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BAKER HUGHES INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

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 (State or other jurisdiction of incorporation or organization)	**76-0207995** (I.R.S. Employer Identification No.)
2929 Allen Parkway, Suite 2100, Houston, Texas (Address of principal executive offices)	**77019-2118** (Zip Code)

Registrant's telephone number, including area code: **(713) 439-8600**

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 ☑ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☑ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☑

As of July 26, 2011, the registrant has outstanding 436,198,379 shares of Common Stock, $1 par value per share.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Baker Hughes Incorporated
Consolidated Condensed Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Sales	$ 1,557	$ 1,357	$ 2,990	$ 2,610
Services and rentals	3,184	2,017	6,276	3,303
Total revenue	4,741	3,374	9,266	5,913
Costs and expenses:				
Cost of sales	1,266	1,013	2,432	1,956
Cost of services and rentals	2,452	1,649	4,783	2,618
Research and engineering	114	112	220	206
Marketing, general and administrative	292	312	574	617
Acquisition-related costs	—	56	—	66
Total costs and expenses	4,124	3,142	8,009	5,463
Operating income	617	232	1,257	450
Interest expense, net	(54)	(30)	(106)	(54)
Income before income taxes	563	202	1,151	396
Income taxes	228	109	432	174
Net income	335	93	719	222
Net income (loss) attributable to noncontrolling interests	(3)	—	—	—
Net income attributable to Baker Hughes	$ 338	$ 93	$ 719	$ 222
Basic income per share attributable to Baker Hughes	$ 0.78	$ 0.23	$ 1.65	$ 0.63
Diluted income per share attributable to Baker Hughes	$ 0.77	$ 0.23	$ 1.64	$ 0.62
Cash dividends per share	$ 0.15	$ 0.15	$ 0.30	$ 0.30

See accompanying notes to unaudited consolidated condensed financial statements.

Baker Hughes Incorporated
Consolidated Condensed Balance Sheets
(In millions)
(Unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 937	$ 1,456
Short-term investments	—	250
Accounts receivable — less allowance for doubtful accounts (2011 - $225; 2010 — $162)	4,434	3,942
Inventories, net	2,939	2,594
Deferred income taxes	254	234
Other current assets	248	231
Total current assets	8,812	8,707
Property, plant and equipment, net	6,700	6,310
Goodwill	5,953	5,869
Intangible assets, net	1,524	1,569
Other assets	565	531
Total assets	$ 23,554	$ 22,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,588	$ 1,496
Short-term borrowings and current portion of long-term debt	59	331
Accrued employee compensation	586	589
Income taxes payable	75	219
Other accrued liabilities	519	504
Total current liabilities	2,827	3,139
Long-term debt	3,549	3,554
Deferred income taxes and other tax liabilities	1,316	1,360
Liabilities for pensions and other postretirement benefits	507	483
Other liabilities	165	164
Commitments and contingencies		
Stockholders' Equity:		
Common stock	436	432
Capital in excess of par value	7,167	7,005
Retained earnings	7,672	7,083
Accumulated other comprehensive loss	(337)	(420)
Baker Hughes stockholders' equity	14,938	14,100
Noncontrolling interest	252	186
Total stockholders' equity	15,190	14,286
Total liabilities and stockholders' equity	$ 23,554	$ 22,986

See accompanying notes to unaudited consolidated condensed financial statements.

Baker Hughes Incorporated
Consolidated Condensed Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net income	$ 719	$ 222
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	646	450
Stock-based compensation costs	53	41
Provision (benefit) for deferred income taxes	(52)	(63)
Gain on disposal of assets	(90)	(49)
Provision for doubtful accounts	76	11
Changes in operating assets and liabilities:		
Accounts receivable	(512)	(258)
Inventories	(314)	(124)
Accounts payable	57	123
Accrued employee compensation and other accrued liabilities	(25)	(37)
Income taxes payable	(160)	(15)
Other	(1)	(143)
Net cash flows from operating activities	397	158
Cash flows from investing activities:		
Expenditures for capital assets	(1,023)	(539)
Proceeds from maturities of short-term investments	250	—
Proceeds from disposal of assets	142	89
Acquisition of businesses, net of cash acquired	(5)	(834)
Net cash flows from investing activities	(636)	(1,284)
Cash flows from financing activities:		
Net (payments) borrowings of commercial paper and other short-term debt	(21)	555
Repayment of long-term debt	(250)	—
Proceeds from issuance of common stock	115	28
Dividends	(130)	(111)
Other financing items, net	(9)	1
Net cash flows from financing activities	(295)	473
Effect of foreign exchange rate changes on cash	15	(23)
Increase (decrease) in cash and cash equivalents	(519)	(676)
Cash and cash equivalents, beginning of period	1,456	1,595
Cash and cash equivalents, end of period	$ 937	$ 919
Supplemental cash flows disclosures:		
Income taxes paid, net of refunds	$ 647	$ 342
Interest paid	$ 121	$ 75
Supplemental disclosure of noncash investing activities:		
Capital expenditures included in accounts payable	$ 33	$ 26

See accompanying notes to unaudited consolidated condensed financial statements.

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements

NOTE 1. GENERAL

Nature of Operations

Baker Hughes Incorporated ("Company," "we," "our" or "us") is engaged in the oilfield services industry. We are a leading supplier of wellbore-related products and technology services and provide products and services for drilling, pressure pumping, formation evaluation, completion and production, and reservoir development services to the worldwide oil and natural gas industry. We also provide products and services to the downstream refining and process and pipeline industries.

Basis of Presentation

Our unaudited consolidated condensed financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, certain information and disclosures normally included in our annual financial statements have been condensed or omitted. These unaudited consolidated condensed financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2010 ("2010 Annual Report"). We believe the unaudited consolidated condensed financial statements included herein reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. In the notes to the unaudited consolidated condensed financial statements, all dollar and share amounts in tabulations are in millions of dollars and shares, respectively, unless otherwise indicated.

Accounting Standards Updates

In May 2011, the Financial Accounting Standards Board ("FASB") issued an update to Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* . The Accounting Standards Update ("ASU") conforms certain sections of ASC 820 to International Financial Reporting Standards in order to provide a single converged guidance on the measurement of fair value. This update also expands the existing disclosure requirements for fair value measurements. This ASU is effective for interim and annual periods beginning after December 15, 2011. We will adopt this ASU prospectively in the first quarter of 2012. We have not yet determined the impact, if any, on our consolidated condensed financial statements.

In June 2011, the FASB issued an update to ASC 220, *Comprehensive Income* . This ASU requires entities to present components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements that would include reclassification adjustments for items that are reclassified from other comprehensive income to net income on the face of the financial statements. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We will adopt the new presentation requirements of this ASU retrospectively in the first quarter of 2012.

NOTE 2. ACQUISITIONS

ACQUISITION OF BJ SERVICES

On April 28, 2010, we acquired 100% of the outstanding common stock of BJ Services Company ("BJ Services") in a cash and stock transaction valued at $6,897 million. BJ Services is a leading provider of pressure pumping and other oilfield services and was acquired to expand the product offerings of the Company. Total consideration consisted of $793 million in cash, 118 million shares valued at $6,048 million, and Baker Hughes options with a fair value of $56 million in exchange for BJ Services options. We also assumed all outstanding stock options held by BJ Services employees and directors.

Recording of Assets Acquired and Liabilities Assumed

The transaction has been accounted for using the acquisition method of accounting and accordingly assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values totaling $4,406 million was recorded as goodwill. The following table summarizes the amounts recognized for assets acquired and liabilities assumed.

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

	Fair Values
Assets:	
Cash and cash equivalents	$ 113
Accounts receivable	951
Inventories	419
Other current assets	125
Property, plant and equipment	2,745
Intangible assets	1,404
Goodwill	4,406
Other long-term assets	109
Liabilities:	
Liabilities for change in control and transaction fees	210
Current liabilities	776
Deferred income taxes and other tax liabilities	1,428
Long-term debt	531
Pension and other postretirement liabilities	154
Other long-term liabilities	29
Noncontrolling interests	247
Net assets acquired	$ 6,897

During the quarter ended March 31, 2011, we increased our step-up adjustment related to noncontrolling interests in certain BJ Services entities by $68 million to $202 million and reduced our step-up adjustment related to deferred tax liabilities and other taxes by $21 million to $1,262 million as part of the acquisition accounting related to fair market value adjustments for acquired intangible assets and property, plant and equipment (“PP&E”) as well as for uncertain tax positions taken in prior years.

Pro Forma Impact of the Acquisition

The following unaudited supplemental pro forma results present consolidated information as if the acquisition had been completed as of January 1, 2010. The pro forma results include: (i) the amortization associated with an estimate of the acquired intangible assets, (ii) interest expense associated with debt used to fund a portion of the acquisition and reduced interest income associated with cash used to fund a portion of the acquisition, (iii) the impact of certain fair value adjustments such as additional depreciation expense for adjustments to PP&E and reduction to interest expense for adjustments to debt, and (iv) costs directly related to acquiring BJ Services. The pro forma results do not include any potential synergies, cost savings or other expected benefits of the acquisition. Accordingly, the pro forma results should not be considered indicative of the results that would have occurred if the acquisition and related borrowings had been consummated as of January 1, 2010, nor are they indicative of future results.

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
	Pro Forma	Pro Forma
Revenue	$ 3,745	$ 7,402
Net income	$ 98	$ 231
Basic net income per share	$ 0.23	$ 0.54
Diluted net income per share	$ 0.23	$ 0.53

NOTE 3. SEGMENT INFORMATION

Baker Hughes has ten operating segments that have been aggregated into the following five reportable segments:

- North America (U.S. and Canada)
- Latin America
- Europe/Africa/Russia Caspian
- Middle East/Asia Pacific
- Industrial Services and Other (downstream chemicals and reservoir development services)

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

We have aggregated our operating segments within each reportable segment because they have similar economic characteristics and because the long-term financial performance of the segments is affected by similar economic conditions. The performance of our segments is evaluated based on profit before tax, which is defined as income before income taxes, interest expense, interest income, and certain gains and losses not allocated to the segments. The financial results of BJ Services are included in each of the five reportable segments from the date of acquisition on April 28, 2010.

Summarized financial information is shown in the following table:

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
Segments	Revenue	Profit (loss)	Revenue	Profit (loss)
North America	$ 2,368	$ 440	$ 1,486	$ 204
Latin America	542	71	384	13
Europe/Africa/Russia Caspian	806	47	736	69
Middle East/Asia Pacific	701	88	545	40
Industrial Services and Other	324	34	223	18
Total Operations	4,741	680	3,374	344
Corporate and Other	—	(63)	—	(56)
Interest expense, net	—	(54)	—	(30)
Acquisition-related costs	—	—	—	(56)
Total	$ 4,741	$ 563	$ 3,374	$ 202

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
Segments	Revenue	Profit (loss)	Revenue	Profit (loss)
North America	$ 4,720	$ 900	$ 2,405	$ 345
Latin America	1,015	134	656	22
Europe/Africa/Russia Caspian	1,577	138	1,456	149
Middle East/Asia Pacific	1,360	167	984	70
Industrial Services and Other	594	48	412	35
Total Operations	9,266	1,387	5,913	621
Corporate and Other	—	(130)	—	(105)
Interest expense, net	—	(106)	—	(54)
Acquisition-related costs	—	—	—	(66)
Total	$ 9,266	$ 1,151	$ 5,913	$ 396

NOTE 4. EARNINGS PER SHARE

A reconciliation of the number of shares used for the basic and diluted earnings per share ("EPS") computations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Weighted average common shares outstanding for basic EPS	436	398	435	355
Effect of dilutive securities — stock plans	2	1	3	1
Adjusted weighted average common shares outstanding for diluted EPS	438	399	438	356
Future potentially dilutive shares excluded from diluted EPS:				
Options with an exercise price greater than the average market price for the period	2	6	3	6

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

NOTE 5. INVENTORIES

Inventories, net of reserves, are comprised of the following:

	June 30, 2011	December 31, 2010
Finished goods	$ 2,590	$ 2,283
Work in process	208	181
Raw materials	141	130
Total	$ 2,939	$ 2,594

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

	June 30, 2011	December 31, 2010
Land	$ 193	$ 191
Buildings and improvements	1,762	1,605
Machinery and equipment	6,908	6,409
Rental tools and equipment	2,669	2,472
Subtotal	11,532	10,677
Less: Accumulated depreciation	4,832	4,367
Total	$ 6,700	$ 6,310

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill are detailed below by reportable segment:

	North America	Latin America	Europe/ Africa/ Russia Caspian	Middle East/ Asia Pacific	Industrial Services and Other	Total
Balance as of December 31, 2010	$ 2,731	$ 879	$ 936	$ 895	$ 428	$ 5,869
Purchase price adjustments for previous Acquisitions	314	(293)	86	(42)	12	77
Acquisitions	5	—	—	—	—	5
Other adjustments	1	—	1	1	(1)	2
Balance as of June 30, 2011	$ 3,051	$ 586	$ 1,023	$ 854	$ 439	$ 5,953

Intangible assets are comprised of the following:

	June 30, 2011			December 31, 2010		
	Gross Carrying Amount	Less: Accumulated Amortization	Net	Gross Carrying Amount	Less: Accumulated Amortization	Net
Definite lived intangibles:						
Technology	$ 767	$ 208	$ 559	$ 760	$ 181	$ 579
Contract-based	17	8	9	20	11	9
Trade names	81	16	65	84	18	66
Customer relationships	497	57	440	495	39	456
Subtotal	1,362	289	1,073	1,359	249	1,110
Indefinite lived intangibles:						
Trade name	360	—	360	360	—	360
In-process research and development	91	—	91	99	—	99
Total	$ 1,813	$ 289	$ 1,524	$ 1,818	$ 249	$ 1,569

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

Intangible assets are amortized either on a straight-line basis with estimated useful lives ranging from 2 to 20 years, or on a basis that reflects the pattern in which the economic benefits of the intangible assets are expected to be realized, which range from 15 to 30 years.

