

**BAKER HUGHES, a GE Company**

**17021 Aldine Westfield Road, Houston, Texas, 77073-5101, U.S.A.**

**BAKER HUGHES, A GE COMPANY EMPLOYEE STOCK PURCHASE PLAN (the "ESPP")**

**Prospectus for the employees of certain European Economic Area ("EEA") subsidiaries  
of Baker Hughes, a GE Company ("Baker Hughes") subject to the applicable legislation in each country**

**March 14, 2019**

This prospectus has been drafted and submitted for approval to the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") in accordance with article 5:2 and further of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "FMSA"). This prospectus was established by the issuer and the issuer is responsible for this prospectus. The prospectus has been approved in connection with the offerings proposed to be made to the investors.

A copy of this prospectus can be obtained from the registered office of the EEA subsidiaries of Baker Hughes based in countries in which offerings under the plan listed above are considered public offerings, subject to the applicable legislation in each country. In addition, this prospectus along with summary translations (as applicable) will be made available electronically at [www.bhge.com](http://www.bhge.com).

## NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Baker Hughes, was established pursuant to article 5:2 FMSA. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 as amended (the "Prospectus Regulation"), this prospectus is composed of the following parts in the following order:

- (1) a table of contents,
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC of the European Parliament and of the European Council of 4 November 2003, as amended (the "Prospectus Directive") (Part I constitutes the prospectus summary),
- (3) the risk factors linked to the issuer and the type of security covered by the issue, and
- (4) excerpts from Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 of the Prospectus Regulation and question 71 of the European Securities and Markets Authority ("ESMA") Q&A<sup>1</sup>, are required for this offering of equity securities to employees of Baker Hughes and its affiliates.

This prospectus also contains supplemental information concerning the ESPP (Part II - Section B) as well as the following document (Exhibit):

- Baker Hughes, a GE Company Employee Stock Purchase Plan, effective as of January 22, 2018.

When used in this prospectus, the terms "we," "us," "our," the "Company" or "Baker Hughes", we mean Baker Hughes, a GE Company and its consolidated subsidiaries. Any reference to the "Issuer" means a reference to Baker Hughes, a GE Company.

In this prospectus, "\$" refers to U.S. dollars.

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<sup>1</sup> Frequently Asked Questions, Prospectuses: Common positions agreed by ESMA Members 28th updated version –March 2018 (28 March 2018 | ESMA-31-62-780).

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## PART I — PROSPECTUS SUMMARY

Summaries are made up of disclosure requirements known as "Elements." These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

### SECTION A — INTRODUCTION AND WARNINGS

<b>A.1</b>	<b>Warning to the reader</b>	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
<b>A.2</b>	<b>Consent to use of the prospectus</b>	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.

### SECTION B — ISSUER

<b>B.1</b>	<b>Legal and commercial name of the issuer</b>	Baker Hughes, a GE Company
<b>B.2</b>	<b>Domicile and legal form of the Issuer, the legislation under which it operates and its country of incorporation</b>	The Issuer's principal offices are located at 17021 Aldine Westfield, Houston, Texas - 77073-5101, U.S.A. The Issuer is incorporated under the laws of the State of Delaware, U.S.A.

<p><b>B.3</b></p>	<p><b>Description of the nature of Baker Hughes' current operations and its principal activities</b></p>	<p>We operate in more than 120 countries helping customers find, evaluate, drill, produce, transport and process hydrocarbon resources. Our revenue is predominately generated from the sale of products and services to major, national, and independent oil and natural gas companies worldwide, and is dependent on spending by our customers for oil and natural gas exploration, field development and production. This spending is driven by a number of factors, including our customers' forecasts of future energy demand and supply, their access to resources to develop and produce oil and natural gas, their ability to fund their capital programs, the impact of new government regulations and most importantly, their expectations for oil and natural gas prices as a key driver of their cash flows.</p> <p>We are the industry's only fullstream oilfield services company with an offering that spans the entire oil and gas value chain. In 2018, we generated revenue of \$22.9 billion and conducted business in more than 120 countries. With the breadth of our portfolio, innovative technology solutions and unique business and partnership models, we are positioned to deliver outcome-based solutions across the industry. By integrating Health, Safety &amp; Environment ("HSE") into everything we do, we protect our people, our customers, and the environment. We believe in doing the right thing every time, and delivering the best quality and safest products, services, processes, solutions, and technologies in the industry.</p> <p>Our reportable segments, which are the same as our operating segments, are organized based on the nature of our markets and customers. We report our operating results through our four operating segments that consist of similar products and services within each segment as described below.</p> <p><b>Oilfield Services</b></p> <p>The Oilfield Services ("OFS") segment provides products and services for on and offshore operations across the lifecycle of a well, ranging from drilling, evaluation, completion, production, and intervention. The segment includes product lines that design and manufacture products and services to help operators find, evaluate, drill, and produce hydrocarbons.</p> <p><b>Oilfield Equipment</b></p> <p>The Oilfield Equipment ("OFE") segment provides a broad portfolio of products and services required to facilitate the safe and reliable flow of hydrocarbons from the subsea wellhead to the surface production facilities. The OFE operation designs and manufactures onshore and offshore drilling and production systems and equipment for floating production platforms and provides a full range of services related to onshore and offshore drilling activities.</p> <p><b>Turbomachinery &amp; Process Solutions</b></p> <p>The Turbomachinery &amp; Process Solutions ("TPS") segment provides equipment and related services for mechanical-drive, compression and power-generation applications across the oil and gas industry as well as products and services to serve the downstream segments of the industry including refining, petrochemical, distributed gas, flow and process control, and other industrial applications. The TPS segment is a leader in designing, manufacturing, maintaining and upgrading rotating equipment across the oil and gas, petrochemical, and industrial sectors.</p> <p><b>Digital Solutions</b></p> <p>The Digital Solutions ("DS") segment provides operating technologies helping to improve the health, productivity, and safety of asset intensive</p>
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industries and enable the Industrial Internet of Things. DS includes the measurement & controls business for industry-leading hardware technologies as well as our software businesses that leverage best-of-class cloud services, including General Electric's Predix application development platform.

#### **MARKETS AND COMPETITION**

We sell to our customers through direct and indirect channels. Our primary sales channel is through our direct sales force, which has a strong regional focus with local teams close to the customer, who are able to draw support from centers of excellence in each of our major product lines. No single customer accounted for 10% or more of our revenue in the current year.

#### **ORDERS AND REMAINING PERFORMANCE OBLIGATIONS**

We are a global business and generate revenue and orders from a combination of equipment sales and services. In 2018, 40% of revenue was generated from equipment sales and 60% from services, while 42% of orders were for equipment and 58% for services. In 2017 and 2016, 42% and 47% of revenue was generated from equipment sales, and 58% and 53% of revenue was from services, respectively. We recognized orders of \$23,904 million, \$17,159 million, and \$11,066 million in 2018, 2017 and 2016, respectively. As of December 31, 2018, 2017 and 2016, the aggregate amount of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations totaled \$21.0 billion, \$21.0 billion, and \$21.8 billion, respectively.

#### **SEASONALITY**

Our operations can be affected by seasonal weather, which can temporarily affect the delivery and performance of our products and services, and our customers' budgetary cycles.

#### **RAW MATERIALS**

We purchase various raw materials and component parts for use in manufacturing our products and delivering our services. Raw materials that are essential to our business are normally readily available from multiple sources, but may be subject to price volatility. Market conditions can trigger constraints in the supply of certain raw materials, and we are always seeking ways to ensure the availability and manage the cost of raw materials. Our procurement department uses its size and buying power to enhance its access to key materials at competitive prices.

#### **ENVIRONMENTAL MATTERS**

We are committed to the health and safety of people, protection of the environment and compliance with environmental laws, regulations and our policies. Our past and present operations include activities that are subject to extensive domestic (including U.S. federal, state and local) and international regulations with regard to air, land and water quality and other environmental matters. Regulations continue to evolve, and changes in standards of enforcement of existing regulations, as well as the enactment of new legislation, may require us and our customers to modify, supplement or replace equipment or facilities or to change or discontinue present methods of operation. Our environmental compliance expenditures and our capital costs for environmental control

		<p>equipment may change accordingly.</p> <p><b>OUTLOOK</b></p> <p>Despite the near-term volatility, the long-term outlook for our industry remains positive. We believe the world's demand for energy will continue to rise, and the supply of energy will continue to increase in complexity, requiring greater service intensity and more advanced technology from oilfield service companies. As such, we remain focused on delivering innovative, cost-efficient solutions that deliver step changes in operating and economic performance for our customers.</p> <p><b>TRANSACTIONS WITH GENERAL ELECTRIC</b></p> <p>On July 3, 2017, we closed our business combination (the "Transactions") to combine the oil and gas business ("GE O&amp;G") of General Electric Company ("GE") and Baker Hughes Incorporated, a Delaware corporation ("BHI"), creating a fullstream oilfield technology provider that has a unique mix of integrated equipment and service capabilities. As a result of the Transactions, substantially all of the business of GE O&amp;G and of BHI was transferred to a subsidiary of the Issuer, i.e. Baker Hughes, a GE company, LLC ("BHGE LLC"), with GE having an economic interest of approximately 62.5% and the Issuer having an indirect economic interest of approximately 37.5% of BHGE LLC. Although the Issuer holds a minority economic interest in BHGE LLC, the Issuer conducts and exercises full control over all activities of BHGE LLC, without the approval of any member, through wholly owned subsidiaries of the Issuer.</p> <p>In June 2018, GE announced their intention to pursue an orderly separation from the Company over time. To that end, during the fourth quarter of 2018, certain equity transactions were completed and GE's ownership of BHGE LLC was reduced from approximately 62.5% to approximately 50.4%, with the Issuer having approximately 49.6% of the economic interest in BHGE LLC.</p> <p>On November 13, 2018, we entered into a master agreement and a series of related ancillary agreements and binding term sheets with GE (collectively, the "Master Agreement Framework") designed to further solidify the commercial and technological collaborations between us and GE and to facilitate our ability to transition from operating as a controlled company. In particular, the Master Agreement Framework contemplates long-term agreements between us and GE on technology, fulfillment and other key areas to provide greater clarity to customers, employees and shareholders.</p>
<b>B.4a</b>	<b>Recent trends</b>	<p>Our business is exposed to a number of different macro factors, which influence our expectations and outlook. All of our outlook expectations are purely based on the market as we see it today, and are subject to changing conditions in the industry. In summary, those trends concern:</p> <ul style="list-style-type: none"> <li>• North America onshore activity;</li> <li>• International onshore activity;</li> <li>• Offshore projects;</li> <li>• Liquid Natural Gas ("LNG") projects; and</li> <li>• Refinery, petrochemical and industrial projects.</li> </ul> <p>We have other segments in our portfolio that are more correlated with different industrial metrics such as our Digital Solutions business. Overall, we believe our portfolio is uniquely positioned to complete across the value chain, and deliver comprehensive solutions for our customers. We remain</p>

