri-State Oil Tool de Mexico, S.A. de C.V.	Fixed Capital Stock Baker Hughes Oilfield Operations, Inc. - 99.98% Baker Hughes Holding Company - .02% Variable Capital Stock Baker Hughes Oilfield Operations, Inc. - 100%
(17)	Baker Transworld y Compania Limitada	Baker Hughes Oilfield Operations, Inc. - 90% Baker Transworld, Inc. - 10%
(18)	Lufkin Argentina S.A.	Lufkin Industries, Inc. - 50% Baker Hughes Argentina S.A. - 31.09% Baker Hughes Oilfield Operations, Inc. - 18.90% Andy Szescila - .01%
(19)	Envirotech Chile Ltda.	Baker Hughes Canada, Inc. - .5% EVT Holdings, Inc. - 99.5%
(20)	Baker Hughes Wyoming LLC	Baker Hughes Canada, Inc. - 99% Baker Hughes Oilfield Operations, Inc. - 1%
(21)	Eimco-Wemco de Colombia S.A.	EVT Holdings, Inc. - 97% Exploration Logging de Colombia (Branch) - .81% Baker Transworld, Inc. - .81% Baker Quimica de Colombia S.A. - .81% Milpark de Colombia (Branch) - .81%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(22)	Servicios Y Herramientas Petroleras S.A. de C.V.	Series B Fixed Capital Baker Hughes Oilfield Operations, Inc. - 99% Baker Hughes Holding Company - 1% Series B Variable Capital Baker Hughes Oilfield Operations, Inc. - 100%
(23)	Baker Sand Control Cameroon S.a.r.l.	Baker Hughes Incorporated - 99% Baker Hughes Oilfield Operations, Inc. - 1%
(24)	Baker Hughes PNG Pty. Ltd.	Baker Hughes Australia Holding, Inc. - 99.9% Gabow Nominees Pty. Ltd. - .1%
(25)	(Left Blank)	
(26)	P.T. Eastman Christensen Indonesia	Baker Hughes (U.K.) Ltd. owns rights in agreement with R. Widjaya 75% owner and B. Sastromulyono 25% owner, local agents
(27)	Baker Hughes INTEQ S.A.	Baker Hughes INTEQ-France S.A. 1% Baker International S.A. - 87% Baker Hughes Oilfield Operations, Inc. - 2% Gabonese Government - 10%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(28)	Hughes Tool Company of Australia Limited	Baker Hughes Oilfield Operations, Inc. - 60% Baker Hughes (U.K.) Ltd. - 40%
(29)	BHT Products, Texas General Partnership	Baker Production Services, Inc. - 50% Camcor-Chem, Inc. - 50%
(30)	Baker Hughes Australia Pty. Limited	Baker Hughes Australia Holding, Inc. - 99% Peter Boesenberg - 1%
(31)	Baker Hughes Services de Mexico S.A. de C.V.	Series B Variable Baker Hughes Oilfield Operations, Inc. - 99% Baker Hughes de Mexico, S. de R.L. de C.V. - 1%
(32)	Baker Mira Saudi Arabia Limited	Percentage of ownership not available. Owned by Baker Production Services (Bermuda) Ltd. and Mira Brothers
(33)	Baker Hughes Singapore Pte.	Hughes Tool (C.I.) Ltd. - 99% Baker Hughes (C.I.) Ltd. - 1%
(34)	Tracor Europa N.V.	Baker Hughes Nederland B.V. - 95% Tracor Europa B.V. - 5%
(35)	Baker Hughes Argentina S.A.	Baker Hughes Holding Company - 99% EXLOG, S.A. - 1%

BAKER HUGHES INCORPORATED--FOOTNOTES TO EXHIBIT 21

FOOTNOTES	ENTITY	ENTITY OWNERSHIP
(36)	Baker Hughes de Venezuela S.A.	Baker Hughes Oilfield Operations Inc. - 99.19% Baker Eastern S.A. - .41% Baker Production Services (Bermuda) Ltd. - .20% Baker Sand Control Ltd. - .20%
(37)	South Kern Industrial Partnership	Baker Performance Chemicals Incorporated - 80% South Lake Corporation - 20%

EXHIBIT 23.1

INDEPENDENT AUDITOR'S CONSENT

Baker Hughes Incorporated:

We consent to the incorporation by reference in Post-Effective Amendment Nos. 1, 2 and 3 on Form S-8 to Registration Statement No. 33-11074 on Form S-4, in Post-Effective Amendment No. 1 to Registration Statement No. 33-16094 on Form S-4, in Post-Effective Amendment Nos. 1 and 2 to Registration Statement No. 33-14803 on Form S-8, in Registration Statement No. 33-34935 on Form S-3, in Registration Statement No. 33-39445 on Form S-8, in Registration Statement No. 33-61304 on Form S-3, in Amendment No. 1 to Registration Statement No. 33-61304 on Form S-3, in Registration Statement No. 33-52195 on Form S-8, in Registration Statement No. 33-57759 on Form S-8 and in Registration Statement No. 33-63375 on Form S-3 of our reports dated November 15, 1995, appearing and incorporated by reference in the 1995 Annual Report on Form 10-K of Baker Hughes Incorporated for the year ended September 30, 1995.

DELOITTE & TOUCHE LLP

Houston, Texas
December 14, 1995

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	SEP 30 1995
PERIOD START	OCT 01 1994
PERIOD END	SEP 30 1995
CASH	6,817
SECURITIES	0
RECEIVABLES	709,588
ALLOWANCES	24,809
INVENTORY	727,782
CURRENT ASSETS	1,564,815
PP&E	575,059
DEPRECIATION	951,858
TOTAL ASSETS	3,166,591
CURRENT LIABILITIES	580,131
BONDS	798,352
COMMON	142,237
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	1,371,369
TOTAL LIABILITY AND EQUITY	3,166,591
SALES	1,805,108
TOTAL REVENUES	2,637,464
CGS	1,045,672
TOTAL COSTS	2,148,788
OTHER EXPENSES	232,787
LOSS PROVISION	0
INTEREST EXPENSE	55,595
INCOME PRETAX	205,100
INCOME TAX	85,117
INCOME CONTINUING	119,983
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(14,598)
NET INCOME	105,385
EPS PRIMARY	.56
EPS DILUTED	.56

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