Amortization expense for intangible assets included in net income for the three months and six months ended June 30, 2011 was $24 million and $46 million, respectively, and is estimated to be $90 million for the full fiscal year 2011. Estimated amortization expense for each of the subsequent five fiscal years is expected to be as follows: 2012 — $95 million; 2013 — $94 million; 2014 — $93 million; 2015 — $88 million; and 2016 — $87 million.

NOTE 8. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents and short-term investments, accounts receivable, accounts payable, debt, foreign currency forward contracts and interest rate swaps. Except as described below, the estimated fair value of such financial instruments at June 30, 2011 and December 31, 2010 approximates their carrying value as reflected in our consolidated condensed balance sheets. The fair value of our debt, foreign currency forward contracts and interest rate swaps has been estimated based on quoted period end market prices.

Short-term Investments

During the year ended December 31, 2010, we purchased short-term investments consisting of $250 million in U.S. Treasury Bills, which matured in May 2011 and were used to repay the $250 million principal amount of our 5.75% notes that matured in June 2011.

Debt

The estimated fair value of total debt at June 30, 2011 and December 31, 2010, was $4,045 million and $4,298 million, respectively, which differs from the carrying amount of $3,608 million and $3,885 million, respectively, included in our consolidated condensed balance sheets.

Foreign Currency Forward Contracts

We conduct our business in over 80 countries around the world, and we are exposed to market risks resulting from fluctuations in foreign currency exchange rates. A number of our significant foreign subsidiaries have designated the local currency as their functional currency. We transact in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to reduce the risks associated with the effects of certain foreign currency exposures. Under this program, our strategy is to have gains or losses on the foreign currency forward contracts mitigate the foreign currency transaction gains or losses to the extent practical. These foreign currency exposures typically arise from changes in the value of assets and liabilities which are denominated in currencies other than the functional currency. Our foreign currency forward contracts generally settle in less than 180 days. We do not use these forward contracts for trading or speculative purposes. We designate these forward contracts as fair value hedging instruments and, accordingly, we record the fair value of these contracts as of the end of our reporting period to our consolidated condensed balance sheet with changes in fair value recorded in our consolidated condensed statement of operations along with the change in fair value of the hedged item.

We had outstanding foreign currency forward contracts with notional amounts aggregating $150 million and $156 million to hedge exposure to currency fluctuations in various foreign currencies at June 30, 2011 and December 31, 2010, respectively. These contracts are designated and qualify as fair value hedging instruments. The fair value was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

Interest Rate Swaps

We are subject to interest rate risk on our debt and investment of cash and cash equivalents arising in the normal course of our business, as we do not engage in speculative trading strategies. We maintain an interest rate management strategy, which primarily uses a mix of fixed and variable rate debt that is intended to mitigate the exposure to changes in interest rates in the aggregate for our investment portfolio. In addition, we are currently using interest rate swaps to manage the economic effect of fixed rate obligations associated with certain debt so that the interest payable on this debt effectively becomes linked to variable rates. Our interest rate

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

swaps are designated and each qualifies as a fair value hedging instrument. The fair value of our interest rate swaps was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates.

Fair Value of Derivative Instruments

The fair values of derivative instruments included in our consolidated condensed balance sheets were as follows:

		Fair Value	
Derivative	Balance Sheet Location	June 30, 2011	December 31, 2010
Foreign Currency Forward Contracts	Other current assets	$ 1	$ —
Foreign Currency Forward Contracts	Other accrued liabilities	$ 1	$ 2
Interest Rate Swaps	Other assets	$ 24	$ 24

The effects of derivative instruments in our consolidated condensed statements of operations were as follows (amounts exclude any income tax effects):

		Gain (Loss) Recognized in Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative	Statement of Operations Location	2011	2010	2011	2010
Foreign Currency Forward Contracts	Marketing, general and administrative	$ (2)	$ (4)	$ (3)	$ (9)
Interest Rate Swaps	Interest expense	$ 3	$ 3	$ 6	$ 10

NOTE 9. INDEBTEDNESS

In June 2011, we repaid $250 million principal amount of our 5.75% notes using proceeds from U.S. Treasury Bills that matured in May 2011.

At June 30, 2011, we had $1.7 billion of committed revolving credit facilities with commercial banks. There were no direct borrowings under the committed revolving credit facilities during the six months ended June 30, 2011. We also have a commercial paper program under which we may issue up to $1.0 billion in commercial paper with maturity of no more than 270 days. To the extent we have outstanding commercial paper, our ability to borrow under the facilities is reduced. At June 30, 2011, we had no outstanding commercial paper.

NOTE 10. EMPLOYEE BENEFIT PLANS

We have both funded and unfunded noncontributory defined benefit pension plans (“Pension Benefits”) covering certain employees primarily in the U.S., Canada, the U.K., Germany and several countries in the Middle East and Asia Pacific region. We also provide certain postretirement health care benefits (“other postretirement benefits”), through an unfunded plan, to substantially all U.S. employees who retire and have met certain age and service requirements.

The components of net periodic cost are as follows for the three months ended June 30:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010	2011	2010
Service cost	$ 9	$ 8	$ 2	$ 2	$ 2	$ 2
Interest cost	5	5	8	7	2	3
Expected return on plan assets	(8)	(7)	(8)	(6)	—	—
Amortization of prior service cost (benefit)	—	—	—	1	(1)	—
Amortization of net loss	2	3	1	—	—	—
Net periodic cost (benefit)	$ 8	$ 9	$ 3	$ 4	$ 3	$ 5

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

The components of net periodic cost are as follows for the six months ended June 30:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010	2011	2010
Service cost	$ 18	$ 16	$ 4	$ 3	$ 4	$ 4
Interest cost	10	11	16	12	4	6
Expected return on plan assets	(16)	(14)	(16)	(10)	—	—
Amortization of prior service cost (benefit)	—	—	—	—	(2)	1
Amortization of net loss	4	6	2	2	—	—
Net periodic cost (benefit)	$ 16	$ 19	$ 6	$ 7	$ 6	$ 11

We invest the plan assets of our U.S. and Non-U.S. pension plans in investments according to the policies developed by our investment committees. The changes in the fair value of our U.S. and Non-U.S. pension plans' assets using Level 3 unobservable inputs for the three months and six months ended June 30, 2011 were as follows:

	Three Months Ended June 30, 2011				
	U.S. Property Fund	Hedge Funds	Non-U.S. Property Fund	Non-U.S. Insurance Contracts	Total
Ending balance at March 31, 2011	$ 14	$ 98	$ 20	$ 16	$ 148
Unrealized gains	1	2	—	—	3
Transfers from Level 2 to Level 3	—	2	—	—	2
Ending balance at June 30, 2011	$ 15	$ 102	$ 20	$ 16	$ 153

	Six Months Ended June 30, 2011				
	U.S. Property Fund	Hedge Funds	Non-U.S. Property Fund	Non-U.S. Insurance Contracts	Total
Ending balance at December 31, 2010	$ 14	$ —	$ 19	$ 16	$ 49
Unrealized gains	1	4	1	—	6
Transfers from Level 2 to Level 3	—	98	—	—	98
Ending balance at June 30, 2011	$ 15	$ 102	$ 20	$ 16	$ 153

Beginning in 2011, the U.S. pension plan began purchasing shares in three hedge funds, which the Company deems to be Level 3 investments. These hedge funds take long and short positions in equities, fixed income securities, currencies and derivative contracts.

NOTE 11. COMMITMENTS AND CONTINGENCIES

LITIGATION

We are involved in litigation or proceedings that have arisen in our ordinary business activities. We insure against these risks to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. In determining the amount of self-insurance, it is our policy to self-insure those losses that are predictable, measurable and recurring in nature, such as claims for automobile liability, general liability and workers compensation. The accruals for losses are calculated by estimating losses for claims using historical claim data, specific loss development factors and other information as necessary.

We were among several unrelated companies who received a subpoena from the Office of the New York Attorney General, dated June 17, 2011. The subpoena received by the Company seeks information and documents relating to, among other things, natural gas development and hydraulic fracturing. We are reviewing the subpoena and discussing its contents with the New York Attorney General's office in anticipation of our responding as appropriate.

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

In July 2011, the Company settled the previously reported customer claim against BJ Services relating to the move of a stimulation vessel out of the North Sea market. The settlement did not have a material effect on our consolidated condensed financial statements.

OTHER

In the normal course of business with customers, vendors and others, we have entered into off-balance sheet arrangements, such as surety bonds for performance, letters of credit and other bank issued guarantees, which totaled approximately $1.2 billion at June 30, 2011. None of the off-balance sheet arrangements either has, or is likely to have, a material effect on our consolidated condensed financial statements.

NOTE 12. STOCKHOLDERS' EQUITY

The following tables summarize our stockholders' equity activity.

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at December 31, 2010	$ 432	$ 7,005	$ 7,083	$ (420)	$ 186	$14,286
Comprehensive income:						
Net income			719			
Foreign currency translation adjustments				83		
Total comprehensive income						802
Issuance of common stock pursuant to employee stock plans	4	103				107
Tax provision on stock plans		7				7
Stock-based compensation costs		53				53
Cash dividends ($0.30 per share)			(130)			(130)
Purchase of subsidiary shares of noncontrolling interests		(1)				(1)
Dividends paid to noncontrolling interests					(4)	(4)
Capital contribution from noncontrolling interest					4	4
Change in noncontrolling interest associated with purchase price adjustment					66	66
Balance at June 30, 2011	$ 436	$ 7,167	$ 7,672	$ (337)	$ 252	$15,190

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at December 31, 2009	$ 312	$ 874	$ 6,512	$ (414)	$ —	$ 7,284
Comprehensive income:						
Net income			222			
Foreign currency translation adjustments				(120)		
Defined benefit pension plans, net of tax of $(4)				21		
Total comprehensive income						123
Issuance of common stock pursuant to employee stock plans	1	20				21
Issuance of common stock to acquire BJ Services	118	5,986				6,104
Tax provision on stock plans		2				2
Stock-based compensation costs		41				41
Cash dividends ($0.30 per share)			(111)			(111)
Balance at June 30, 2010	$ 431	$ 6,923	$ 6,623	$ (513)	$ —	$13,464

Baker Hughes Incorporated
Notes to Unaudited Consolidated Condensed Financial Statements (continued)

Total accumulated other comprehensive loss, net of tax, consisted of the following:

	June 30, 2011	December 31, 2010
Foreign currency translation adjustments	$ (178)	$ (261)
Pension and other postretirement benefits	(159)	(159)
Total accumulated other comprehensive loss	$ (337)	$ (420)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our consolidated condensed financial statements and the related notes thereto, as well as our Annual Report on Form 10-K/A for the year ended December 31, 2010 ("2010 Annual Report"). Phrases such as "Company", "we", "us", and "our" intend to refer to Baker Hughes Incorporated when used.

EXECUTIVE SUMMARY

We are a leading supplier of oilfield services, products, technology and systems to the worldwide oil and natural gas industry. We provide products and services for:

- drilling and evaluation of oil and gas wells;
- completion and production of oil and gas wells; and
- other industries, including downstream refining and process and pipeline industries; and reservoir development services.

We operate our business primarily through geographic regions that have been aggregated into five reportable segments: North America, Latin America, Europe/Africa/Russia Caspian ("EARC"), Middle East/Asia Pacific ("MEAP") and Industrial Services and Other. The four geographical segments represent our oilfield operations.

Within our oilfield operations, the primary driver of our businesses is our customers' capital and operating expenditures dedicated to oil and natural gas exploration, field development and production. Our business is cyclical and is dependent upon our customers' expectations for future oil and natural gas prices, economic growth, hydrocarbon demand and estimates of current and future oil and natural gas production.

For the second quarter of 2011, we generated revenue of $4.74 billion, an increase of $1.37 billion or 41% compared to the same quarter a year ago. For the first six months of 2011, revenue was $9.27 billion, an increase of $3.35 billion or 57% compared to the first six months of 2010. The increase in revenue was due to the significant improvement in activity primarily in North America, driven by oil-directed drilling mainly in unconventional reservoirs and the acquisition of BJ Services Company ("BJ Services") during the second quarter of 2010.