		<p>optimistic about the long-term, economics of the industry, but are continuing to operate with flexibility given our expectations for volatility and changing assumptions in the near-term.</p> <p>Solar and wind net additions continued to exceed coal and gas throughout 2018. Governments may change or may not continue incentives for renewable energy additions. In the long term, renewables' cost decline may accelerate to compete with new-built fossil capacity. However, we do not anticipate any significant impacts to our business in the foreseeable future.</p> <p>Despite the near-term volatility, the long-term outlook for our industry remains positive. We believe the world's demand for energy will continue to rise, and the supply of energy will continue to increase in complexity, requiring greater service intensity and more advanced technology from oilfield service companies. As such, we remain focused on delivering innovative, cost-efficient solutions that deliver step changes in operating and economic performance for our customers.</p>
<b>B.5</b>	<b>Organizational structure</b>	General Electric Company is the parent company of the Issuer. The Issuer holds, directly or indirectly, the capital and voting rights of each of its significant subsidiaries.
<b>B.6</b>	<b>Interests in Baker Hughes capital or voting rights</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
<b>B.7</b>	<b>Selected Financial Information</b>	<p>The selected financial data of the Issuer set out in this prospectus are derived in part from the Issuer's audited consolidated and combined financial statements and notes thereto appearing respectively on pages 27-28 and pages 49-105 of its Form 10-K for the year ended December 31, 2018. The Form 10-K is available on the website of the U.S. Securities and Exchange Commission ("SEC") at <a href="http://www.sec.gov">www.sec.gov</a> and do not form part of this prospectus. The Issuer's financial statements have been prepared on a consolidated basis, effective July 3, 2017. Under this basis of presentation, our financial statements consolidate all of our subsidiaries (entities in which we have a controlling financial interest, most often because we hold a majority voting interest). All subsequent periods will also be presented on a consolidated basis. For all periods prior to July 3, 2017, the Issuer's financial statements were prepared on a combined basis.</p> <p>The combined financial statements combine the relevant parts of the financial statements of GE and its subsidiaries that were historically managed as part of its oil &amp; gas business and contributed to BHGE LLC as part of the Transactions. The Transactions were treated as a "reverse acquisition" for accounting purpose and, as such, the historical financial statements of the accounting acquirer, GE O&amp;G, are the historical financial statements of the Company</p> <p>Additionally, the selected financial data of the Issuer also includes certain assets, liabilities and results of operations of other businesses of GE that were also contributed to BHGE LLC as part of the Transactions on a fully retrospective basis (in accordance with the guidance applicable to transactions between entities under common control) based on their carrying values, as reflected in the accounting records of GE. The consolidated and combined statements of income reflect intercompany expense allocations made to us by GE for certain corporate functions and for shared services provided by GE. Where possible, these allocations were made on a specific identification basis, and in other cases, these expenses were allocated by GE based on relative percentages of net operating costs or some other basis depending on the nature of the allocated cost. The historical financial results in the consolidated and combined financial statements presented may not be indicative of the results that would have been achieved had GE O&amp;G operated as a separate, stand-alone entity during those periods.</p>



**SELECTED FINANCIAL DATA (In millions)**

<i>(In millions, except per share amounts)</i>	<b>Consolidated and Combined Statement of Income (Loss),</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenue:			
Sales of goods	\$ 13,113	\$ 11,062	\$ 9,462
Sales of services	9,764	6,117	3,620
Total revenue	<u>22,877</u>	<u>17,179</u>	<u>13,082</u>
Costs and expenses:			
Cost of goods sold	11,524	9,486	7,829
Cost of services sold	7,367	4,657	2,321
Selling, general and administrative expenses	2,699	2,535	1,926
Restructuring, impairment and other	433	412	516
Merger and related costs	153	373	33
Total costs and expenses	<u>22,176</u>	<u>17,463</u>	<u>12,625</u>
Operating income (loss)	701	(284)	457
Other non operating income, net	202	80	3
Interest expense, net	(223)	(131)	(102)
Income (loss) before income taxes and equity in loss of affiliate	680	(335)	358
Equity in loss of affiliate	(139)	(11)	—
Provision for income taxes	(258)	(45)	(173)
Net income (loss)	283	(391)	185
Less: Net income (loss) attributable to GE O&G pre-merger	-	42	254
Less: Net loss attributable to noncontrolling interests	88	(330)	(69)
Net loss attributable to Baker Hughes, a GE company	<u>\$ 195</u>	<u>\$ (103)</u>	<u>\$ -</u>
Per share amounts:			
Basic and diluted loss per Class A common share	\$ 0.46	(0.24)	
Diluted income (loss) per Class A common share	0.45	(0.24)	
Cash dividend per Class A common share	\$ 0.72	0.35	
Special dividend per Class A common share		<u>\$ 17.50</u>	

**Consolidated and Combined Statements of Financial Position**

<i>(In millions, except par value)</i>	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016<sup>2</sup></b>
<b>ASSETS</b>			
Current Assets			
Cash and equivalents and restricted cash <sup>(1)</sup>	\$ 3,723	\$ 7,030	\$ 981
Current receivables, net	5,969	6,015	2,564
Inventories, net	4,620	4,507	3,166

<sup>2</sup> The information on the year ended December 31, 2016 is extracted from the Form 10-K of the Issuer filed on 8 February 2017.

All other current assets	659	872	633
Total current assets	<u>14,971</u>	<u>18,424</u>	7,344
Property, plant and equipment, less accumulated depreciation	6,228	6,959	2,325
Goodwill	20,717	\$ 19,927	\$ 6,680
Other intangible assets, net	5,719	6,358	2,449
Contract assets	1,894	2,044	1,509
All other assets	1,838	2,073	573
Deferred income taxes	1,072	715	586
Total assets	\$ <u>52,439</u>	\$ <u>56,500</u>	\$ 21,466
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 4,025	\$ 3,377	\$ 1,896
Short-term debt and current portion of long-term debt <sup>(1)</sup>	942	2,037	239
Progress collections	1,765	1,775	2,038
All other current liabilities	<u>2,288</u>	<u>2,038</u>	1,151
Total current liabilities	<u>9,020</u>	<u>9,227</u>	5,324
Long-term debt	6,285	6,312	38
Deferred income taxes	143	490	880
Liabilities for pensions and other employee benefits	1,018	1,172	519
All other liabilities	960	889	425
Equity:			
Class A common stock, \$0.0001 par value - 2,000 authorized, 422 issued and outstanding as of December 31, 2017	-	-	-
Class B common stock, \$0.0001 par value - 1,250 authorized, 707 issued and outstanding as of December 31, 2017	-	-	-
Capital in excess of par value	18,659	15,083	-
Parent's net investment	25	-	16,001
Retained loss	(1,219)	(103)	-
Accumulated other comprehensive loss		<u>(703)</u>	(1,888)
Baker Hughes, a GE company equity	<u>17,465</u>	<u>14,277</u>	14,113
Noncontrolling interests	<u>17,548</u>	<u>24,133</u>	167
Total equity	<u>35,013</u>	<u>38,410</u>	14,280
Total liabilities and equity	\$ <u>52,439</u>	\$ <u>56,500</u>	\$ 21,466

<sup>(1)</sup> Total assets include \$896 million and \$1,124 million of assets held on behalf of GE, of which \$747 million and \$997 million is cash and cash equivalents and \$149 million and \$127 million is investment securities at December 31, 2018 and December 31, 2017, respectively, and a corresponding amount of liability is reported in short-term borrowings.

### Significant change in the Issuer's financial or trading position

According to the Issuer, there has not been any significant change in the financial or trading position of the Company since 31 December 2018.

<b>B.8</b>	<b>Pro forma financial information</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 20.2 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
<b>B.9</b>	<b>Profit forecast</b>	Not applicable. This prospectus does not contain any profit forecast.
<b>B.10</b>	<b>Qualifications in the audit report on the historical financial information</b>	Not applicable. There are no such qualifications in the auditors' report.
<b>B.11</b>	<b>Working capital statement</b>	The Issuer is of the opinion that the working capital available to the Company is sufficient for its present requirements; that is for at least 12 months following the date of this prospectus.