Net income attributable to Baker Hughes was $338 million for the second quarter of 2011, compared to $93 million for the same quarter a year ago; and was $719 million for the first six months of 2011, compared to $222 million for the same period a year ago. The increase in net income was primarily due to the improved profitability in North America and to a lesser extent internationally as well as the acquisition of BJ Services. The increase was partially offset by a charge of $70 million recognized in the second quarter of 2011 associated with increasing the allowance for doubtful accounts and reserves for inventory and certain other assets in Libya, where our operations have currently ceased, pending resolution of the conflict.

At June 30, 2011, we had approximately 54,000 employees compared to approximately 53,100 employees at December 31, 2010.

BUSINESS ENVIRONMENT

Global economic growth and the resultant demand for oil and natural gas are the primary drivers of our customers' expenditures to develop and produce oil and gas. The expansion of the global economy, following the recession of 2008/2009, continued through 2010 and into 2011. Increasing economic activity, particularly in the emerging economies in Asia and the Middle East, and expectations for continued economic growth supported expectations for increasing demand for oil and natural gas. Spending by oil and natural gas exploration and production companies, which is dependent upon their forecasts regarding the expected future supply and future demand for oil and natural gas products and their estimates of costs to find, develop, and produce reserves, increased in the first half of 2011 compared to the first half of 2010. Changes in oil and natural gas exploration and production spending result in increased demand for our products and services, which is reflected in the rig count and other measures.

In North America, customer spending on oil projects increased in 2011, resulting in a 75% increase in the North America oil-directed rig count in the second quarter of 2011 compared to the same period a year ago. The increase in oil-directed drilling reflected the global price of oil, which is trading at a premium, on a Btu-equivalent basis, relative to natural gas in North America. Gas-directed drilling activity declined 8% as decreased activity in unconventional shale gas plays with relatively little associated natural gas liquids (dry gas) was partially offset by increased activity in the unconventional liquid-rich shale gas plays with relatively high volumes of associated natural gas liquids (wet gas). Despite relatively weak natural gas prices, spending on gas-directed projects in

the second quarter of 2011 was supported by: (1) associated production of natural gas liquids and crude oil in certain basins; (2) hedges on production made in prior periods when future prices were higher; (3) the need of companies to drill and produce natural gas to hold leases acquired in earlier periods; and (4) the influx of equity from companies interested in developing a position in the unconventional shale resource plays.

Outside of North America, customer spending is most heavily influenced by oil prices, which were more than 50% higher in the second quarter of 2011 compared to the second quarter of 2010, as the economic recovery continued. In response to higher oil prices and expectations that the expanding economy would support prices well in excess of $80/Bbl, our customers' spending increased. This was reflected in a 5% increase in the rig count outside of North America.

Oil and Natural Gas Prices

Oil (Bloomberg West Texas Intermediate ("WTI") Cushing Crude Oil Spot Price and Bloomberg Dated Brent ("Brent")) and natural gas (Bloomberg Henry Hub Natural Gas Spot Price) prices are summarized in the table below as averages of the daily closing prices during each of the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
WTI oil prices ($/Bbl)	$ 102.34	$ 77.88	$ 98.50	$ 78.35
Brent oil prices ($/Bbl)	116.81	78.63	110.96	77.71
Natural gas prices ($/mmBtu)	4.38	4.33	4.29	4.71

WTI oil prices averaged $102.34/Bbl in the second quarter of 2011. Prices ranged from a high of $113.93/Bbl in April 2011 to a low of $90.61/Bbl in June 2011. Oil prices weakened throughout the second quarter of 2011 driven by expectations of a slowdown of the worldwide economic recovery and energy demand growth, particularly in Europe. The International Energy Agency ("IEA") estimated in its July 2011 Oil Market Report that worldwide demand would increase 1.2 million barrels per day or 1.4% to 89.5 million barrels per day in 2011, up from 88.3 million barrels per day in 2010.

Natural gas prices averaged $4.38/mmBtu in the second quarter of 2011. Natural gas prices traded in a range between $4.847/mmBtu and $4.041/mmBtu in the second quarter of 2011. At the end of the quarter, working natural gas in storage was 2,432 Bcf, which was 9% or 252 Bcf below the corresponding week in 2010.

Rig Counts

Baker Hughes has been providing rig counts to the public since 1944. We gather all relevant data through our field service personnel, who obtain the necessary data from routine visits to the various rigs, customers, contractors and/or other outside sources. This data is then compiled and distributed to various wire services and trade associations and is published on our website. Rig counts are compiled weekly for the U.S. and Canada and monthly for all international and U.S. workover rigs. Published international rig counts do not include rigs drilling in certain locations, such as Russia, the Caspian and onshore China, because this information is not readily available.

Rigs in the U.S. are counted as active if, on the day the count is taken, the well being drilled has been started but drilling has not been completed and the well is anticipated to be of sufficient depth to be a potential consumer of our drill bits. Rigs in Canada are counted as active if data obtained by the Canadian Association of Oilwell Drillers and Contractors indicates that drilling operations have occurred during the week and we are able to verify this information. In most international areas, rigs are counted as active if drilling operations have taken place for at least 15 days during the month; however, in certain international areas where better data is available, we compute a weekly or daily average of active rigs. In international areas where there is poor availability of data, the rig counts are estimated from third-party data. The rig count does not include rigs that are in transit from one location to another, rigging up, being used in non-drilling activities, including production testing, completion and workover, and are not expected to be significant consumers of drill bits.

Our rig counts are summarized in the table below as averages for each of the periods indicated.

	Three Months Ended June 30, 2011	2010	% Change	Six Months Ended June 30, 2011	2010	% Change
U.S. — land and inland waters	1,795	1,464	23%	1,745	1,385	26%
U.S. — offshore	31	42	(26)%	28	44	(36)%
Canada	187	163	15%	379	310	22%
North America	2,013	1,669	21%	2,152	1,739	24%
Latin America	417	384	9%	413	381	8%
North Sea	38	45	(16)%	41	44	(7)%
Continental Europe	74	51	45%	74	48	54%
Africa	76	85	(11)%	79	82	(4)%
Middle East	291	256	14%	287	258	11%
Asia Pacific	251	267	(6)%	262	262	—
Outside North America	1,147	1,088	5%	1,156	1,075	8%
Worldwide	3,160	2,757	15%	3,308	2,814	18%

Second Quarter of 2011 Compared to the Second Quarter of 2010

The rig count in North America increased 21% reflecting a 75% increase in the oil-directed rig count partially offset by an 8% decrease in the U.S. gas-directed rig count, and a 26% increase in the oil-directed rig count and a 1% increase in gas-directed rig count in Canada. Outside North America the rig count increased 5%. The rig count in Latin America increased primarily due to higher activity in Brazil, Colombia and Venezuela, while partially offset by lower activity in Argentina and Mexico. The increase in the Continental Europe geomarket was led by Turkey, Poland and Germany. The rig count in Africa decreased primarily due to the shutdown of activity in Libya partially offset with stronger activity in Algeria and Gabon. The rig count increased in the Middle East primarily due to higher activity in Kuwait, Egypt and Abu Dhabi, partially offset by declines in activity in Yemen and Pakistan. In the Asia Pacific region, activity decreased primarily in Indonesia, Malaysia and Vietnam while activity increased in India and Thailand.

RESULTS OF OPERATIONS

The discussions below relating to significant line items from our consolidated condensed statements of operations are based on available information and represent our analysis of significant changes or events that impact the comparability of reported amounts. Where appropriate, we have identified specific events and changes that affect comparability or trends and, where possible and practical, have quantified the impact of such items. We acquired BJ Services on April 28, 2010; therefore, our results of operations for the three and six months ended June 30, 2010 include the results of its operations from that date. In addition, the discussion below for revenue and cost of revenue is on a total basis as the business drivers for the individual components of product sales and services are similar. All dollar amounts in tabulations in this section are in millions of dollars, unless otherwise stated.

Revenue and Profit Before Tax

The performance of our segments is evaluated based on segment profit before tax, which is defined as income before income taxes, interest expense, interest income, and certain gains and losses not allocated to the segments.

	Three Months Ended June 30, 2011	2010	Increase (decrease)	% Change	Six Months Ended June 30, 2011	2010	Increase (decrease)	% Change
Revenue:								
North America	$ 2,368	$ 1,486	$ 882	59%	$ 4,720	$ 2,405	$ 2,315	96%
Latin America	542	384	158	41%	1,015	656	359	55%
Europe/Africa/Russia Caspian	806	736	70	10%	1,577	1,456	121	8%
Middle East/Asia Pacific	701	545	156	29%	1,360	984	376	38%
Industrial Services and Other	324	223	101	45%	594	412	182	44%
Total	$ 4,741	$ 3,374	$ 1,367	41%	$ 9,266	$ 5,913	$ 3,353	57%

	Three Months Ended June 30,				Six Months Ended June 30,			
	2011	2010	Increase (decrease)	% Change	2011	2010	Increase (decrease)	% Change
Profit Before Tax:								
North America	$ 440	$ 204	236	$ 116%	$ 900	$ 345	$ 555	161%
Latin America	71	13	58	446%	134	22	112	509%
Europe/Africa/Russia Caspian	47	69	(22)	(32)%	138	149	(11)	(7)%
Middle East/Asia Pacific	88	40	48	120%	167	70	97	139%
Industrial Services and Other	34	18	16	89%	48	35	13	37%
Total	$ 680	$ 344	$ 336	98%	$ 1,387	$ 621	$ 766	123%

Second Quarter of 2011 Compared to Second Quarter of 2010

Revenue for the second quarter of 2011 increased $1.37 billion or 41% compared to the second quarter of 2010. Excluding BJ Services, revenue was up 23%. The primary drivers of the change included increased activity and improved pricing in the U.S. Land and Canada markets and to a lesser extent, increased activity in our international segments.

Profit before tax for the second quarter of 2011 increased $336 million or 98% compared to the second quarter of 2010. Excluding BJ Services, profit before tax was up 73%. These increases were primarily due to worldwide cost management initiatives as well as strong activity in the North America segment where increased service intensity in the unconventional markets has led to increased efficiency and utilization, and pricing improvement.

North America

North America revenue increased 59% in the second quarter of 2011 compared with the second quarter of 2010. Excluding BJ Services, revenue increased 33%. Revenue and pricing increases were supported by a 23% increase in the U.S. land and inland waters rig count and a 15% increase in the Canada rig count. The unconventional reservoirs are demanding our best technology to deliver longer horizontals, complex completions, increasing hydraulic fracturing (“frac”) horsepower and more frac stages resulting in improved pricing and higher revenue. Revenue in the Gulf of Mexico was essentially unchanged compared to the second quarter of 2010. Revenue in Canada is up compared to second quarter of 2010 but is down sequentially from the first quarter of 2011 due to the seasonal spring thaw.

North America profit before tax increased 116% in the second quarter of 2011 compared with the second quarter of 2010. Excluding BJ Services, profit before tax increased 98%. In addition to increased revenue, the primary drivers of the increased profitability included improved tool utilization, improved absorption of manufacturing and other overhead, and higher pricing. This improvement was partially offset by a decline in our profitability in the Gulf of Mexico directly attributable to the slow pace of re-permitting following the lifting of the drilling moratorium.

Latin America

Latin America revenue increased 41% in the second quarter of 2011 compared with the second quarter of 2010 outpacing the 9% increase in the Latin America rig count. The primary drivers included increased activity and commensurate revenue increases for drilling services and completions in the Brazil geomarket and artificial lift and drilling fluids in the Andean geomarket.

Latin America profit before tax increased $58 million in the second quarter of 2011 compared to the second quarter of 2010 primarily due to the increased revenue from the Brazil and Andean geomarkets.

Europe/Africa/Russia Caspian

EARC revenue increased 10% in the second quarter of 2011 compared to the second quarter of 2010. The primary drivers of the increase were sales of completions systems and fluids in the Norway geomarket and directional drilling and wireline sales in the Continental Europe geomarket, partially offset by the impact of decreased sales in Libya where our operations have currently ceased, pending resolution of the conflict.

EARC profit before tax decreased 32% or $22 million in the second quarter of 2011 compared to the second quarter of 2010. Improved profit before tax in the Europe and Africa regions resulting from higher activity was more than offset by expenses of $70 million, before and after-tax, due to the civil unrest in Libya. These expenses were associated with increasing the allowance for doubtful accounts and reserves for inventory and certain other assets in Libya.

Middle East/Asia Pacific

Middle East/Asia Pacific revenue increased 29% in the second quarter of 2011 compared to the second quarter of 2010. The increase in this segment was attributable to higher activity in various product lines and share gains from the Iraq, Saudi Arabia, Southeast Asia and Gulf geomarkets.

Middle East/Asia Pacific profit before tax increased 120% or $48 million in the second quarter of 2011 compared to the second quarter of 2010 primarily due to increased revenue in the Gulf, Southeast Asia, Saudi Arabia and Iraq geomarkets.

Industrial Services and Other

Industrial Services and Other revenue increased 45% in the second quarter of 2011 compared to the second quarter of 2010. Excluding BJ Services, revenue increased 29%. Industrial Services and Other profit before tax increased 89% or $16 million in the second quarter of 2011 compared to the second quarter of 2010. Excluding BJ Services, profit before tax increased 29%.

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Revenue for the six months ended June 30, 2011 increased $3.35 billion or 57% compared to the six months ended June 30, 2010. Excluding BJ Services, revenue was up 19%. The primary drivers of the change included increased activity and improved pricing in the U.S. Land and Canada markets and to a lesser extent, increased activity in our international segments.

Profit before tax for the six months ended June 30, 2011 increased $766 million or 123% compared to the six months ended June 30, 2010. Excluding BJ Services, profit before tax was up 70% primarily due to strong activity in the North America segment where increased activity has led to increased utilization, improved absorption of manufacturing and other overhead costs, and realized pricing improvement, and to a lesser extent, higher profits in the Latin America and Middle East/Asia Pacific segments as a result of cost management, improvements in operational efficiency and improved absorption of fixed costs.

Costs and Expenses

The table below details certain consolidated condensed statement of operations data and their percentage of revenue for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2011		2010		2011		2010	
Revenue	$ 4,741	100%	$ 3,374	100%	$ 9,266	100%	$ 5,913	100%
Cost of revenue	3,718	78%	2,662	79%	7,215	78%	4,574	77%
Research and engineering	114	2%	112	3%	220	2%	206	3%
Marketing, general and administrative	292	6%	312	9%	574	6%	617	10%

Cost of Revenue

Cost of revenue as a percentage of revenue was 78% and 79% for the three months ended June 30, 2011 and 2010, respectively; and was 78% and 77% for the six months ended June 30, 2011 and 2010, respectively. The decrease for the three months was due primarily to improved pricing, efficiency and cost management initiatives partially offset by the $70 million charge in Libya where our operations have ceased, pending resolution of the conflict. The increase for the six months was primarily due to the impacts of civil unrest in North Africa, including the charge related to Libya.

Research and Engineering

Research and engineering expenses increased 2% and 7% for the three and six months ended June 30, 2011, respectively, compared to the same periods a year ago. The increases were primarily due to the acquisition of BJ Services in the second quarter of 2010. We continue to be committed to developing and commercializing new technologies as well as investing in our core product offerings.

Marketing, General and Administrative

Marketing, general and administrative ("MG&A") expenses decreased 6% and 7% for the three and six months ended June 30, 2011, respectively, compared to the same periods a year ago. Excluding BJ Services, MG&A for the three and six months ended June 30, 2011 decreased 11% and 17%, respectively. These decreases resulted primarily from a reduction in costs associated with finance redesign efforts, which were completed during 2010. In addition, during the first six months of 2011, we benefited from reductions in expenses as a result of cost cutting measures implemented in the latter half of 2010 and synergies we are realizing as we continue to integrate BJ Services into our operations.

Interest Expense, net

Interest expense, net of interest income increased $24 million and $52 million for the three months and six months ended June 30, 2011, respectively, compared to the same periods a year ago. These increases were primarily due to the issuance of $1.5 billion of debt in August 2010 and the assumption of $500 million of debt associated with the acquisition of BJ Services in April 2010.

Income Taxes

Total income tax expense was $228 million and $432 million for the three months and six months ended June 30, 2011, respectively. Our effective tax rate on operating profits for the three months and six months ended June 30, 2011 was 40.5% and 37.5%, respectively, which is higher than the U.S. statutory income tax rate of 35% due to the $70 million charge in Libya for which there was no tax benefit, higher effective tax rates on certain international operations and state income taxes.

Our tax filings for various periods are subject to audit by the tax authorities in most jurisdictions where we conduct business. These audits may result in assessment of additional taxes that are resolved with the authorities or through the courts. We believe these assessments may occasionally be based on erroneous and even arbitrary interpretations of local tax law. We have received tax assessments from various taxing authorities and are currently at varying stages of appeals and/or litigation regarding these matters. We believe we have substantial defenses to the questions being raised and will pursue all legal remedies should an unfavorable outcome result. Resolution of any tax matter involves uncertainties and there are no assurances that the outcomes will be favorable.

OUTLOOK

This section should be read in conjunction with the factors described in "Part II, Item 1A. Risk Factors" and in the "Forward-Looking Statements" section in this Part I, Item 2, both contained herein. These factors could impact, either positively or negatively, our expectation for: oil and natural gas demand; oil and natural gas prices; exploration and development spending and drilling activity; and production spending.

Our industry is cyclical, and past cycles have been driven primarily by alternating periods of ample supply or shortage of oil and natural gas relative to demand. As an oilfield services company, our revenue is dependent on spending by our customers for oil and natural gas exploration, field development and production. This spending is dependent on a number of factors, including our customers' forecasts of future energy demand, their expectations for future energy prices, their access to resources to develop and produce oil and gas, the impact of new government regulations and their ability to fund their capital programs.

Our outlook for exploration and development spending is based upon our expectations for customer spending in the markets in which we operate, and is driven primarily by our perception of industry expectations for oil and natural gas prices and their likely impact on customer capital and operating budgets as well as other factors that could impact the economic return oil and gas companies expect for developing oil and gas reserves. Our forecasts are based on our analysis of information provided by our customers as well as market research and analyst reports including the *Short Term Energy Outlook* ("STEO") published by the Energy Information Administration ("EIA") of the U.S. Department of Energy ("DOE"), the *Oil Market Report* published by the IEA and the *Monthly Oil Market Report* published by Organization of the Petroleum Exporting Countries ("OPEC"). Our outlook for economic growth is based on our analysis of information published by a number of sources including the International Monetary Fund ("IMF"), the Organization for Economic Cooperation and Development ("OECD") and the World Bank.

The primary drivers impacting the 2011 business environment include the following:

- Worldwide Economic Growth — The global economy is continuing its expansion following the recession of 2008/2009. Economic growth has been strongest in China and the other emerging and developing countries outside the OECD. While important in terms of total consumption, the developed economies of OECD countries are expected to experience relatively modest economic growth and will not contribute meaningfully to incremental oil or natural gas demand. In

contrast, the emerging and developing countries outside the OECD are expected to drive most of the world's incremental energy demand. The risks to the global economic recovery continue to be the sovereign and financial troubles within the Euro area and policies to redress fiscal imbalances in the advanced economies in general.

- Demand for Hydrocarbons — The IEA in its July 2011 Oil Market Report said that it expects global demand for oil to increase 1.2 million barrels per day in 2011 relative to 2010. While forecasts by IEA, EIA and OPEC have been revised modestly lower in the past few months, primarily as a reaction to higher oil prices and uncertainty regarding the strength of the economic recovery, the expected increase in demand for hydrocarbons is expected to support increased spending to develop oil and natural gas resources.
- Production of Hydrocarbons — Global spare production capacity is relatively limited and is proving to be inadequate to decouple oil prices from geopolitical supply disruptions throughout North Africa and the Middle East. Several key OPEC countries have announced plans to increase their exploration and development efforts to develop resources to meet the expected increase in global demand. In response to higher oil prices, certain OPEC countries have committed to increasing production. In the second quarter, the IEA announced a coordinated release of strategic oil reserves to bridge between the current tight market and increased OPEC production.
- Oil and Natural Gas Prices — With oil prices trading between $90/Bbl and $115/Bbl most resource plays will provide adequate returns to encourage incremental investment. In North America, natural gas prices are lower, on a Btu-equivalent basis, but are supporting attractive returns in those conventional and unconventional resource plays with relatively high portions of associated crude oil or natural gas production.

Activity and Spending Outlook for North America - Overall customer spending in North America is expected to increase in the second half of 2011 compared to the first half of 2011. Resource plays with crude oil and natural gas liquids content are attracting incremental investment while investment in dry gas plays has declined. Service intensity has increased in North America as customers are demanding advanced directional drilling, more complex completion systems and pressure pumping to develop the unconventional shale resource plays. The demand for these key technologies has grown faster than the industry's ability to produce them supporting higher prices. Activity in Canada is expected to increase sequentially in the third and fourth quarters, recovering from its seasonally low second quarter and building to a seasonally high peak in the first quarter. In the Gulf of Mexico, activity on the continental shelf has remained steady, while the second quarter saw an increase in deep water permits and subsequently deep water drilling. The level of activity in the deep water Gulf of Mexico remains well below pre-moratorium levels; however, the pace of permit issuance we experienced early in the second quarter has not been sustained. Operators' plans to increase drilling activity are dependent on the issuance of new drilling permits. We are investing in our people and processes to ensure that we will be fully compliant with the new and more stringent regulatory requirements in the Gulf of Mexico, which costs will continue over the next several quarters.

Activity and Spending Outlook Outside North America - International activity is driven primarily by the price of oil which is high enough to provide attractive economic returns in almost every region. Customers are expected to increase spending to develop new resources and offset declines from existing developed resources. Areas that are expected to see increased spending in the second half of 2011 include: the Middle East, in particular Saudi Arabia and Abu Dhabi, which have announced significant increases to their spending plans; the Brazil geomarket with the investment in the pre-salt resources; and the Andean geomarket.

Capital Expenditures - Our capital expenditures, excluding acquisitions, are expected to be between $2.3 billion and $2.7 billion for 2011. A significant portion of our planned capital expenditures can be adjusted to reflect changes in our expectations for future customer spending. We will manage our capital expenditures to match market demand.

LIQUIDITY AND CAPITAL RESOURCES

Our objective in financing our business is to maintain adequate financial resources and access to sufficient liquidity. At June 30, 2011, we had cash and cash equivalents of $937 million and $1.7 billion available for borrowing under committed revolving credit facilities with commercial banks.

Our capital planning process is focused on utilizing cash flows generated from operations in ways that enhance the value of our company. In the six months ended June 30, 2011, we used cash to fund a variety of activities including working capital needs, capital expenditures, repayment of debt and dividends.

Cash Flows

Cash flows provided (used) by continuing operations, by type of activity, were as follows for the six months ended June 30:

	2011	2010
Operating activities	$ 397	$ 158
Investing activities	(636)	(1,284)
Financing activities	(295)	473

Statements of cash flows for our entities with international operations that are local currency functional exclude the effects of the changes in foreign currency exchange rates that occur during any given period, as these are noncash charges. As a result, changes reflected in certain accounts on the consolidated condensed statements of cash flows may not reflect the changes in corresponding accounts on the consolidated condensed balance sheets.

Operating Activities

Cash flows from operating activities provided cash of $397 million and $158 million in the six months ended June 30, 2011 and 2010, respectively. This increase in cash flows of $239 million was primarily due to an increase in net income of $497 million partially offset by a change in net operating assets and liabilities, which used more cash in the six months ended June 30, 2011 compared to the same period in 2010.

The underlying drivers of the significant changes in net operating assets and liabilities were as follows:

- An increase in accounts receivable used cash of $512 million and $258 million in the six months ended June 30, 2011 and 2010, respectively, resulting from revenue growth.
- Inventory used cash of $314 million and $124 million in the six months ended June 30, 2011 and 2010, respectively, driven by higher inventory levels required to support anticipated increases in production volume.
- An increase in accounts payable provided cash of $57 million and $123 million in the six months ended June 30, 2011 and 2010, respectively, resulting from an increase in operating assets to support increased activity.
- A decrease in income taxes payable used cash of $160 million and $15 million in the six months ended June 30, 2011 and 2010, respectively. This change is due primarily to an increase in income taxes paid of $305 million partially offset by the increase in the provision for income taxes in the first six months of 2011 compared to the same period in 2010.

Investing Activities

Our principal recurring investing activity was the funding of capital expenditures to ensure that we have the appropriate levels and types of rental tools and machinery and equipment in place to generate revenue from operations. Expenditures for capital assets totaled $1,023 million and $539 million in the six months ended June 30, 2011 and 2010, respectively. While the majority of these expenditures were for rental tools and machinery and equipment, we have continued our spending on new facilities, expansions of existing facilities and other infrastructure projects.

Proceeds from the disposal of assets were $142 million and $89 million in the six months ended June 30, 2011 and 2010, respectively. These disposals related to rental tools that were lost-in-hole, and property, machinery and equipment no longer used in operations that was sold during the period.

We received proceeds from maturities of short-term investments consisting of $250 million in U.S. Treasury Bills that matured in May 2011.

We routinely evaluate potential acquisitions of businesses of third parties that may enhance our current operations or expand our operations into new markets or product lines. In the second quarter of 2010, we paid cash of $680 million, net of cash acquired of $113 million, related to the BJ Services acquisition. We also paid $154 million for two other acquisitions that occurred during the second quarter of 2010.