<b>SECTION C — SECURITIES</b>		
<b>C.1</b>	<b>Type and class of the securities being offered, including the security identification code</b>	The Issuer's Class A Common Stock ("Shares") are listed on the New York Stock Exchange ("NYSE") under the symbol "BHGE". The CUSIP number for the Shares is 057224AZ0. The Shares issued under the ESPP Stock Plan are or will be, after their issuance, listed on the NYSE and grant to the Participants (as defined in Element E.3 below) the same rights as those attached to the Shares currently traded on the NYSE.
<b>C.2</b>	<b>Currency of the securities issue</b>	The United States Dollar is the currency of the securities issue.
<b>C.3</b>	<b>Number of shares issued</b>	<p>The number of Class A common stock shares outstanding as of February 8, 2019 was 514,871,270. The number of Class B common stock shares as of October 22, 2018 was 521,543,095.</p> <p>As of December 31 2018, the Issuer was authorized to issue 2 billion shares of Class A common stock, 1.25 billion shares of Class B common stock and 50 million shares of preferred stock, each of which have a par value of \$0.0001 per share.</p>
<b>C.4.</b>	<b>Rights attached to the securities</b>	<p>No Participant (as defined in Element E.3 below) shall have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the Shares have been purchased and delivered to the Participant. Following such purchase and delivery, the Participant shall be entitled to the rights attached to the Shares, as further described below:</p> <p><b>Dividend Rights.</b> The Board (as defined below), subject to any restrictions contained in (a) the Delaware General Corporation Law "DGCL"; or (b) the Issuer's Amended and Restated Certificate of</p>

		<p>Incorporation, may declare and pay dividends upon the Shares. Dividends may be paid in cash, in property, or in Shares.</p> <p>The Board may set apart out of any of the Issuer's funds available for dividends a reserve or reserves for any proper purpose and may abolish or modify any such reserve. Such purposes shall include, but not be limited to, equalizing dividends, repairing or maintaining any property of Baker Hughes, and meeting contingencies.</p> <p>During 2018 the Issuer declared and paid regular dividends of \$0.18 per share to holders of record of the Issuer's Class A common stock. All decisions regarding the declaration and payment of dividends are at the discretion of our Board of Directors and will be evaluated regularly in light of our financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors that our Board deems relevant</p> <p><b>Voting Rights.</b> The holders of Shares shall be entitled to one vote for each such share upon matters presented to the stockholders on which the holders of Shares are entitled to vote.</p> <p><b>Right to Receive Liquidation Distributions.</b> Upon a liquidation, dissolution or winding-up of the Issuer, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Shares outstanding at that time after payment of any liquidation preferences on any outstanding preferred stock.</p> <p><b>No Preemptive, Redemptive or Conversion Provisions.</b> The Shares are not entitled to preemptive rights and are not subject to conversion or redemption.</p>
C.5	<b>Transferability restrictions</b>	Not applicable. The Shares in this offering are registered on Form S-8 with the SEC and are generally freely transferable.
C.6	<b>Admission to trading on a regulated</b>	As noted in Element C.1 above, the Shares are listed on the NYSE.
C.7	<b>Dividend policy</b>	<p>Dividend rights are provided for in the Issuer's Bylaws. Holders of the Shares will receive ratably any dividends the Issuer's Board declares out of funds legally available for that purpose.</p> <p>During 2018 the Issuer declared and paid regular dividends of \$0.18 per Share to holders of record of the Issuer's Class A common stock.</p>

<b>SECTION D — RISKS</b>		
D.1	<b>Key risks related to the Company and its industry</b>	Set forth below are summaries of the most significant risks, uncertainties or factors that may affect the Company's future results. Other risks and uncertainties, of which the Company is not currently aware or which it does not consider as material as of the date of filing this document, could also have a material adverse impact on the Company's future results.

		<p><b>Risks Relating to the Business of the Company</b></p> <ul style="list-style-type: none"> <li>• We operate in a highly competitive environment, which may adversely affect our ability to succeed. We operate in a highly competitive environment for marketing oilfield products and services and securing equipment and trained personnel. Our ability to continually provide competitive products and services can impact our ability to defend, maintain or increase prices for our products and services, and negotiate acceptable contract terms with our customers.</li> <li>• The high cost or unavailability of infrastructure, materials, equipment, supplies and personnel, particularly in periods of rapid growth, could adversely affect our ability to execute our operations on a timely basis. Our manufacturing operations are dependent on having sufficient raw materials, component parts and manufacturing capacity available to meet our manufacturing plans at a reasonable cost while minimizing inventories. Our ability to effectively manage our manufacturing operations and meet these goals can have an impact on our business, including our ability to meet our manufacturing plans and revenue goals, control costs, and avoid shortages or over-supply of raw materials and component parts.</li> </ul> <p><b>Risks Relating to the Oil and Gas Industry</b></p> <ul style="list-style-type: none"> <li>• Volatility of oil and natural gas prices can adversely affect demand for our products and services. Prices of oil and gas products are set on a commodity basis. As a result, the volatility in oil and natural gas prices can impact our customers' activity levels and spending for our products and services.</li> <li>• Demand for oil and natural gas is subject to factors beyond our control, which may adversely affect our operating results. Changes in the global economy could impact our customers' spending levels and our revenue and operating results.</li> </ul> <p><b>Risks Relating to the Transactions and Separation From GE</b></p> <ul style="list-style-type: none"> <li>• We may experience challenges relating to the ongoing integration of BHI and GE O&amp;G or the separation from GE that may result in a decline in the anticipated benefits of the Transactions and the Master Agreement Framework. The Transactions involved the combination of two businesses that previously operated as independent businesses. The Company has been and will continue to be required to devote management attention and resources to integrating its business practices and operations, as well as to the separation from GE.</li> <li>• We have incurred, and will continue to incur, costs in connection with the Transactions and the integration of the two businesses. We also have incurred, and expect to continue to incur, additional costs in connection with the Master Agreement Framework and the separation from GE.</li> </ul>
D.3	Key risks related to the shares	<ul style="list-style-type: none"> <li>• The market price of the Issuer's Class A common stock could be materially impacted due to the substantial number of shares of our capital stock eligible for sale in this offering and in any future offerings by GE.</li> </ul>

		<ul style="list-style-type: none"> <li>• The market price and trading volume of the Issuer's Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.</li> <li>• Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.</li> <li>• Participating employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Shares.</li> </ul>
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<b>SECTION E — OFFER</b>		
<b>E.1</b>	<b>Net proceeds</b>	<p>Assuming that each of the 4734 eligible employees purchases the maximum amount of Shares under the ESPP offered pursuant to this prospectus, that is, a total of 15,000,000 Shares, then the gross proceeds of the Issuer in connection with the offer under the ESPP pursuant to this prospectus would be \$361,800,000. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$361,650,000.</p>
<b>E.2a</b>	<b>Reasons for the offer and use of proceeds</b>	<p>The purpose of the ESPP is to provide an opportunity for eligible employees to purchase Shares and have an additional incentive to contribute to the prosperity of the Company.</p> <p>The net proceeds will be used for general corporate purposes.</p>

<p><b>E.3</b></p>	<p><b>Description of the terms and conditions of the offer</b></p>	<p>The offering of the ESPP may be considered a public offering of securities pursuant to Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EC (as amended, the “Prospectus Directive”) in the following EEA countries, subject to the applicable legislation in each of those countries: Germany, Italy, the Netherlands, and the United Kingdom.</p> <p>The offering of the ESPP will also be made in Switzerland, as well as the following EEA countries: Austria, Belgium, Denmark, Finland, France, Luxembourg, Norway, Poland, Portugal, Romania, and Spain. However, the offering in those EEA countries is not considered a public offering of securities, under the legislation implementing the Prospectus Directive in such countries. The total amount of the offering of the ESPP in the EEA is more than €1 million over a 12-month period. Pursuant to Article 3(2) of the Prospectus Directive, the obligation to publish a prospectus does not apply to an offer of securities addressed to fewer than 150 natural or legal persons per Member State, other than qualified investors. As the offer is being made to less than 150 employees in each of the above-mentioned EEA countries, we believe that such offerings do not qualify as public offerings.</p> <p>This prospectus will be made available to employees of the Company based in the above countries at the respective head offices of their employers.</p> <p>A copy of this prospectus can also be obtained from the registered office of the EEA subsidiaries of Baker Hughes based in countries in which offerings under the plan listed above are considered public offerings, subject to the applicable legislation in each country. In addition, this prospectus along with summary translations (as applicable) will be made available electronically at <a href="http://www.bhge.com">www.bhge.com</a>.</p> <p><b>The ESPP</b></p> <p>The ESPP is administered by the Company’s Board of Directors (“Board”) and a committee designated by the Board (the “Committee”) to administer the ESPP.</p> <p>Generally, eligible employees are offered participation in the ESPP and may decide to enroll in the ESPP (“Participants”) by authorizing deductions from their compensation prior to the first trading day of the first Offering Period (the “Grant Date”). At this date, the enrollment is effective and gives rise to payroll deductions. However, if an employee enrolls after the beginning of an Offering Period, the enrollment is effective and gives rise to payroll deductions only from the following Offering Period.</p> <p>Once enrolled, Participants may purchase Shares at a discount during successive three month periods (“Offering Periods”), which commence on January 1, April 1, July 1 and October 1 each year. Shares are purchased on behalf of Participants on the last trading day of each Offering Period (the “Exercise Date”). In order to participate in the next Offering Period, eligible employees must enroll on or before the date established by the Committee.</p> <p>The ESPP is offered to eligible employees of the Company which are selected for participation in accordance with the terms of the ESPP (each a “Participating Company”), some of which are located in the EEA. To participate in the ESPP, employees must be employed by a</p>
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		<p>Participating Company on the first trading day of an Offering Period and minimum service requirements may apply.</p> <p>Eligible employees who wish to participate in the ESPP must elect for payroll deduction prior to the relevant Grant Date. The Participant must specify the percentage (in whole percentages up to 15%) which he/she authorizes for deductions from his/her compensation for the ESPP. Participants do not have to re-elect for each Offering Period; their election to participate will be valid until they withdraw from the ESPP. A Participant may decrease, but not increase, the percentage of authorized deductions by following established administrative procedures prescribed by the Committee. In addition, a Participant can stop payroll deductions altogether during an Offering Period.</p> <p>During each Offering Period, Participants may elect to contribute to the ESPP through their payroll deductions of up to 15% of their eligible compensation (<i>i.e.</i>, the employer automatically deducts this amount from the employees' compensation on each pay date). The accumulated payroll deductions are used to purchase Shares at the end of each Offering Period. The purchase price per Share is 85% of the fair market value of a Share on the lower of the Grant Date or the Exercise Date (the "Option Price"). The fair market value of a Share will be the closing selling price per Share on the date of determination (the "Fair Market Value").</p> <p>No Participant shall purchase Shares at a rate which exceeds U.S. twelve thousand dollars (U.S. \$12,000) of the Fair Market Value of such Shares (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time. Each eligible employee who has elected to participate shall be granted an option to purchase a number of whole and fractional Shares which cannot exceed 1,275 Shares during each Offering Period.</p> <p>Under the ESPP, there is no purchase or administration fee with regards to Shares.</p> <p>Participating employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP and (ii) the selling of their Company Shares.</p> <p>As of December 31, 2018 there were 15,000,000 Shares available for issuance under the ESPP on a worldwide basis (out of a maximum of 15,000,000 Shares available for the duration of the ESPP).</p>
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<b>E.4</b>	<b>Description of material interest to the offer including conflict of interests</b>	Not applicable. There are no such interests.		
<b>E.5</b>	<b>Name of the entity offering to sell the security</b>	Baker Hughes, a GE Company.		
<b>E.6</b>	<b>Maximum dilution</b>	Assuming that the Shares offered under this prospectus would all be newly issued, the holdings of a shareholder of the Issuer currently holding 1% of the total outstanding Class A share capital of the Issuer as of February 8, 2019 ( <i>i.e.</i> , 514,871,270 shares) and who is not an eligible employee participating in the offer would be diluted as indicated in the following table:		
			<b>Percentage of the total outstanding Shares</b>	<b>Total number of outstanding Shares</b>
		Before the issuance of Shares under the ESPP (as of February 8, 2019)	1.00%	514,871,270
		After issuance of 15,000,000 Shares under the ESPP	0.0097%	524,871,270
<b>E.7</b>	<b>Estimated expenses charged to the investor</b>	Not applicable. There are no such expenses.		

## THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY

### PART II — PROSPECTUS

#### **SECTION A — RISK FACTORS**

*You should carefully consider the following risks and other information in this prospectus in evaluating the Company and the Shares. Any of the following risks could materially and adversely affect the Company's results of operations or financial condition.*

#### **I. RISKS RELATING TO THE COMPANY'S BUSINESS AND INDUSTRY**

Set forth below is a full description of the material risks, uncertainties or factors that may affect the Company's operations and future financial results. Other risks and uncertainties, of which the Company is not currently aware or which it does not consider as material as of the date of filing this document, could also have a material adverse impact on the Company's future results.

*We operate in a highly competitive environment, which may adversely affect our ability to succeed.*

We operate in a highly competitive environment for marketing oilfield products and services, maintain market share, and securing equipment and trained personnel. Our ability to continually provide competitive products and services can impact our ability to defend, maintain or increase prices for our products and services, and negotiate acceptable contract terms with our customers. In order to be competitive, we must provide new technologies, reliable products and services that perform as expected and that create value for our customers, and successfully recruit, train and retain competent personnel.

In addition, our investments in new technologies and properties, plants and equipment may not provide competitive returns. Our ability to defend, maintain or increase prices for our products and services is in part dependent on the industry's capacity relative to customer demand, and on our ability to differentiate the value delivered by our products and services from our competitors' products and services. Managing development of competitive technology and new product introductions on a forecasted schedule and at a forecasted cost can impact our financial results. If we are unable to continue to develop and produce competitive technology or deliver it to our clients in a timely and cost-competitive manner in various markets in which we operate, or if competing technology accelerates the obsolescence of any of our products or services, any competitive advantage that we may hold, and in turn, our business, financial condition and results of operations could be materially and adversely affected.

*The high cost or unavailability of infrastructure, materials, equipment, supplies and personnel, particularly in periods of rapid growth, could adversely affect our ability to execute our operations on a timely basis.*

Our manufacturing operations are dependent on having sufficient raw materials, component parts and manufacturing capacity available to meet our manufacturing plans at a reasonable cost while minimizing inventories. Our ability to effectively manage our manufacturing operations and meet these goals can have an impact on our business, including our ability to meet our manufacturing plans and revenue goals, control costs, and avoid shortages or over-supply of raw materials and component parts. Raw materials and components of particular concern include steel alloys (including chromium and nickel), titanium, barite, beryllium, copper, lead, tungsten carbide, synthetic and natural diamonds, gels, sand and other proppants, printed circuit boards and other electronic components and hydrocarbon-based chemical feed stocks. Our ability to repair or replace equipment damaged or lost in the well can also impact our ability to service our customers. A lack of manufacturing capacity could result in increased backlog, which may limit our ability to respond to orders with short lead times.

People are a key resource to developing, manufacturing and delivering our products and services to our customers around the world. Our ability to manage the recruiting, training, retention and efficient usage of the highly skilled workforce required by our plans and to manage the associated costs could impact our business. A well-trained, motivated workforce has a positive impact on our ability to attract and retain business. Periods of rapid growth present a challenge to us and our industry to recruit, train and retain our employees, while also managing the impact of wage inflation and the limited available qualified labor in the

markets where we operate.

Likewise, if the economy or markets decline or other changes occur, we may have to reduce utilization of our assets or adjust our workforce to control costs, which may cause us to lose some of our skilled employees. Labor-related actions, including strikes, slowdowns and facility occupations can also have a negative impact on our business.

*Our business could be impacted by geopolitical and terrorism threats in countries where we or our customers do business and our business operations may be impacted by civil unrest, government expropriations and/or epidemic outbreaks.*

Geopolitical and terrorism risks continue to grow in a number of key countries where we currently or may in the future do business. Geopolitical and terrorism risks could lead to, among other things, a loss of our investment in the country, impairment of the safety of our employees and impairment of our or our customers' ability to conduct operations.

In addition to other geopolitical and terrorism risks, civil unrest continues to grow in a number of key countries where we do business. Our ability to conduct business operations may be impacted by that civil unrest and our assets in these countries may also be subject to expropriation by governments or other parties involved in civil unrest. Epidemic outbreaks may also impact our business operations by, among other things, restricting travel to protect the health and welfare of our employees and decisions by our customers to curtail or stop operations in impacted areas.

*Compliance with and changes in laws could be costly and could affect operating results. In addition, government disruptions could negatively impact our ability to conduct our business.*

We have operations in the United States and in more than 120 countries that can be impacted by expected and unexpected changes in the legal and business environments in which we operate. Compliance-related issues could also limit our ability to do business in certain countries and impact our earnings. Changes that could impact the legal environment include new legislation, new regulations, new policies, investigations and legal proceedings and new interpretations of existing legal rules and regulations, in particular, changes in export control laws or exchange control laws, additional restrictions on doing business in countries subject to sanctions, and changes in laws in countries where we operate. In addition, changes and uncertainty in the political environments in which our businesses operate can have a material effect on the laws, rules, and regulations that affect our operations. Government disruptions may also delay or halt the granting and renewal of permits, licenses and other items required by us and our customers to conduct our business. The continued success of our global business and operations depends, in part, on our ability to continue to anticipate and effectively manage these and other political, legal and regulatory risks.

*Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose risks to our systems, networks, products, solutions, services and data.*

Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose risks to our systems, networks, products, solutions, services and data. Cybersecurity attacks also pose risks to our customers', partners', suppliers' and third-party service providers' products, systems and networks and the confidentiality, availability and integrity of our and our customers' data. While we attempt to mitigate these risks, we remain vulnerable to additional known or unknown threats. Given our global footprint, the large number of customers with which we do business, and the increasing sophistication of cyber attacks, a cyber attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

We also may have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information,

improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. In addition, a cyber-related attack could adversely impact our operating results and result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action, fines and penalties.

*Our failure to comply with the Foreign Corrupt Practices Act ("FCPA") and other similar laws could have a negative impact on our ongoing operations.*

Our ability to comply with the FCPA, the U.K. Bribery Act and various other anti-bribery and anti-corruption laws depends on the success of our ongoing compliance program, including our ability to successfully manage our agents, distributors and other business partners, and supervise, train and retain competent employees. Our compliance program depends on the efforts of our employees, agents, distributors and other business partners to comply with applicable law and our internal policies. We could be subject to sanctions and civil and criminal prosecution, as well as fines and penalties, in the event of a finding of a violation of any of these laws by us or any of our employees.

*Anti-money laundering and anti-terrorism financing laws could have significant adverse consequences for us.*

We maintain an enterprise-wide program designed to enable us to comply with all applicable anti-money ~ laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the Patriot Act. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering or terrorist financing posed by our products, services, customers and geographic locale. These controls establish procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. We cannot be sure our programs and controls are or will remain effective to ensure our compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply could subject us to significant sanctions, fines, penalties and reputational harm, all of which could have material adverse effect on our business, results of operations and financial condition.

*Changes in tax laws, tax rates, tariffs, adverse positions taken by taxing authorities, and tax audits could impact operating results.*

Changes in tax laws, tax rates, tariffs, changes in interpretation of tax laws, the resolution of tax assessments or audits by various tax authorities, and the ability to fully utilize tax loss carryforwards and tax credits could impact our operating results, including additional valuation allowances for deferred tax assets. In addition, we may periodically restructure our legal entity organization. If taxing authorities were to disagree with our tax positions in connection with any such restructurings, our effective tax rate could be materially impacted.