Financing Activities

We had net repayments of commercial paper and other short-term debt of $21 million compared to net borrowings of $555 million in the six months ended June 30, 2011 and 2010, respectively. In addition, we repaid $250 million of long-term debt related to our 5.75% notes that matured in June 2011. Total debt outstanding at June 30, 2011 was $3.61 billion and $3.89 billion at

December 31, 2010. The total debt to total capitalization (defined as total debt plus stockholders' equity) ratio was 19% at June 30, 2011 and 21% December 31, 2010.

We received proceeds of $115 million and $28 million in the six months ended June 30, 2011 and 2010, respectively, from the issuance of common stock through the exercise of stock options and the employee stock purchase plan.

Our Board of Directors has authorized a program to repurchase our common stock from time to time. In the six months ended June 30, 2011 and 2010, we did not repurchase any shares of our common stock. At June 30, 2011, we had authorization remaining to repurchase up to a total of $1.2 billion of our common stock.

We paid dividends of $130 million and $111 million in the six months ended June 30, 2011 and 2010, respectively.

Available Credit Facilities

At June 30, 2011, we had $1.7 billion of committed revolving credit facilities with commercial banks. These facilities contain certain covenants which, among other things, require the maintenance of a funded indebtedness to total capitalization ratio (a defined formula per each agreement), restrict certain merger transactions or the sale of all or substantially all of our assets or a significant subsidiary and limit the amount of subsidiary indebtedness. Upon the occurrence of certain events of default, our obligations under the facilities may be accelerated. Such events of default include payment defaults to lenders under the facilities, covenant defaults and other customary defaults. At June 30, 2011, we were in compliance with all of the facilities' covenants. There were no direct borrowings under the committed credit facilities during the six months ended June 30, 2011. We also have a commercial paper program under which we may issue up to $1.0 billion in commercial paper with maturity of no more than 270 days. To the extent we have outstanding commercial paper our ability to borrow under the facilities is reduced. At June 30, 2011, we had no outstanding commercial paper.

If market conditions were to change and revenue was to be significantly reduced or operating costs were to increase, our cash flows and liquidity could be reduced. Additionally, it could cause the rating agencies to lower our credit rating. There are no ratings triggers that would accelerate the maturity of any borrowings under our committed credit facilities. However, a downgrade in our credit ratings could increase the cost of borrowings under the facilities and could also limit or preclude our ability to issue commercial paper. Should this occur, we would seek alternative sources of funding, including borrowing under the facilities.

We believe our current credit ratings would allow us to obtain interim financing over and above our existing credit facilities for any currently unforeseen significant needs or growth opportunities. We also believe that such interim financings could be funded with subsequent issuances of long-term debt or equity, if necessary.

Cash Requirements

In 2011, we believe cash on hand and operating cash flows will provide us with sufficient capital resources and liquidity to manage our working capital needs, meet contractual obligations, fund capital expenditures, and support the development of our short-term and long-term operating strategies. We may issue commercial paper or other short-term debt to fund cash needs in the U.S. in excess of the cash generated in the U.S.

In 2011, we expect capital expenditures to be between $2.3 billion and $2.7 billion, excluding any amount related to acquisitions. The expenditures are expected to be used primarily for normal, recurring items necessary to support the growth of our business and operations. A significant portion of our capital expenditures can be adjusted based on future activity of our customers. We will manage our capital expenditures to match market demand.

In 2011, we expect to make interest payments of between $215 million and $225 million, based on our current expectations of debt levels. We anticipate making income tax payments of between $1.1 billion and $1.2 billion in 2011.

We may repurchase our common stock depending on market conditions, applicable legal requirements, our liquidity and other considerations. We anticipate paying dividends of between $260 million and $270 million in 2011; however, the Board of Directors can change the dividend policy at any time.

For all pension plans, we make annual contributions to the plans in amounts equal to or greater than amounts necessary to meet minimum governmental funding requirements. In 2011, we expect to contribute between $65 million and $85 million to our defined benefit pension plans. We also expect to make benefit payments related to postretirement welfare plans of between $16 million and $18 million, and we estimate we will contribute between $190 million and $205 million to our defined contribution plans.

FORWARD-LOOKING STATEMENTS

MD&A and certain statements in the Notes to Consolidated Condensed Financial Statements include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, (each a “forward-looking statement”). The words “anticipate,” “believe,” “ensure,” “expect,” “if,” “intend,” “estimate,” “probable,” “project,” “forecasts,” “predict,” “outlook,” “aim,” “will,” “could,” “should,” “would,” “may,” “probable,” “likely” and similar expressions, and the negative thereof, are intended to identify forward-looking statements. Our forward-looking statements are based on assumptions that we believe to be reasonable but that may not prove to be accurate. The statements do not include the potential impact of future transactions, such as an acquisition, disposition, merger, joint venture or other transaction that could occur. We undertake no obligation to publicly update or revise any forward-looking statement. Our expectations regarding our business outlook and business plans; the business plans of our customers; oil and natural gas market conditions; costs and availability of resources; the on-going integration of BJ Services; economic, legal and regulatory conditions and other matters are only our forecasts regarding these matters.

All of our forward-looking information is subject to risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of those risk factors identified in “Part II, Item 1A. Risk Factors” section contained herein, as well as the risk factors described in our 2010 Annual Report, this filing and those set forth from time to time in our filings with the SEC. These documents are available through our web site or through the SEC’s Electronic Data Gathering and Analysis Retrieval System (“EDGAR”) at http://www.sec.gov.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We conduct operations around the world in a number of different currencies. A number of our significant foreign subsidiaries have designated the local currency as their functional currency. As such, future earnings are subject to change due to changes in foreign currency exchange rates when transactions are denominated in currencies other than our functional currencies. To minimize the need for foreign currency forward contracts to hedge this exposure, our objective is to manage foreign currency exposure by maintaining a minimal consolidated net asset or net liability position in a currency other than the functional currency.

Foreign Currency Forward Contracts

At June 30, 2011, we had outstanding foreign currency forward contracts with notional amounts aggregating $150 million to hedge exposure to currency fluctuations in various foreign currencies. These contracts are designated and qualify as fair value hedging instruments. The fair value of the contracts outstanding at June 30, 2011, based on quoted market prices as of June 30, 2011, for contracts with similar terms and maturity dates, was $1 million included in other current assets and $1 million included in other accrued liabilities in the consolidated condensed balance sheet. The effect of foreign currency forward contracts on the consolidated condensed statement of operations for the three months and six months ended June 30, 2011 was $2 million and $3 million, respectively, of foreign exchange losses, which were included in marketing, general and administrative expenses. These net losses offset designated foreign exchange net gains resulting from the underlying exposures of the hedged items.

Interest Rate Swaps

We are subject to interest rate risk on our debt and investment of cash and cash equivalents arising in the normal course of our business, as we do not engage in speculative trading strategies. We maintain an interest rate management strategy, which primarily uses a mix of fixed and variable rate debt that is intended to mitigate the exposure to changes in interest rates in the aggregate for our investment portfolio. In addition, we are currently using interest rate swaps to manage the economic effect of fixed rate obligations associated with our senior notes so that the interest payable on the senior notes effectively becomes linked to variable rates. Our interest rate swaps are designated and each qualifies as a fair value hedging instrument. The fair value of our interest rate swaps was determined using a model with Level 2 inputs including quoted market prices for contracts with similar terms and maturity dates. The fair value of the swap agreements at June 30, 2011, was $24 million and was included in other assets in the consolidated condensed balance sheet. The effect of interest rate swaps on the consolidated condensed statement of operations for the three months and six months ended June 30, 2011 was a reduction in interest expense of $3 million and $6 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act of 1934, as amended (the "Exchange Act"). This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that, as of June 30, 2011, our disclosure controls and procedures, as defined by Rule 13a-15(e) of the Exchange Act, are effective at a reasonable assurance level. There has been no change in our internal controls over financial reporting during the quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a further discussion of litigation matters in Note 11 of Notes to Unaudited Consolidated Condensed Financial Statements.

For additional discussion of legal proceedings see also, Item 3 of Part I of our 2010 Annual Report and Note 14 of the Notes to the Consolidated Financial Statements included in Item 8 of our 2010 Annual Report.

ITEM 1A. RISK FACTORS

As of the date of this filing, the Company and its operations continue to be subject to the risk factors previously disclosed in our "Risk Factors" in the 2010 Annual Report and the Form 10-Q for the period ended March 31, 2011 as well as the following risk factor:

Our business is subject to geopolitical, terrorism risks and other threats.

Geopolitical and terrorism risks continue to grow in several key countries where we do business. Geopolitical and terrorism risks could lead to, among other things, a loss of our investment in the country, impair the safety of our employees and impair our ability to conduct our operations. During the first six months of 2011, there was political unrest in North Africa, and in particular Libya, where our operations have currently ceased pending resolution of the conflict. During the quarter ended June 30, 2011, we incurred expenses of $70 million associated with increasing the allowance for doubtful accounts, and reserves for inventory and certain other assets in Libya. As of June 30, 2011, we have assets remaining in Libya totaling approximately $80 million.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table contains information about our purchases of equity securities during the three months ended June 30, 2011.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share [1]	Total Number of Shares Purchased as Part of a Publicly Announced Program [2]	Average Price Paid Per Share [2]	Total Number of Shares Purchased in the Aggregate	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program [3]
April 1-30, 2011	31,378	$ 72.36	—	$ —	31,378	$ —
May 1-31, 2011	3,140	74.55	—	—	3,140	—
June 1-30, 2011	293	72.34	—	—	293	—
Total	34,811	$ 72.56	—	$ —	34,811	$1,197,127,803

(1) Represents shares purchased from employees to pay the option exercise price related to stock-for-stock exchanges in option exercises or to satisfy the tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock units.

(2) There were no share repurchases during the three months ended June 30, 2011.

(3) Our Board of Directors has authorized a plan to repurchase our common stock from time to time. During the three months ended June 30, 2011, we did not repurchase shares of our common stock. We had authorization remaining to repurchase up to a total of approximately $1.2 billion of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION

Our barite mining operations, in support of our drilling fluids products and services business, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the recently proposed Item 106 of Regulation S-K (17 CFR 229.106) is included in Exhibit 99.1 to this quarterly report.

The following events occurred subsequent to the period covered by this Form 10-Q and is reportable under Form 8-K:

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On July 28, 2011, the Board of Directors of the Company appointed Martin S. Craighead to serve on the Board of Directors of the Company, effective August 1, 2011. His term will expire at the Annual Stockholders Meeting in 2012. Mr. Craighead is the current President and Chief Operating Officer of the Company and will assume the role of Chief Executive Officer on January 1, 2012 in addition to his role as President.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On July 28, 2011, our Board of Directors amended and restated the Bylaws of the Company effective as of August 1, 2011. The amended and restated Bylaws changed Article III, Section 1 to require the size of the Board of Directors to increase from 11 to 12 directors.

Item 5.07 Submission of Matters to a Vote of Security Holders

At our Annual Meeting of Stockholders held on April 28, 2011, our stockholders voted on, among other matters, a proposal regarding the frequency of future advisory votes on executive compensation (say on pay). As previously reported on our Form 8-K filed on May 3, 2011, a majority of the votes cast on the frequency proposal were cast in favor of holding an advisory vote on

executive compensation on an annual basis. Following consideration of the stockholder advisory vote on the frequency proposal, our Board of Directors decided at a meeting held on July 28, 2011, that we will hold an annual advisory vote on executive compensation in its future proxy materials until the next stockholder vote on the frequency of these votes.

ITEM 6. EXHIBITS

Each exhibit identified below is filed as a part of this report. Exhibits designated with an "*" are filed as an exhibit to this Quarterly Report on Form 10-Q. Exhibit designated with a "+" is identified as a compensatory arrangement.

3.1*	Restated Bylaws of Baker Hughes Incorporated dated August 1, 2011.
4.1	Fifth Supplemental Indenture, dated June 21, 2011, between BJ Services Company LLC, as company, Western Atlas Inc., as successor company, and Wells Fargo Bank, N.A., as trustee, with respect to the 6% Senior Notes due 2018 (filed as Exhibit 4.4 to Current Report of Baker Hughes Incorporated on Form 8-K filed June 23, 2011).
4.2	Restated Bylaws of Baker Hughes Incorporated dated August 1, 2011 (filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q).
10.1+	Restated and Superseding Employment Agreement between Chad C. Deaton and Baker Hughes Incorporated dated April 28, 2011 (filed as Exhibit 10.1 to Current Report of Baker Hughes Incorporated on Form 8-K filed May 3, 2011).
31.1*	Certification of Chad C. Deaton, Chief Executive Officer, furnished pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Peter A. Ragauss, Chief Financial Officer, furnished pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32*	Statement of Chad C. Deaton, Chief Executive Officer, and Peter A. Ragauss, Chief Financial Officer, furnished pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended.
99.1*	Mine Safety Disclosure.
**101.INS	XBRL Instance Document
**101.SCH	XBRL Schema Document
**101.CAL	XBRL Calculation Linkbase Document
**101.LAB	XBRL Label Linkbase Document
**101.PRE	XBRL Presentation Linkbase Document
**101.DEF	XBRL Definition Linkbase Document

** Furnished with this Form 10-Q, not filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BAKER HUGHES INCORPORATED
(Registrant)

Date: August 1, 2011

By: /s/ PETER A. RAGAUSS
Peter A. Ragauss
Senior Vice President and Chief Financial Officer

Date: August 1, 2011

By: /s/ ALAN J. KEIFER
Alan J. Keifer
Vice President and Controller

Exhibit 3.1

BYLAWS
OF
BAKER HUGHES INCORPORATED

Restated as of
August 1, 2011

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BYLAWS
OF
BAKER HUGHES INCORPORATED

ARTICLE I

Offices

Section 1. Registered Office . The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices . The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

Meetings of Stockholders

Section 1. Place of Meetings . All meetings of the stockholders shall be held at such place, if any, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting.

Section 2. Annual Meetings of Stockholders . An annual meeting of stockholders shall be held at such date and time as may be determined from time to time by resolution adopted by the Board of Directors, for the purpose of electing the directors of the Corporation, and transacting such business as may properly be brought before the meeting.

Section 3. Quorum; Adjourned Meetings and Notice Thereof . A majority of the stock issued and outstanding and entitled to vote at any meeting of stockholders, the holders of which are present in person or represented by proxy, without regard to class or series, shall constitute a quorum for the transaction of business except as otherwise provided by law, by the Certificate of Incorporation, or by these Bylaws. If a separate vote by a class or classes or series is required, a majority of the outstanding shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum and the votes present may continue to transact business until adjournment. If, however, such quorum shall not be present or represented at any meeting of the stockholders, a majority of the voting stock represented in person or by proxy or the chairman of the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned

meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

Section 4. Proxies . At each meeting of the stockholders, each stockholder having the right to vote may vote in person or may authorize another person or persons to act for him by proxy authorized by an instrument in writing or by a transmission, including by telephone and electronic transmission, permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation on the record date set by the Board of Directors as provided in Article V, Section 6 hereof.

Section 5. Special Meetings . (1) Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by law or by the Certificate of Incorporation, may be called at any time by (i) the Board of Directors (ii) an authorized committee of the Board of Directors, or (iii) the Secretary of the Corporation following the Secretary's receipt of written requests to call a meeting from the holders of 25% of the voting power (the "Required Percentage") of the capital stock outstanding and entitled to vote on the business proposed to be conducted (the "Voting Stock") who have delivered such requests in accordance with this bylaw. Except as required by law or provided by the terms of any class or series of Preferred Stock, special meetings of stockholders of the Corporation may not be called by any other person or persons.

(2) A stockholder may not submit a written request to call a special meeting unless such stockholder is a holder of record of Voting Stock on the record date fixed to determine the stockholders entitled to request the call of a special meeting. A stockholder seeking to call a special meeting to transact business shall, by written notice to the Secretary, demand that the Board of Directors fix a record date if such a record date has not been established. A written demand to fix a record date shall include all of the information that must be included in a written request to call a special meeting (including information that would not be required if the demanding stockholder was a Solicited Stockholder) as set forth in the succeeding paragraph (3) of this bylaw. The Board of Directors may, within ten days of the Secretary's receipt of a demand to fix a record date, fix a record date to determine the stockholders entitled to request the call of a special meeting, which date shall not precede, and shall not be more than ten days after, the date upon which the resolution fixing the record date is adopted. If a record date is not fixed by the Board of Directors, the record date shall be the date that the first written request to call a special meeting is received by the Secretary with respect to the proposed business to be conducted at a special meeting. Notwithstanding anything in these bylaws to the contrary, no record date shall be fixed or otherwise occur if (i) the Board of Directors determines that the written requests to call a special meeting that would otherwise be submitted after such record date could not comply with any of clauses (ii) through (v) of paragraph (4) of this bylaw, or (ii) the stockholder making the written demand to fix a record date has withdrawn such demand.

(3) Each written request to call a special meeting shall include the following: (i) the signature of the stockholder of record signing such request and the date such request was signed, (ii) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (iii) for each written request submitted by a person or entity other than a Solicited Stockholder, as to the record stockholder signing such request and the beneficial owner (if any) on whose behalf such request is made (each, a "party"):

(A) the name and address of such party;

(B) the class, series and number of shares of the Corporation that are owned beneficially and of record, directly or indirectly, by such party;

(C) all other ownership interests related or with respect to the Corporation, including but not limited to, derivatives, hedged positions, synthetic and temporary ownership techniques, swaps, securities loans, timed purchases and other economic and voting interests directly or indirectly owned beneficially by such party;

(D) any other information relating to each such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal in a contested election pursuant to Section 14 of the Exchange Act;

(E) any material interest of such party in one or more of the items of business proposed to be transacted at the special meeting (including, but not limited to, any interest that such party may have in the proposal or any benefits that such party may derive from the outcome of the proposal); and

(F) a statement whether or not any such party will solicit, directly or indirectly, a form of proxy from the holders of at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to carry the proposal (such statement, a "Solicitation Statement").

For purposes of this bylaw, "Solicited Stockholder" means any stockholder that has provided a request to call a special meeting in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A.

A stockholder may revoke a request to call a special meeting by written revocation delivered to the Secretary at any time prior to the special meeting; provided, however, that if any such revocation(s) are received by the Secretary after the Secretary's receipt of written requests from the holders of the Required Percentage of Voting Stock, and as a result of such revocation(s), there no longer are unrevoked requests to call a special meeting from the Required Percentage of Voting Stock, the Board of Directors shall have the discretion to determine whether or not to proceed with the special meeting. A business proposal shall not be presented for stockholder action at any special meeting if any stockholder or beneficial owner who has provided a Solicitation Statement with respect to such proposal does not act in accordance with the representations set forth therein.

(4) The Secretary shall not accept, and shall consider ineffective, a written request from a stockholder to call a special meeting (i) that does not comply with the preceding provisions of this bylaw, (ii) that relates to an item of business that is not a proper subject for stockholder action under applicable law or that did not appear in the demand delivered in accordance with paragraph (2) of this bylaw that resulted in the record date for determining who is entitled to deliver a written request to call the special meeting, (iii) if such request is delivered between the time beginning on the 61st day after the earliest date of signature on a written request that has been delivered to the Secretary relating to an identical or substantially similar item (such item, a "Similar Item") and ending on the one-year anniversary of such earliest date, (iv) if a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 90th day after the Secretary receives such written request, or (v) if a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to receipt by the Secretary of such request to call a special meeting. In addition, no written request to call a special meeting shall be accepted or considered effective by the Secretary unless it is delivered to the Corporation within 60 days of the record date for determining who is entitled to submit such written request.

(5) The Board of Directors shall determine in good faith whether the requirements set forth in subparagraphs (4)(ii) through (v) have been satisfied. Either the Secretary or the Board of Directors shall determine in good faith whether all other requirements set forth in this bylaw have been satisfied. Any determination made pursuant to this paragraph shall be binding on the Corporation and its stockholders.

(6) The Board of Directors shall determine the place, and fix the date and time, of any special meeting called at the request of one or more stockholders, and, with respect to all other special meetings, the date and time of a special meeting shall be determined by the person or body calling the meeting. The Board of Directors may submit its own proposal or proposals for consideration at a special meeting called by an authorized committee of the Board of Directors or called at the request of one or more stockholders. The record date or record dates for a special meeting shall be fixed in accordance with Section 213 (or its successor provision) of the Delaware General Corporation Law. Business transacted at any special meeting shall be limited to the purposes stated in the notice of such meeting.

Section 6. Notice of Stockholders' Meetings . If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in, and subject to the provisions of, Section 232 of the Delaware General Corporation Law (or any successor provision thereof).

Section 7. Waiver of Notice . Attendance of a person at a meeting shall constitute a waiver of notice to such person of such meeting, except when the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 8. Maintenance and Inspection of Stockholder List . The officer or agent who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting, in the manner provided by law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine such list or to vote at any meetings of stockholders.

Section 9. Stockholder Action by Written Consent Without a Meeting . No action shall be taken by stockholders except at an annual or special meeting of stockholders, and stockholders may not act by written consent.

Section 10. Inspectors of Election . Before any meeting of stockholders, the Board of Directors may, and to the extent required by law, shall appoint inspectors to act at the meeting or its adjournment and make written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. The number of inspectors shall be either one or three. If no inspector or alternate is able to act at the meeting, the chairman of the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and to the best of such inspector's ability.

The duties of these inspectors shall be as follows:

(a) To ascertain the number of shares outstanding and the voting power of each;

(b) To determine the shares represented at a meeting and the validity of proxies and ballots;

(c) To count all votes and ballots;

(d) To determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and

(e) To certify their determination of the number of shares represented at the meeting and their count of all votes and ballots.

Section 11. Procedure for Stockholders' Meetings . Meetings of the stockholders shall be presided over by the Chairman of the Board of Directors, or in his absence, by the Chief Executive Officer, the President or by any Vice President, or, in the absence of any of such officers, by a chairman to be chosen by a majority of the stockholders entitled to vote at the

meeting who are present in person or by proxy. The Secretary, or, in his absence, any person appointed by the chairman, shall act as secretary of all meetings of the stockholders.

Section 12. Order of Business . The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting. The chairman shall also determine the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The chairman of the meeting shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 13. Procedures for Bringing Business before an Annual Meeting .

1. Generally .

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (1) specified in the notice of such meeting (or any supplement thereto), (2) properly brought before the meeting by or at the direction of the Board, or (3) otherwise properly brought before the meeting by a stockholder of record of the Corporation at the time of the giving of notice required in this Section 13, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 13. For the avoidance of doubt, clause (3) above shall be the exclusive means for a stockholder to propose business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Securities and Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "Exchange Act")) before an annual meeting of stockholders.

2. Advance Notice of Stockholder Proposals Required .

For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation (a "Business Proposal Notice"), and any such business must be a proper matter for stockholder action under Delaware law. The Business Proposal Notice must be in strict compliance with the requirements set forth as follows or it will not be accepted by the Corporation.

3. Deadline for Submitting a Business Proposal Notice .

A. *If an annual meeting was held in the previous year* : A Business Proposal Notice must be received by the Secretary not less than 120 days, nor more than 150 days, before the one year anniversary of the date on which the Corporation's proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders. Notwithstanding the foregoing, if the date of the annual meeting has been changed by more than 30 days from the one year anniversary of the date of the preceding year's annual meeting, a Business Proposal Notice must be received by the time set forth in subsection C below.

B. *If no annual meeting was held in the previous year* : A Business Proposal Notice must be received by the Secretary not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the tenth day following the day on which such notice of the date of the annual meeting was mailed or a public announcement announcing such meeting date was made.

C. *If the date of the annual meeting has been changed by more than 30 days from the one year anniversary of the date of the preceding year's annual meeting* : A Business Proposal Notice must be received by the Secretary not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the tenth day following the day on which such notice of the date of the annual meeting was mailed or a public announcement announcing such meeting date was made. If a meeting date has been changed by less than 30 days from the one year anniversary of the date of the preceding year's annual meeting, the Business Proposal Notice must be received as set forth in subsection A above.

D. *Timing in case of adjournments* : An adjournment of an annual meeting shall not affect the timing requirements of the Business Notice Proposal. Thus, if an annual meeting is adjourned to a later date, such Business Proposal Notice must still be received as set forth above without regard to any adjournment that may occur.

4. Contents of a Business Proposal Notice .

All of the following information must be included in a Business Proposal Notice:

A. *Description of Business Proposed* . A Business Proposal Notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting:

(i) a brief description of the business desired to be brought before the annual meeting,

(ii) the reasons for conducting such business at the annual meeting, and

(iii) any material interest in such business of (1) the record stockholder giving the Business Proposal Notice, and (2) the beneficial owner, if any, on whose behalf the proposal is made (each, a "proposing party").

B. *Name and Address of Each Proposing Party* . A Business Proposal Notice shall set forth the name and record address of each proposing party.

C. *Description of Ownership Interests of Each Proposing Party* . A Business Proposal Notice shall set forth:

(i) the class, series and number of shares of the Corporation

which are owned beneficially and of record, directly or indirectly, by each proposing party; and

(ii) all other related ownership interests, including, but not limited to, derivatives, hedged positions, synthetic and temporary ownership techniques, swaps, securities loans, timed purchases and other economic and voting interests directly or indirectly owned beneficially by each proposing party.

D. *Description of Interests in Proposed Business* . A Business Proposal Notice shall set forth any interest of each proposing party in the business the proposing party is seeking to propose, including, but not limited to, any interest that each proposing party may have in the proposal or any benefits that each proposing party may derive from the outcome of the proposal.

5. Chairman of Meeting Must Ultimately Determine if Business Was Properly Brought.

The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 13, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

6. Exchange Act Requirements Also Must Be Complied With .

Notwithstanding the foregoing provisions of this Section 13, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

7. Definition of Public Announcement .

For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Section 14. Procedures for Nominating Directors .