*Our operations involve a variety of operating hazards and risks that could cause losses.*

The products that we manufacture and the services that we provide are complex, and the failure of our equipment to operate properly or to meet specifications may greatly increase our customers' costs. In addition, many of these products are used in inherently hazardous industries, such as the offshore oilfield business. These hazards include blowouts, explosions, nuclear-related events, fires, collisions, capsizings and severe weather conditions. We may incur substantial liabilities or losses as a result of these hazards. While we maintain insurance protection against some of these risks, and seek to obtain indemnity agreements from our customers requiring the customers to hold us harmless from some of these risks, our insurance and contractual indemnity protection may not be sufficient or effective to protect us under all circumstances or against all risks. The occurrence of a significant event, against which we were not fully insured or indemnified or the failure of a customer to meet its indemnification obligations to us, could materially and adversely affect our results of operations and financial condition.

*Compliance with, and rulings and litigation in connection with, environmental and climate change regulations and the environmental and climate change impacts of our or our customers' operations may adversely affect our business and operating results.*

We and our business are impacted by material changes in environmental laws, regulations, rulings and litigation. Our expectations regarding our compliance with environmental laws and regulations and our expenditures to comply with environmental laws and regulations, including (without limitation) our capital expenditures for environmental control equipment, are only our forecasts regarding these matters. These forecasts may be substantially different from actual results, which may be affected by factors such as: changes in law that impose restrictions on air emissions, wastewater management, waste disposal, hydraulic fracturing, or wetland and land use practices; more stringent enforcement of existing environmental laws and regulations; a change in our share of any remediation costs or other unexpected, adverse outcomes with respect to sites where we have been named as a potentially responsible party, including (without limitation) Superfund sites; the discovery of other sites where additional expenditures may be required to comply with environmental legal obligations; and the accidental discharge of hazardous materials.

International, national, and state governments and agencies continue to evaluate and promulgate legislation and regulations that are focused on restricting emissions commonly referred to as greenhouse gas ("GHG") emissions. In the United States, the U.S. Environmental Protection Agency ("EPA") has taken steps to regulate GHG emissions as air pollutants under the U.S. Clean Air Act of 1970, as amended. The EPA's Greenhouse Gas Reporting Rule requires monitoring and reporting of GHG emissions from, among others, certain mobile and stationary GHG emission sources in the oil and natural gas industry, which in turn may include data from certain of our wellsite equipment and operations. In addition, the U.S. government has proposed rules in the past setting GHG emission standards for, or otherwise aimed at reducing GHG emissions from, the oil and natural gas industry. Caps or fees on carbon emissions, including in the United States, have been and may continue to be established and the cost of such caps or fees could disproportionately affect the fossil-fuel energy sector. We are unable to predict whether and when the proposed changes in laws or regulations ultimately will occur or what they ultimately will require, and accordingly, we are unable to assess the potential financial or operational impact they may have on our business.

Other developments focused on restricting GHG emissions include the United Nations Framework Convention on Climate Change, which includes the Paris Agreement and the Kyoto Protocol; the European Union Emission Trading System; Article 8 of the European Union Energy Efficiency Directive and the United Kingdom's Carbon Reduction Commitment Energy Efficiency and Energy Savings Opportunity ("ESOS") schemes; and, in the United States, the Regional Greenhouse Gas Initiative, the Western Climate Action Initiative, and various state programs implementing the California Global Warming Solutions Act of 2006 (known as Assembly Bill 32).

The potential for climate related changes may pose future risks to our operations and those of our customers. These changes can include extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Such changes have the potential to affect business continuity and operating results, particularly at facilities in coastal areas.

*Uninsured claims and litigation against us could adversely impact our operating results.*

We could be impacted by the outcome of pending litigation, as well as unexpected litigation or proceedings. While we have insurance coverage against operating hazards, including product liability claims and personal injury claims related to our products, to the extent deemed prudent by our management and to the extent insurance is available; 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 claims and litigation. This insurance has deductibles or self-insured retentions and contains certain coverage exclusions. The insurance does not cover damages from breach of contract by us or based on alleged fraud or deceptive trade practices. In addition, the following risks apply with respect to our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may be faced with types of liabilities that will not be covered by our insurance;

- our insurance carriers may not be able to meet their obligations under the policies; or
- the dollar amount of any liabilities may exceed our policy limits.

*Control of oil and natural gas reserves by state-owned oil companies may impact the demand for our services and products and create additional risks in our operations.*

Much of the world's oil and natural gas reserves are controlled by state-owned oil companies. State-owned oil companies may require their contractors to meet local content requirements or other local standards, such as conducting our operations through joint ventures with local partners that could be difficult or undesirable for us to meet. The failure to meet the local content requirements and other local standards may adversely impact our operations in those countries. In addition, our ability to work with state-owned oil companies is subject to our ability to negotiate and agree upon acceptable contract terms.

*Providing services on an integrated or turnkey basis could require us to assume additional risks.*

We may enter into integrated contracts or turnkey contracts with our customers and we may choose to provide services outside our core business. Providing services on an integrated or turnkey basis may subject us to additional risks, such as costs associated with unexpected delays or difficulties in drilling or completion operations and risks associated with subcontracting arrangements.

*Some of our customers require bids in the form of fixed pricing contracts.*

Some of our customers require bids for contracts in the form of fixed pricing contracts that may require us to provide integrated project management services outside our normal discrete business and to act as project managers, as well as service providers, and may require us to assume additional risks associated with cost over-runs. These customers may provide us with inaccurate information in relation to their reserves. The estimation of reserves is a process that involves subjective judgment about likely location and volume, and estimates that prove inaccurate may result in cost over-runs, delays, and project losses for us or our customers, which may adversely impact our business and our relationship with our customers.

*The credit risks of having a concentrated customer base in the energy industry could result in losses.*

Having a concentration of customers in the energy industry may impact our overall exposure to credit risk as our customers may be similarly affected by prolonged changes in economic and industry conditions. Some of our customers may experience extreme financial distress as a result of falling commodity prices and may be forced to seek protection under applicable bankruptcy laws, which may affect our ability to recover any amounts due from such customers. Furthermore, countries that rely heavily upon income from hydrocarbon exports have been and may in the future be negatively and significantly affected by a drop in oil prices, which could affect our ability to collect from our customers in these countries, particularly national oil companies. Laws in some jurisdictions in which we will operate could make collection difficult or time consuming. We will perform ongoing credit evaluations of our customers and do not expect to require collateral in support of our trade receivables. While we maintain reserves for potential credit losses, we cannot assure such reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations. Additionally, in the event of a bankruptcy of any of our customers, we may be treated as an unsecured creditor and may collect substantially less, or none, of the amounts owed to us by such customer.

*Our Remaining Performance Obligations ("RPO") are subject to modification, termination or reduction of orders, which could negatively impact our sales.*

Our RPO is comprised of unfilled customer orders for products and product services (expected life of contract sales for product services). Our RPO can be significantly affected by the timing of orders for large projects. Although modifications and terminations of orders may be partially offset by cancellation fees, customers can, and sometimes do, terminate or modify orders. Our failure to replace canceled orders could negatively impact our sales and results of operations. The total dollar amount of the Company's RPO as of December 31, 2018 was \$21.0 billion.

*We may not be able to satisfy technical requirements, testing requirements or other specifications required under our service contracts and equipment purchase agreements.*

Our products are used in deepwater and other harsh environments and severe service applications. Our contracts with customers and customer requests for bids typically set forth detailed specifications or technical requirements for our products and services, which may also include extensive testing requirements. We anticipate that such testing requirements will become more common in our contracts. In addition, recent scrutiny of the offshore drilling industry has resulted in more stringent technical specifications for our products and more comprehensive testing requirements for our products to ensure compliance with such specifications. We cannot provide assurance that our products will be able to satisfy the specifications or that we will be able to perform the full-scale testing necessary to prove that the product specifications are satisfied in future contract bids or under existing contracts, or that the costs of modifications to our products to satisfy the specifications and testing will not adversely affect our results of operations. If our products are unable to satisfy such requirements, or we are unable to perform any required full-scale testing, our customers may cancel their contracts and/or seek new suppliers, and our business, results of operations, cash flows or financial position may be adversely affected.

*Currency fluctuations or devaluations may impact our operating results.*

Fluctuations or devaluations in foreign currencies relative to the U.S. dollar can impact our revenue and our costs of doing business, as well as the costs of doing business of our customers. Most of our products and services are sold through contracts denominated in U.S. dollars or local currency indexed to U.S. dollars, however, some of our revenue, local expenses and manufacturing costs are incurred in local currencies and therefore changes in the exchange rates between the U.S. dollar and foreign currencies can increase or decrease our revenue and expenses reported in U.S. dollars or revenue and expenses of our customers and, consequently, may impact the ability of our customers to satisfy their payment obligations and our results of operations.

*Changes in economic and/or market conditions may impact our ability to borrow and/or cost of borrowing.*

The condition of the capital markets and equity markets in general can affect the price of our common stock and our ability to obtain financing, if necessary. If our credit rating is ever downgraded, it could increase borrowing costs under credit facilities and commercial paper programs, as well as increase the cost of renewing or obtaining, or make it more difficult to renew, obtain or issue new debt financing.

*An inability to protect our intellectual property rights could adversely affect our business.*

There can be no assurance that the steps we take to obtain, maintain and protect our intellectual property rights will be completely adequate. Our intellectual property rights may fail to provide us with significant competitive advantages, particularly in foreign jurisdictions where we have not invested in an intellectual property portfolio or that do not have, or do not enforce, strong intellectual property rights. The weakening of protection of our trademarks, patents and other intellectual property rights could also adversely affect our business.

We are a party to a number of licenses that give us rights to intellectual property that is necessary or useful to our business, including from GE following the Transactions. Our success depends in part on the ability of our licensors to obtain, maintain and sufficiently enforce the licensed intellectual property rights we have commercialized. Without protection for the intellectual property rights we license, other companies might be able to offer substantially identical products for sale, which could adversely affect our competitive business position and harm our business products. Also, there can be no assurances that we will be able to obtain or renew from third parties the licenses to use intellectual property rights we need in the future, and there is no assurance that such licenses can be obtained on reasonable terms. Specifically we are a party to several agreements with GE which provide for intellectual property rights to use and access. Access and use of intellectual property created solely or collaboratively with GE is an important part of our operations. We would be adversely affected in the event these agreements were terminated without the right to continue such access as we might continue to improve current products and services or develop new ones.