1. Generally .

Notwithstanding anything in these Bylaws to the contrary, only persons who are nominated in accordance with the procedures hereinafter set forth in this Section 14 shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation may be made at the annual meeting of stockholders only (1) by or at the direction of the Board of Directors or (2) by any stockholder of record of the

Corporation at the time of the giving of notice required in this Section 14, who is entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 14.

2. Advance Notice of Stockholder Nominations Required .

For nominations to be properly brought before an annual meeting by a stockholder, such nominations shall be made pursuant to timely notice in writing to the Secretary of the Corporation (a "Nomination Notice"). The Nomination Notice must be in strict compliance with the requirements set forth as follows or it will not be accepted by the Corporation.

3. Deadline for Submitting a Nomination Notice .

A. *If an annual meeting was held in the previous year* : A Nomination Notice must be received by the Secretary not less than 120 days, nor more than 150 days, before the one year anniversary of the date on which the Corporation's proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders. Notwithstanding the foregoing, if the date of the annual meeting has been changed by more than 30 days from the one year anniversary of the date of the preceding year's annual meeting, a Nomination Notice must be received by the time set forth in subsection C below.

B. *If no annual meeting was held in the previous year* : A Nomination Notice must be received by the Secretary not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the tenth day following the day on which such notice of the date of the annual meeting was mailed or a public announcement announcing such meeting date was made.

C. *If the date of the annual meeting has been changed by more than 30 days from the one year anniversary of the date of the preceding year's annual meeting* : A Nomination Notice must be received by the Secretary not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the tenth day following the day on which such notice of the date of the annual meeting was mailed or a public announcement announcing such meeting date was made. If a meeting date has been changed by less than 30 days from the one year anniversary of the date of the preceding year's annual meeting, the Nomination Notice must be received as set forth in subsection A above.

D. *Timing in case of adjournments* . An adjournment of an annual meeting shall not affect the timing requirements of the Nomination Notice. Thus, if an annual meeting is adjourned to a later date, such Nomination Notice must still be received as set forth above without regard to any adjournment that may occur.

E. *Timing if board size increased close to meeting date* . In the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least ten days prior to the date on which

a stockholder would otherwise be required to timely give a Nomination Notice as set forth above, a Nomination Notice with respect to nominees for any new positions created by such increase must be received by the Secretary not later than the close of business on the tenth day following the day on which such public announcement announcing the Board increase or naming all of the nominees for director is first made by the Corporation.

4. Contents of the Nomination Notice.

All of the following information must be included in a Nomination Notice:

A. *Information about Each Proposed Nominee* . A Nomination Notice shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director:

(i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or as otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected), and

(ii) such person's independence, any voting commitments and/or other obligations such person will be bound by as a director, and any material relationships between such person and (1) the nominating stockholder, or (2) the beneficial owner, if any, on whose behalf the nomination is made (each nominating party and each beneficial owner, a "nominating party"), including compensation and financial transactions.

B. *Name and Address of Nominating Parties* . The Nomination Notice shall set forth the name and record address of each nominating party.

C. *Description of Ownership and Voting Interests of Nominating Parties* . The Nomination Notice shall set forth:

(i) the class, series and number of shares of the Corporation that are owned beneficially and of record, directly or indirectly, by each nominating party;

(ii) all other related ownership interests, including, but not limited to, derivatives, hedged positions, synthetic and temporary ownership techniques, swaps, securities loans, timed purchases and other economic and voting interests directly or indirectly owned beneficially by each nominating party; and

(iii) any interest of each nominating party in such nomination, including but not limited to any interest that each nominating party may have in the nomination or any benefits that each nominating party may derive from the outcome of the nomination.

5. Information Required for Board Nominees .

At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's Nomination Notice that pertains to the nominee.

6. Nominations at a Special Meeting .

A. Generally .

Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of record of the Corporation who is a stockholder of record at the time of the giving of notice, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in the following paragraphs. A person shall not be eligible for election or reelection as a director at a special meeting unless the person is nominated in accordance with this paragraph.

B. Advance Notice of Stockholder Nominations Required .

For nominations to be properly brought before a special meeting by a stockholder, such nominations shall be made pursuant to timely notice in writing to the Secretary of the Corporation (a "Special Meeting Notice"). The Special Meeting Notice must be in strict compliance with the requirements set forth as follows or it will not be accepted by the Corporation.

C. Deadline for Submitting a Special Meeting Notice .

(i) *Generally* : Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the Special Meeting Notice shall be received by the Secretary not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made that announces the date of the special meeting and the nominees proposed by the Board of Directors to be elected at such meeting.

(ii) *Timing in case of adjournments* : An adjournment of the special meeting shall not affect the timing requirements of the Special Meeting Notice. Thus, if a special meeting is adjourned to a later date, such Special Meeting Notice must still be received as set forth above without regard to any adjournment that may occur.

(iii) *Timing if board size increased close to meeting date* : In the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least ten days prior to the date on

which a stockholder would otherwise be required to timely give a Special Meeting Notice as set forth above, a Special Meeting Notice with respect to nominees for any new positions created by such increase must be received by the Secretary not later than the close of business on the tenth day following the day on which such public announcement announcing the Board increase or naming all of the nominees for director is first made by the Corporation.

D. Contents of Special Meeting Notice .

All of the following information must be included in a Special Meeting Notice:

(i) *Description of Proposed Nominee* . A Special Meeting Notice shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director:

(a) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected), and

(b) such person's independence, any voting commitments and/or other obligations such person will be bound by as a director, and any material relationships between such person and (1) the nominating stockholder, or (2) the beneficial owner, if any, on whose behalf the nomination is made (each nominating stockholder and each beneficial owner, a "nominating party"), including compensation and financial transactions.

(ii) *Name and Address of Nominating Parties* . A Special Meeting Notice shall set forth the name and record address of each nominating party.

(iii) *Description of Ownership and Voting Interests of Nominating Parties* . A Special Meeting Notice shall set forth:

(a) the class, series and number of shares of the Corporation that are owned beneficially and of record, directly or indirectly, by each nominating party;

(b) all other related ownership interests, including, but not limited to, derivatives, hedged positions, synthetic and temporary ownership techniques, swaps, securities loans, timed purchases and other economic and voting interests directly or indirectly owned beneficially by each nominating party; and

(c) any interest of each nominating party in such nomination, including but not limited to any interest that each nominating party may have in the

nomination or any benefits that each nominating party may derive from the outcome of the nomination.

7. Chairman of Meeting Must Ultimately Determine if Nomination Was Properly Brought.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this Section 14, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

8. Definition of Public Announcement .

For purposes of these Bylaws, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

ARTICLE III

Directors

Section 1. Number and Qualification of Directors . The Board of Directors shall consist of 12 directors. No officer of the Corporation may serve on a board of directors of any company having a present or retired employee on the Corporation’s Board of Directors. No person associated with an organization whose services are contracted by the Corporation shall serve on the Corporation’s Board of Directors; provided, however, that a majority of the Whole Board may waive this prohibition if the Board in its judgment determines that such waiver would be in the best interest of the Corporation. The term “Whole Board”, where used in these Bylaws, refers to the 12 authorized directorships constituting the Board of Directors whether or not there exist any vacancies.

Section 2. Election and Term of Office . Each Director shall be elected for a term of one year and shall hold office until such director’s successor is elected and qualified or until his earlier death, retirement, resignation or removal.

Section 3. Resignation and Removal of Directors . No person who is concurrently a director and an employee of the Corporation shall be qualified to serve as a director of the Corporation from and after the time of any diminution in such person’s duties or responsibilities as an officer, the time they leave the employ of the Corporation for any reason or their 72nd birthday; provided, however, that if any such person resigns from the Board of Directors upon such event, such person shall thereafter be deemed qualified to serve as a director of the Corporation for so long as such person is otherwise qualified to so serve pursuant to the following sentence. No person shall be qualified to serve as a director of the corporation on or after the date of the annual meeting of stockholders following: (i) his 72nd birthday or (ii) any

fiscal year in which he has failed to attend at least 66% of the meetings of the Board of Directors and any committees of the Board of Directors on which such director serves, provided that such a person shall be deemed to be qualified to serve as a director if so determined by a majority of the Whole Board (excluding the director whose resignation would otherwise be required) if the Board of Directors in its judgment determines that such waiver would be in the best interest of the Corporation.

Any nominee for director in an uncontested election who receives a “withhold” vote representing a majority of the votes cast for his or her election would be required to submit a letter of resignation to the Governance Committee of the Board of Directors. The Governance Committee would consider all of the relevant facts and circumstances and recommend to the Board of Directors whether or not the resignation should be accepted. For the purposes of this Section, an “uncontested election” shall mean an election in which the number of nominees as of the record date for the meeting at which directors are to be elected does not exceed the number of directors to be elected at such meeting.

Any director may be removed with or without cause by the holders of a majority of the shares of the Corporation entitled to vote in the election of directors. The Board of Directors may not remove any director with or without cause, and no recommendation by the Board of Directors that a director be removed with or without cause may be made to the stockholders except by the affirmative vote of not less than 75% of the Whole Board.

Section 4. Vacancies and Newly Created Directorships . Subject to the rights of the holders of any series of preferred stock then outstanding and except as otherwise provided by statute or the Certificate of Incorporation, (i) in the case of any increase in the number of directors, such additional director or directors shall be elected by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director (and not by stockholders), or (ii) in the case of any vacancy in the Board of Directors, however created, the vacancy or vacancies shall be filled by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director (and not by stockholders). Notwithstanding the preceding sentence of this Article III, Section 4, if, by the affirmative vote of a majority of the directors then in office the Board determines that a newly created directorship or vacancy should be filled by the stockholders, the stockholders shall elect a nominee to fill such newly created directorship or vacancy. In the event one or more directors shall resign, effective at a future date, such vacancy or vacancies shall be filled by a majority of the directors then in office, including those who have so resigned, the vote thereon to take effect when such resignation or resignations shall become effective. A director chosen or elected pursuant to this Section 4 shall hold office until the annual meeting next following his election or until his successor is elected and qualified or until his earlier death, retirement, resignation or removal.

In the event of any decrease in the authorized number of directors, each director then serving as such shall nevertheless continue as a director until the expiration of his current term, or his prior death, retirement, resignation or removal.

Section 5. Powers . The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and

authorities by these Bylaws expressly conferred upon them, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 6. Place of Directors' Meetings . The directors may hold their meetings and have one or more offices, and keep the books of the Corporation outside the State of Delaware.

Section 7. Regular Meetings . Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board. Except as otherwise provided by statute, any business may be transacted at any regular meeting of the Board of Directors.

Section 8. Special Meetings . Special meetings of the Board of Directors may be called by the Chairman of the Board or the Chief Executive Officer on at least 24 hours' notice, or such shorter period as the person calling deems appropriate, to each director. Special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or the Secretary in like manner and on like notice on the written request of a majority of the Whole Board. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 9. Quorum . At all meetings of the Board of Directors a majority of the Whole Board shall be necessary and sufficient to constitute a quorum for the transaction of business, and the vote of a majority of the directors present at any meeting at which there is a quorum, shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. If only one director is authorized, such sole director shall constitute a quorum. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action is approved by at least a majority of the required quorum for such meeting.

Section 10. Action Without Meeting . Unless otherwise restricted by statute, the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 11. Telephonic Meetings . Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or

any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in a meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 12. Meetings and Action of Committees . The Board of Directors may from time to time designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. The Board of Directors shall, by resolution passed by a majority of the Whole Board, designate one member of each committee as chairman of such committee. Each such chairman shall hold such office for a period not in excess of five years, and shall upon surrender of such chairmanship resign from membership on such committee. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law (other than the election of directors) to be submitted to stockholders for approval or (ii) adopting, amending or repealing any bylaw of the Corporation.

Section 13. Special Meetings of Committees . Special meetings of committees may be called by the Chairman of such committee, the Chairman of the Board or the Chief Executive Officer, on at least 24 hours' notice, or such shorter period as the person calling deems appropriate, to each member. Alternate members shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules of the government of any committee not inconsistent with the provisions of these Bylaws. If a committee is comprised of an odd number of members, a quorum shall consist of a majority of that number. If the committee is comprised of an even number of members, a quorum shall consist of 1/2 of that number. If a committee is comprised of two members, a quorum shall consist of both members; all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all the members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be electronic form if the minutes are maintained in electronic form.

Section 14. Minutes of Committee Meetings . Each Committee shall keep regular minutes of its meetings and report the same to the Board of Directors when requested.

Section 15. Compensation of Directors . Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 16. Indemnification . (a) The Corporation shall indemnify every person who is or was a party or is or was threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was a director, officer or employee of the Corporation or any of its direct or indirect wholly owned subsidiaries or, while a director, officer or employee of the Corporation or any of its direct or indirect wholly owned subsidiaries, is or was serving at the request of the Corporation or any of its direct or indirect wholly owned subsidiaries, as a director, officer or employee, of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including counsel fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the full extent permitted by applicable law; provided that the Corporation shall not be obligated to indemnify any such person against any such action, suit or proceeding which is brought by such person against the Corporation or any of its direct or indirect wholly owned subsidiaries or the directors of the Corporation or any of its direct or indirect wholly owned subsidiaries, other than an action brought by such person to enforce his rights to indemnification hereunder, unless a majority of the Board of Directors of the Corporation shall have previously approved the bringing of such action, suit or proceeding, and provided further that the Corporation shall not be obligated to indemnify any such person against any action, suit or proceeding arising out of any adjudicated criminal, dishonest or fraudulent acts, errors or omissions of such person or any adjudicated willful, intentional or malicious acts, errors or omissions of such person.