*We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.*

The tools, techniques, methodologies, programs and components we use to provide our products and services may infringe upon the intellectual property rights of others or be challenged on that basis. Regardless of the merits infringement claims may result in significant legal and other costs and may distract management from running our core business. Resolving such claims could increase our costs, including through royalty payments to acquire licenses, if available, from third parties and through the development of non-infringing technologies. If a license to resolve a claim were not available, we might not be able to continue providing a particular service or product, which could adversely affect our financial condition, results of operations and cash flows.

*The effects of Brexit may have a negative impact on our financial results and operations of the business.*

In June 2016, United Kingdom ("UK") voters approved the UK's exit ("Brexit") from the European Union ("EU"). The political and economic uncertainty surrounding Brexit, if it occurs or in whatever form it occurs, could harm our business and financial results due to fluctuations in the value of the British pound versus the U.S. dollar, euro and other currencies. In addition, Brexit could result in delayed deliveries, which may impact our internal supply chain and our customer projects.

### **Risk Factors Related to the Worldwide Oil and Natural Gas Industry**

*Volatility of oil and natural gas prices can adversely affect demand for our products and services.*

Prices of oil and gas products are set on a commodity basis. As a result, the volatility in oil and natural gas prices can impact our customers' activity levels and spending for our products and services. Current energy prices are important contributors to cash flow for our customers and their ability to fund exploration and development activities. Expectations about future prices and price volatility are important for determining future spending levels.

Lower oil and natural gas prices generally lead to decreased spending by our customers. While higher oil and natural gas prices generally lead to increased spending by our customers, sustained high energy prices can be an impediment to economic growth, and can therefore negatively impact spending by our customers. Our customers also take into account the volatility of energy prices and other risk factors by requiring higher returns for individual projects if there is higher perceived risk. Any of these factors could affect the demand for oil and natural gas and could have a material effect on our results of operations.

*Demand for oil and natural gas is subject to factors beyond our control, which may adversely affect our operating results. Changes in the global economy could impact our customers' spending levels and our revenue and operating results.*

Demand for oil and natural gas, as well as the demand for our services and products, is highly correlated with global economic growth, and in particular by the economic growth of countries such as the U.S., India, China, and developing countries in Asia and the Middle East, which are either significant users of oil and natural gas or whose economies are experiencing the most rapid economic growth compared to the global average. Weakness or deterioration of the global economy or credit markets could reduce our customers' spending levels and reduce our revenue and operating results. Incremental weakness in global economic activity, particularly in China, India, Europe, the Middle East and developing countries in Asia, could reduce demand for oil and natural gas and result in lower oil and natural gas prices. Incremental strength in global economic activity in such areas will create more demand for oil and natural gas and support higher oil and natural gas prices. A prolonged reduction in oil and natural gas prices may require us to record additional asset impairments. Such a potential impairment charge could have a material adverse impact on our operating results.

*Requirements and voluntary initiatives to reduce greenhouse gas emissions, as well as increased climate change awareness, are likely to result in increased costs for the oil and gas industry to curb greenhouse gas emissions and could have an adverse impact on demand for oil and natural gas.*

International, national, and state governments, agencies and bodies continue to evaluate and promulgate regulations and voluntary initiatives that are focused on restricting GHG emissions. These requirements and



initiatives are likely to become more stringent over time and to result in increased costs for the oil and gas industry to curb GHG emissions. In addition, these developments, and public perception relating to climate change, may curtail production and demand for hydrocarbons such as oil and natural gas by shifting demand towards and investment in relatively lower carbon energy sources such as wind, solar and other renewables. The renewable energy industry is developing enhanced technologies and becoming more competitive with fossil-fuel energy. If renewable energy becomes more competitive than fossil-fuel energy, particularly during periods of higher oil and natural gas prices, it could have a material effect on our results of operations.

*Supply of oil and natural gas is subject to factors beyond our control, which may adversely affect our operating results.*

Productive capacity for oil and natural gas is dependent on our customers' decisions to develop and produce oil and natural gas reserves and on the regulatory environment in which our customers and we operate. The ability to produce oil and natural gas can be affected by the number and productivity of new wells drilled and completed, as well as the rate of production and resulting depletion of existing wells. Advanced technologies, such as horizontal drilling and hydraulic fracturing, improve total recovery but also result in a more rapid production decline and may become subject to more stringent regulation, particularly on the state or local level, in the future.

Productive capacity in excess of demand (spare productive capacity) is also an important factor influencing energy prices and spending by oil and natural gas exploration companies. Spare productive capacity and oil and natural gas storage inventory levels are an indicator of the relative balance between supply and demand. High or increasing storage, inventories, or spare productive capacity generally indicate that supply is exceeding demand and that energy prices are likely to soften. Low or decreasing storage, inventories, or spare productive capacity are generally an indicator that demand is growing faster than supply and that energy prices are likely to rise.

Access to prospects is also important to our customers, but such access may be limited because host governments do not allow access to the reserves. Government regulations and the costs incurred by oil and natural gas exploration companies to conform to and comply with government regulations may also limit the quantity of oil and natural gas that may be economically produced.

Supply can also be impacted by the degree to which individual OPEC nations and other large oil and natural gas producing countries are willing and able to control production and exports of oil, to decrease or increase supply and to support their targeted oil price while meeting their market share objectives. Any of these factors could affect the supply of oil and natural gas and could have a material effect on our results of operations.

*Our customers' activity levels and spending for our products and services and ability to pay amounts owed us could be impacted by the reduction of their cash flow and the ability of our customers to access equity or credit markets.*

Our customers' access to capital is dependent on their ability to access the funds necessary to develop economically attractive projects based upon their expectations of future energy prices, required investments and resulting returns. Limited access to external sources of funding has caused and may continue to cause customers to reduce their capital spending plans to levels supported by internally generated cash flow. In addition, a reduction of cash flow resulting from declines in commodity prices, a reduction in borrowing bases under reserve-based credit facilities or the lack of available debt or equity financing may impact the ability of our customers to pay amounts owed to us and could cause us to increase our reserve for doubtful accounts.

*Seasonal and weather conditions could adversely affect demand for our services and operations.*

Variation from normal weather patterns, such as cooler or warmer summers and winters, can have a significant impact on demand for our services and operations. Adverse weather conditions, such as hurricanes in the Gulf of Mexico, may interrupt or curtail our operations, or our customers' operations, cause supply disruptions and result in a loss of revenue and damage to our equipment and facilities, which may or may not be insured. For example, extreme winter conditions in Canada, Russia or the North Sea may interrupt or curtail our operations, or our customers' operations, in those areas and result in a loss of revenue.

## **Risk Factors Related to the Transactions and Separation from GE**

*We may experience challenges relating to the ongoing integration of Baker Hughes and GE O&G or the separation from GE that may result in a decline in the anticipated benefits of the Transactions and the Master Agreement Framework (as defined below).*

On July 3, 2017, we closed our business combination (the "Transactions") to combine Baker Hughes Incorporated, a Delaware corporation ("BHI"), and the oil and gas business ("GE O&G") of GE. The Transactions involved the combination of two businesses that previously operated as independent businesses. The Company has been and will continue to be required to devote management attention and resources to integrating its business practices and operations, as well as to the separation from GE. In June 2018, GE announced their intention to pursue an orderly separation from the Company over time. On November 13, 2018, we entered into a Master Agreement and a series of related ancillary agreements and binding term sheets (collectively, the "Master Agreement Framework") with GE and Baker Hughes, a GE company, LLC ("BHGE LLC") designed to further solidify the commercial and technological collaborations between us and GE and to facilitate our ability to transition from operating as a controlled company.

If we experience difficulties with the ongoing integration process or with the separation from GE, the anticipated benefits of the Transactions and the Master Agreement Framework may not be realized fully or at all, may take longer to realize than expected, or may be offset by the decrease in business from certain customers or other negative impacts. These integration matters and the impact of the separation from GE could have an adverse effect on our business, results of operations, financial condition or other prospects on an ongoing basis.

*We have incurred and will continue to incur costs in connection with the Transactions and the integration of the two businesses. We also have incurred and expect to continue to incur additional costs in connection with the Master Agreement Framework and the separation from GE.*

The Transactions involved the combination of two businesses that previously operated as independent businesses. As a result of the Transactions, there are many systems that must be successfully integrated between the two businesses, including information management, purchasing, accounting and finance, sales, billing, payroll and benefits, fixed asset and lease administration systems and regulatory compliance.

Separately, on November 13, 2018, the Company, BHGE LLC and GE entered into the Master Agreement Framework designed to further solidify the commercial and technological relationships between the two companies and to facilitate the Company's ability to transition from operating as a controlled company. In particular, the Master Agreement Framework contemplates long-term agreements between the Company, BHGE LLC and GE on technology, fulfillment and other key areas to provide greater clarity to customers, employees and shareholders. Certain of the transactions contemplated by the Master Agreement Framework may be subject to regulatory approvals. The Company has been and will continue to be required to devote management attention and resources to integrating its business practices and operations, as well as to the separation from GE.

Our entry into the Master Agreement Framework with GE, the ongoing integration of Baker Hughes and GE O&G, the separation from GE and any necessary changes to complete integration efforts based on the new business arrangements contemplated by the Master Agreement Framework may result in additional costs and difficulties. Actual costs related to the separation and the implementation of the changes contemplated by the Master Agreement Framework may be higher than anticipated, and we may experience additional difficulties in effecting such changes.

*We are a "controlled company" within the meaning of the NYSE rules and, as a result, qualify for, and are relying on, exemptions from certain corporate governance requirements. As a result, our stockholders do not have the same protections afforded to stockholders of companies that are subject to such requirements. The interests of GE as a majority stockholder may differ from the interests of other stockholders of the Company. If we do not retain "controlled company" status in the event that GE sells additional equity in the future, we may during the phase-in period continue to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.*

Through its ownership of a majority of our voting power and the provisions set forth in our charter, our bylaws

and a stockholders agreement between the Issuer and GE ("Stockholders Agreement"), GE has the ability to designate and elect a majority of our directors until the later of July 3, 2019 and the first date on which it ceases to hold more than 50% of the voting power of our outstanding common stock (the "Trigger Date"). As a result of GE's ownership of a majority of the voting power of our common stock, we are a "controlled company" as defined in NYSE listing rules and, therefore, are not subject to NYSE requirements that would otherwise require us to have (i) a majority of independent directors, (ii) a nominating committee composed solely of independent directors, (iii) the compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors and (iv) director nominees selected, or recommended for the board's selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors. In connection with the Master Agreement Framework, the Stockholders Agreement was amended and restated to provide that, following the Trigger Date and until GE and its affiliates own less than 20% of the voting power of our outstanding common stock, GE shall be entitled to designate one person for nomination to our board of directors.

In the event that GE sells additional equity in the future, GE may cease to control a majority of our voting power. Accordingly, we may no longer be a "controlled company" as defined in NYSE listing rules. Under the listing rules, a company that ceases to be a controlled company must comply with the independent board committee requirements as they relate to the nominating and corporate governance and compensation committees on the following phase-in schedule: (1) one independent committee member at the time it ceases to be a controlled company, (2) a majority of independent committee members within 90 days of the date it ceases to be a controlled company and (3) all independent committee members within one year of the date it ceases to be a controlled company. Additionally, NYSE listing rules provide a 12-month phase-in period from the date a company ceases to be a controlled company to comply with the majority independent board requirement. Although we believe we would be able to modify the composition of our board in a timely manner, during these phase-in periods our stockholders may not have the same protections afforded to stockholders of companies of which the majority of directors are independent. Furthermore, a change in our board of directors and committee membership may result in a change in corporate strategy and operation philosophies, and may result in deviations from our current strategy.

The Company is a party to the tax matters agreement with GE (the "Tax Matters Agreement") entered into at closing of the Transactions and amended under the Master Agreement Framework. Under the Tax Matters Agreement, the Company could, under certain circumstances, be entitled to receive tax benefits in connection with the sale by GE of its equity interests in the Company. However, there is no assurance that the Company will realize any such benefits.

GE also has control over certain matters submitted to stockholders for approval, including changes in capital structure, transactions requiring stockholder approval under Delaware law and corporate governance, subject to the terms of the Stockholders Agreement relating to GE's agreement to vote in favor of director nominees not designated by GE and to proposals by GE to acquire all of the shares of Class A common stock held by non-GE stockholders. Even if GE sells additional equity in the future and is no longer a majority stockholder, GE may still exercise control or significant influence over matters submitted to our stockholders for approval. GE may also have influence over matters that do not require stockholder approval. GE may have different interests than other holders of Class A common stock on these and other matters which may affect our operational and financial decisions.

Among other things, GE's control could delay, defer, or prevent a sale of the Company that other stockholders support, or, conversely, this control could result in the consummation of such a transaction that other stockholders do not support. This concentrated control could discourage a potential investor from seeking to acquire Class A common stock and, as a result, might harm the market price of that Class A common stock.

Given GE's ownership of the majority of our outstanding voting securities and the interactions that have taken place and will take place between us and GE, our success depends in part on the reputation and success of GE. In the event that we are no longer controlled by GE, our success will remain partially dependent on GE through, among other things, their participation in our business operations and strategy as described above, our reliance on the long-term agreements and transition services agreements between the Company and GE pursuant to the Master Agreement Framework and the public perception of our affiliation with GE.

*If we were to cease being a majority-owned subsidiary of GE in the future, such a separation could adversely affect our business and profitability. Uncertainty about the likelihood of any such separation could also adversely affect our business, financial condition and results of operations.*

Following the Transactions, we market many of our products and services using the "GE" brand name and logo. Although we believe that the association with GE provides many benefits, including: a strong brand, broad research and development capabilities, elevated status with suppliers and customers, and established relationships with regulators, we may in the future determine to rebrand our business or pursue alternative marketing strategies, which could adversely affect our ability to attract new customers or maintain existing business relationships with customers, suppliers and other business partners, all of which could have a material adverse effect on our business, financial condition and results of operations.

Although GE has licensed to us the right to use certain "GE" marks in its corporate name and in the products and services of our business in connection with certain oil and gas activities and other discrete oil and gas segments, that right to use these marks would be lost if the license were to expire or otherwise terminate, which may occur, among other reasons, in the event we cease being a majority-owned subsidiary of GE (subject to certain phase-out provisions). As a consequence of such expiration or termination, we would need to remove the "GE" marks from our corporate name, products and services.

In addition, if we were to cease being a majority-owned subsidiary of GE, or there were otherwise a meaningful change in the relationships between GE and the Company beyond what is contemplated by the Master Agreement Framework, such an event or events could adversely affect, among other things, our ability to attract and retain customers. We may be required to provide more favorable pricing and other terms to our customers and take other action to maintain our relationship with existing, and attract new, customers, all of which could have a material adverse effect on our business, financial condition and results of operations. For example, although GE would be subject to certain non-compete restrictions for a period of time following the Company no longer being a majority owned subsidiary of GE, in the absence of an agreement regulating the go-to-market strategy and the reciprocal commercial and technical support between GE and the Company, GE may attempt to compete with us with respect to certain technologies and customer projects where we have adjacent or overlapping presence (e.g., steam turbines and gas turbines). Furthermore, we may lose cost synergies, joint investment and R&D opportunities, and access to customers, in fields where we and GE currently collaborate as per the terms of the Channel Agreement (e.g. additive manufacturing; digital).

The potential separation from GE has created, and may continue to create, uncertainty among our customers, suppliers, and other business partners. In addition, the Master Agreement Framework and related binding term sheets contemplate entering into a number of definitive agreements based on terms included therein. If we are unable to enter into definitive agreements with GE for any reason by certain specified deadlines, the business arrangements contemplated by the Master Agreement Framework may by their terms take effect in the absence of definitive agreements, which may lead to additional uncertainty and could have a material adverse effect on our business, financial condition and results of operations. The potential uncertainty due to these or other factors may undermine our business and have a material adverse effect on our financial condition and results of operations, and may cause increased volatility and wide price fluctuations in our stock price.

### **Risk factors related to the shares**

*The market price of the Issuer's Class A common stock could be materially impacted due to the substantial number of shares of the Issuer's capital stock eligible for sale in future secondary offerings by GE.*

The large number of shares of the Issuer's Class A common stock eligible for sale by GE in the future could cause the market price of Class A common stock to substantially decrease. GE owned approximately 50.4% percent of outstanding Class A common stock as of December 31, 2018 (assuming full exchange of our shares of Class B common stock pursuant to an exchange agreement entered into between GE, the Issuer and BHGE LLC). Future sales of a substantial number of shares of Class A common stock in the public market, or the perception that these sales could occur, could substantially decrease the market price of Class A common stock.

*The market price and trading volume of the Issuer's Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.*

The market price of the Issuer's Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in Class A common stock may fluctuate and cause significant price variations to occur. If the market price of Class A common stock declines significantly, you may be unable to sell your shares of Class A common stock at or above your purchase price, if at all. We cannot assure you that the market price of Class A common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of Class A common stock or result in fluctuations in the price or trading volume of Class A common stock include: variations in our quarterly operating results; failure to meet our earnings estimates; publication of research reports about us or our industry or the failure of securities analysts to cover Class A common stock after the offering; additions or departures of our executive officers and other key management personnel; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; actions by stockholders; offerings of Class A common stock by GE or the perceived possibility of such offerings; changes in market valuations of similar companies; speculation in the press or investment community; changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters; adverse publicity about our industry generally or individual scandals, specifically; and general market and economic conditions.

*Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.*

Our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for stockholder proposals and nominations, and placing limitations on convening stockholder meetings. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price.

*Participating employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Shares.*

As participating employees' salaries may be denominated in currencies other than US Dollar, returns on the Shares may be significantly influenced by currency risk. Participating employees may e.g. receive less Shares than expected at the time of their contribution, or receive a lower price at the time of sale of their Shares.

## **SECTION B — SUPPLEMENTAL INFORMATION CONCERNING BAKER HUGHES AND THE ESPP**

### **I. PERSON RESPONSIBLE**

Brian Worrell, Chief Financial Officer, acting for and on behalf of the Issuer, accepts responsibility for the information contained in the prospectus. Brian Worrell declares that, having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import of such information.

### **II. BAKER HUGHES**

#### **2.1 General**

We operate in more than 120 countries helping customers find, evaluate, drill, produce, transport and process hydrocarbon resources. Our revenue is predominately generated from the sale of products and services to major, national, and independent oil and natural gas companies worldwide, and is dependent on spending by our customers for oil and natural gas exploration, field development and production. This spending is driven by a number of factors, including our customers' forecasts of future energy demand and supply, their access to resources to develop and produce oil and natural gas, their ability to fund their capital programs, the impact of new government regulations and most importantly, their expectations for oil and natural gas prices as a key driver of their cash flows.

The Issuer, a Delaware corporation, was formed on October 28, 2016, for the purpose of facilitating the combination of BHI, and GE O&G.