(b) The Corporation shall indemnify every person who is or was a party or is or was threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was licensed to practice law and an employee (including an employee who is or was an officer) of the Corporation or any of its direct or indirect wholly owned subsidiaries and, while acting in the course of such employment committed or is alleged to have committed any negligent acts, errors or omissions in rendering professional legal services at the request of the Corporation or pursuant to his employment (including, without limitation, rendering written or oral legal opinions to third parties) against expenses (including counsel fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the full extent permitted by applicable law; provided that the Corporation shall not be obligated to indemnify any such person against any action, suit or proceeding arising out of any adjudicated criminal, dishonest or fraudulent acts, errors or omissions of such person or any adjudicated willful, intentional or malicious acts, errors or omissions of such person.

(c) The Corporation shall indemnify every person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, or employee of the Corporation, or any of its direct or indirect wholly owned subsidiaries or, while a director, officer, or employee of the Corporation or any of its direct or indirect wholly owned subsidiaries, is or was serving at the request of the Corporation or any of its direct or indirect wholly owned subsidiaries, as a director, officer, or employee of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(d) To the extent that a director, officer, or employee of the Corporation, or any of its direct or indirect wholly owned subsidiaries, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a), (b) and (c) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(e) Any indemnification under subsections (a), (b) and (c) of this section (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a), (b) and (c) of this section. Such determination shall be made (1) by a majority vote of the directors who were not parties to such action, suit or proceeding, (2) by a committee or such directors designated by majority vote of such directors even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders. If a claim under this Section 16 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set

forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section 16 or otherwise shall be on the Corporation.

(f) Expenses (including attorneys' fees) incurred by an present or former officer or director of the Corporation or any of its direct or indirect wholly owned subsidiaries in defending a civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Section 16. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(g) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 16 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any provision of law, the Corporation's Certificate of Incorporation, the Certificate of Incorporation or Bylaws or other governing documents of any direct or indirect wholly owned subsidiary of the Corporation, or any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding any of the positions or having any of the relationships referred to in this Section 16.

(h) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 16 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

(i) Any amendment, alteration or repeal of this Section 16 that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE IV

Officers

Section 1. Officers . The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Vice President, a Secretary, a Treasurer and a Controller. The Corporation may also have, at the discretion of the Board of Directors, a Chief Operating Officer, one or more additional Vice Presidents, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. Any two (2) or more offices may be held by the same person.

Section 2. Election of Officers . The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment.

Section 3. Subordinate Officers . The Board of Directors may appoint, and may empower the Chief Executive Officer to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation of Officers . Any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting thereof, or except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors, provided that such removal shall not prejudice the remedy of such officer for breach of any contract of employment.

Any officer may resign at any time by giving written notice to the Corporation. Any such resignation shall take effect on receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any such resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies in Offices . A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6. Chairman of the Board . The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors and of the stockholders, and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws. In the absence of the Chairman of the Board, the Lead Director shall preside at all meetings of the stockholders and the Board of Directors.

Section 7. Chief Executive Officer . The Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision, direction and control of the

business and officers, other than the Chairman of the Board of the Corporation with all such powers as may be reasonably incident to such responsibilities. He shall perform all other duties normally incident to the office of Chief Executive Officer, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. President . The President shall be the Chief Operating Officer of the Corporation and shall, subject to the control of the Chief Executive Officer and the Board of Directors, have general supervision, direction and control of the business and the officers, other than the Chairman of the Board, of the Corporation. In the absence of the Chairman of the Board and the Chief Executive Officer, the President shall preside at all meetings of the stockholders and the Board of Directors. He shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Chief Executive Officer, the Board of Directors or the Bylaws.

Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

Section 9. Chief Operating Officer . The Chief Operating Officer of the Corporation shall have general management of the business unit operations of the Corporation, subject to the direction and control of the Chief Executive Officer and the Board of Directors. The Chief Operating Officer shall sign all papers and documents to which such officer's signature may be necessary or appropriate in connection with the operations of the Corporation, make reports to the Board of Directors or the Chief Executive Officer and have such further powers and duties as may, from time to time, be prescribed by the Board of Directors or the Chief Executive Officer.

Section 10. Vice Presidents . If there be more than one Vice President, the Board of Directors may designate one or more of them as Executive Vice President or Senior Vice President among the Vice Presidents and may also grant to such officers and other Vice Presidents such titles as shall be descriptive of their respective functions or indicative of their relative seniority. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the President, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws or the President.

Section 11. Secretary . The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board of Directors may order, a book of minutes of all meetings and actions of directors, committees of directors and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof

given, the names of those present at directors' and committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the Corporation's transfer agent or registrar, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by these Bylaws or by law to be given, and he shall keep the seal of the Corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 12. Chief Financial Officer . The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall be open at all times to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer, President and Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 13. Treasurer and Controller . The Treasurer and the Controller shall each have such powers and perform such duties as from time to time may be prescribed for him by the Board of Directors, the President or these Bylaws.

Section 14. D elegation of Authority . The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE V

Certificate of Stock

Section 1. Certificates . Shares of the stock of the Corporation may be represented by certificates or the Board of Directors may provide by resolution or resolutions that some or all of any class or classes or series of stock shall be uncertificated shares. Owners of shares of the stock of the Corporation shall be recorded in the share register of the Corporation, and ownership of such shares shall be evidenced by a certificate or book-entry

notation in the share register of the Corporation. Any certificates representing such shares shall be signed by, or in the name of the Corporation by, the Chairman of the Board of Directors, or the President or a Vice President, and by the Secretary or any Assistant Secretary, if one be appointed, or the Treasurer or an Assistant Treasurer of the Corporation, certifying the number of shares represented by the certificate owned by such stockholder in the Corporation.

Section 2. Signature on Certificates . Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Statement of Stock Rights, Preferences, Privileges . If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided by statute, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 4. Lost, Stolen or Destroyed Certificates . The Board of Directors, the Secretary and the Treasurer each may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the owner of such certificate, or his legal representative. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to furnish the Corporation a bond in such form and substance and with such surety as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5. Transfers of Stock . Upon surrender to the Corporation, or the transfer agent of the Corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or other evidence of such new shares to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Uncertificated shares shall be transferred in the share register of the Corporation upon the written instruction originated by the appropriate person to transfer the shares.

Section 6. Fixing Record Date . In order that the Corporation may determine

the stockholders entitled to notice of or to vote at any meeting of the stockholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 7. Registered Stockholders . The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

ARTICLE VI

General Provisions

Section 1. Dividends . Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Payment of Dividends . Before declaration of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the Corporation, and the Board of Directors may thereafter abolish any such reserve in its absolute discretion.

Section 3. Checks . All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation shall be signed by such officer or officers as the Board of Directors or the President or any Vice President, acting jointly, may from time to time designate.

Section 4. Corporate Contracts and Instruments . The Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer may enter into contracts and execute instruments on behalf of the Corporation. The Board of Directors, the President or any Vice President may authorize any officer or officers, and any employee or employees or agent or agents of the Corporation or any of its subsidiaries, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 5. Fiscal Year . The fiscal year of the Corporation shall be January 1 through December 31, unless otherwise fixed by resolution of the Board of Directors.

Section 6. Manner of Giving Notice . Whenever, under the provisions of the statutes, the Certificate of Incorporation or these Bylaws, notice is required to be given to any director, it shall not be construed to require personal notice, but such notice may be given in writing, by mail, addressed to such director, at his address as it appears on the records of the Corporation (unless prior to mailing of such notice he shall have filed with the Secretary a written request that notices intended for him be mailed to some other address, in which case such notice shall be mailed to the address designated in the request) with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail; provided, however, that, in the case of notice of a special meeting of the Board of Directors, if such meeting is to be held within seven calendar days after the date of such notice, notice shall be deemed given as of the date such notice shall be accepted for delivery by a courier service that provides “opening of business next day” delivery, so long as at least one attempt shall have been made, on or before the date such notice is accepted for delivery by such courier service, to provide notice by telephone to each director at his principal place of business and at his principal residence. Notice to directors may also be given by telegram, by personal delivery, by telephone, by facsimile or by other electronic transmission.

Section 7. Waiver of Notice . Whenever any notice is required to be given under the provisions of the statutes, the Certificate of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, or waiver by electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

Amendments

Section 1. Amendment by Directors . Except any amendment to this Article VII and to Article II, Section 5, Article II, Section 9, Article III, Section 1 (as it relates to changes in the number of directors), Article III, Section 2, the last sentence of Article III, Section 3 (as it relates to removal of directors), Article III, Section 4, Article III, Section 16 and Article VI, Section 6 of these Bylaws, or any of such provisions, which shall require approval by the affirmative vote of directors representing at least 75% of the Whole Board, the directors, by the affirmative vote of a majority of the Whole Board and without the assent or vote of the stockholders, may at any meeting, make, repeal, alter, amend or rescind any of these Bylaws, provided that the substance of the proposed amendment or other action shall have been stated in a notice of the meeting.

Section 2. Amendment by Stockholders . These Bylaws shall not be made, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than a majority of the stock issued and outstanding and entitled to vote in the election of directors, considered for such purpose as one class.

Exhibit 31.1

CERTIFICATION

I, Chad C. Deaton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2011

By: /s/ Chad C. Deaton
Chad C. Deaton
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Peter A. Ragauss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Baker Hughes Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2011

By: /s/ Peter A. Ragauss
Peter A. Ragauss
Senior Vice President
and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Baker Hughes Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Chad C. Deaton, Chief Executive Officer of the Company, and Peter A. Ragauss, the Chief Financial Officer of the Company, each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

The certification is given to the knowledge of the undersigned.

/s/ Chad C. Deaton
Name: Chad C. Deaton
Title: Chief Executive Officer
Date: August 1, 2011

/s/ Peter A. Ragauss
Name: Peter A. Ragauss
Title: Chief Financial Officer
Date: August 1, 2011

EXHIBIT 99.1

Mine Safety Disclosure

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), each operator of a mine is required to include certain mine safety results in its periodic reports filed with the U.S. Securities and Exchange Commission ("SEC"). Our mining operations are subject to regulation by the federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 ("Mine Act"). Below, we present the following items regarding certain mining safety and health matters for the three months ended June 30, 2011:

- total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Mine Act for which we have received a citation from MSHA;
- total number of orders issued under section 104(b) of the Mine Act, which covers violations that had previously been cited under section 104(a) that, upon follow-up inspection by MSHA, are found not to have been totally abated within the prescribed time period, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons (except certain authorized persons) from the mine;
- total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act;
- total number of flagrant violations (i.e., reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury) under section 110(b)(2) of the Mine Act;
- total number of imminent danger orders (i.e., the existence of any condition or practice in a mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated) issued under section 107(a) of the Mine Act;
- total dollar value of proposed assessments from MSHA under the Mine Act;
- total number of mining-related fatalities; and
- total number of pending legal actions before the Federal Mine Safety and Health Review Commission involving such mine.

BAKER HUGHES INCORPORATED
Mine Safety Disclosure
Three Months Ended June 30, 2011
(Unaudited)
(Whole dollars)

Operation (1)	**Section 104 Citations**	**Section 104(b) Orders**	**104(d) Citations and Orders**	**Section 110(b)(2) Violations**	**Section 107(a) Orders**	**Proposed MSHA Assessments** (2)	**Fatalities**	**Pending Legal Actions**
Battle Mountain, NV	8	—	—	—	—	$1,403	—	—
Morgan City, LA	—	—	—	—	—	—	—	—
Corpus Christi, TX	1	—	—	—	—	—	—	—
Total	9	—	—	—	—	$1,403	—	—

(1) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools, and preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine.

(2) Amounts included are the total dollar value of proposed or outstanding assessments received from MSHA on or before June 30, 2011 regardless of whether the assessment has been challenged or appealed, for citations and orders occurring during the three month period ended June 30, 2011.

In addition, as required by the reporting requirements regarding mine safety included in section 1503(a)(2) of the Dodd-Frank Act, the following is a list for the three months ended June 30, 2011, of each mine of which we or a subsidiary of ours is an operator, that has received written notice from MSHA of:

a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act:

None;

or

b) the potential to have such a pattern:

None.

Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and are sometimes dismissed. The number of citations, orders, and proposed assessments vary by inspector and also vary depending on the size and type of the operation.

The SEC recently proposed Item 106 of Regulation S-K (17 CFR 229.106) to implement section 1503(a) of the Dodd-Frank Act regarding mine safety reporting. It is possible that the final rule adopted by the SEC will require disclosures to be presented in a manner that differs from this presentation.