On July 3, 2017, we closed the Transactions to combine GE O&G and BHI creating a fullstream oilfield technology provider that has a unique mix of integrated equipment and service capabilities. As a result of the Transactions, substantially all of the business of GE O&G and of BHI was transferred to a subsidiary of the Issuer, i.e. BHGE LLC, with GE having an economic interest of approximately 62.5% and the Issuer having an indirect economic interest of approximately 37.5% of BHGE LLC. Although the Issuer holds a minority economic interest in BHGE LLC, the Issuer conducts and exercises full control over all activities of BHGE LLC, without the approval of any member, through wholly owned subsidiaries of the Issuer. Accordingly, the Issuer consolidates the financial results of BHGE LLC and reports a noncontrolling interest in our consolidated and combined financial statements for the economic interest in BHGE LLC not held by the Issuer. The Issuer is a holding company and has no material assets other than its (indirect) ownership in BHGE LLC and certain intercompany and tax related balances.

As of December 31, 2018, GE held approximately 50.4% of the economic interest and the Issuer held approximately 49.6% of the economic interest in BHGE LLC.

#### **2.2 Master Agreement Framework**

In June 2018, GE announced their intention to pursue an orderly separation from the Company over time. On November 13, 2018, we entered into a Master Agreement and a series of related ancillary agreements and binding term sheets with GE and BHGE LLC (collectively, the "Master Agreement Framework") designed to further solidify the commercial and technological collaborations between us and GE and to facilitate our ability to transition from operating as a controlled company. In particular, the Master Agreement Framework contemplates long-term agreements between us, BHGE LLC and GE on technology, fulfillment and other key areas to provide greater clarity to customers, employees and shareholders.

Key elements of the Master Agreement Framework include:

##### ***Secured long-term collaboration on critical rotating equipment***

Under the terms of the Master Agreement Framework, we have defined the parameters for a long-term collaboration and strategic relationship with GE on certain critical rotating equipment products.

We have entered into an aero-derivative joint venture ("JV") binding term sheet with GE to form a JV

relating to the parties' respective aero-derivative gas turbine products and services. The JV is expected to become effective, subject to regulatory clearances and other customary closing conditions, on the date (the Trigger Date) that is the later of (i) July 3, 2019 and (ii) the date on which GE and its affiliates cease to own more than 50% of the voting power of the Issuer's outstanding common stock. These jet engine aero-derivative products are mainly used in our liquid natural gas, onshore-offshore production, pipeline and industrial segments within our Turbomachinery & Process Solutions segment and by GE in its power generation business. GE and we will contribute certain assets, inventory and service facilities into the JV and both companies will jointly control operations. The JV will have a supply and technology development agreement with GE's aviation business ("GE Aviation"), which will revise and extend pricing arrangements as compared to the Company's existing supply agreement, and which will become effective at the Trigger Date.

Additionally, we have entered into an industrial steam turbine binding term sheet with GE, which, among other things, sets forth the terms on which BHGE LLC would be granted an option, exercisable following completion of any applicable information and consultation processes with employee representative bodies, to transfer certain of its assets, liabilities and employees that are related to BHGE LLC's existing business of developing, designing, engineering, marketing, supplying, installing and servicing certain industrial steam turbine product lines to GE.

In parallel, we have also entered into a binding term sheet for the long-term supply and related distribution arrangement with GE for heavy-duty gas turbine technology at the current pricing levels, which will become effective at the Trigger Date. The heavy-duty gas turbine technologies are important components of BHGE Turbomachinery & Process Solutions (TPS) offerings and the long-term agreements provide greater clarity on the commercial approach and customer fulfillment, and will enable the Company and GE to jointly innovate on leading technology.

#### ***Preserved access to GE Digital software & technology***

As part of the Master Agreement Framework, BHGE LLC has agreed with GE Digital to maintain, subject to certain conditions, BHGE LLC's current status as the exclusive reseller of GE Digital offerings in the oil & gas space, and BHGE LLC will continue to source exclusively from GE Digital for certain GE Digital offerings for oil and gas applications. As part of this agreement, BHGE LLC and GE Digital have revised and extended certain pricing arrangements and have established service level obligations.

#### ***Other key agreements***

- GE and we agreed to maintain current operations and pricing levels with regards to Control upgrade services we offer through our Digital Solution segment division for the four years commencing on the Trigger Date.
- GE will transfer to the Issuer certain UK pension liabilities related to the oil and gas businesses of the Company and certain specified former oil and gas businesses of GE on what is intended to be a fully funded basis (using agreed upon actuarial assumptions). No liabilities associated with GE's broad-based U.S. defined benefit pension plan will be transferred to us.
- a tax matters agreement with GE that was negotiated at the time of the Transactions will be clarified but otherwise will remain substantially in place, and both companies retain the ability to monetize certain tax benefits.
- Under the terms of the Master Agreement Framework, the annual intercompany services fee of \$55 million that we agreed to pay GE as part of the Transactions will be reduced by 50% to \$27.5 million per year beginning on January 1, 2019. The intercompany services agreement will terminate 90 days following the Trigger Date (except with respect to certain tools access).

In connection with the Master Agreement Framework, we have agreed to terminate the transfer restrictions previously applicable to GE under the Stockholders Agreement, dated as of July 3, 2017, by and between us and GE, as amended from time to time (the "Stockholders Agreement"). The transfer restrictions prohibited GE from transferring any shares of our common stock prior to July 3, 2019 (except to its affiliates) without the approval of the Conflicts Committee of our board of directors. Other provisions of the Stockholders Agreement, including continuing restrictions on certain private transfers of shares of our common stock by GE, and approval requirements for related party transactions, remain in effect.

### **2.3 Secondary Offering And BHGE LLC Units Repurchase**

In November 2018, we also completed an underwritten secondary public offering in which GE and its

affiliates (together, the "selling stockholders") sold 101.2 million shares of the Issuer's Class A common stock. We did not receive any proceeds from the shares sold by the selling stockholders in this offering. The offering included the exchange by the selling stockholders of common units of BHGE LLC ("Units") (together with the corresponding shares of the Issuer's Class B common stock) for the Issuer's Class A common stock, which resulted in increases in capital in excess of par value, with offsetting reductions in noncontrolling interests and other comprehensive income.

Also, in November 2018, the Issuer repurchased 65 million BHGE LLC Units (together with the corresponding shares of Class B common stock) from GE and its affiliates for \$1.5 billion, or \$22.48 per unit, which is the same per share price, net of discounts and commissions, paid by the underwriters to the selling stockholders in the offering (the "repurchase"). In connection with the repurchase, the corresponding shares of Class B common stock held by GE and its affiliates were canceled. As a result of the secondary offering and the repurchase, GE's economic interest in BHGE LLC was reduced from approximately 62.5% to approximately 50.4%. If GE's economic interest in BHGE LLC falls below 50%, they would not have a controlling interest. Any future declines in their ownership would be accounted for by us as equity transactions reducing their noncontrolling interests.

## **2.4 Intellectual Property**

Our technology, brands and other intellectual property ("IP") rights are important elements of our business. We rely on patent, trademark, copyright, and trade secret laws, as well as non-disclosure and employee invention assignment agreements to protect our intellectual property rights. Many patents and patent applications comprise the Company's portfolio and are owned by us. Other patents and patent applications applicable to our products and services are licensed to us by GE and, in some cases, third parties. We do not consider any individual patent to be material to our business operations.

In connection with the Master Agreement Framework, GE has now entered into an amended and restated IP cross-license agreement (the "IP Cross-License Agreement") with BHGE LLC. GE has agreed to perpetually license to BHGE LLC the right to use certain intellectual property owned or controlled by GE pursuant to the terms of the IP Cross-License Agreement. BHGE LLC has in return also agreed to perpetually license to GE the right to use certain intellectual property rights pursuant to the terms of the IP Cross-License Agreement. This license allows BHGE LLC to have continued and permanent rights to commercially utilize some GE intellectual property pursuant to the terms of the IP Cross-License Agreement.

We follow a policy of seeking patent and trademark protection in numerous countries and regions throughout the world for products and methods that appear to have commercial significance. We believe that protection of our patents, trademarks, and related intellectual property rights is central to the conduct of our business, and aggressively pursue protection of our intellectual property rights against infringement worldwide as we deem appropriate to protect our business. Additionally, we consider the quality and timely delivery of our products, the service we provide to our customers, and the technical knowledge and skills of our personnel to be other important components of the portfolio of capabilities and assets supporting our ability to compete.

## **2.5 Our Vision**

We are the industry's only fullstream oilfield services company with an offering that spans the entire oil and gas value chain. In 2018, we generated revenue of \$22.9 billion and conducted business in more than 120 countries. With the breadth of our portfolio, innovative technology solutions and unique business and partnership models, we are positioned to deliver outcome-based solutions across the industry. By integrating HSE into everything we do, we protect our people, our customers, and the environment. We believe in doing the right thing every time, and delivering the best quality and safest products, services, processes, solutions, and technologies in the industry.

The oil and gas macroeconomic environment continues to be dynamic, and we believe the industry is going through a transformation that requires a change in how we work. Irrespective of commodity prices, our customers are focused on reducing both capital and operating expenditures. Our customers expect new models and solutions to deliver sustainable productivity improvements and leverage economies of scale, with a lower carbon footprint. We have developed a comprehensive growth strategy to deliver the productivity improvements the industry needs for the next decade and beyond. Our strategy is based on



three growth pillars:

- We have market-leading product companies focused on reducing product and service costs, while improving equipment efficiency and reliability to reduce total project spend.
- We strive to create value through integrated offerings by reducing the number of interfaces as we deliver projects and services. This reduces complexity, drives speed, and increases execution efficiency, and
- We plan to continue to develop fullstream opportunities that drive value creation through improvements in total cost reduction and productivity increases for the industry.

Additionally, managing carbon emissions is an important strategic focus for our business. We believe we have an important role to play in society as an industry leader and partner. The Company has a long legacy of pushing the boundaries of technology and operating efficiency. In January 2019, we made a commitment to reduce CO2 equivalent (eq.) emissions 50 percent by 2030, achieving net-zero CO2 eq. emissions by 2050. We will also invest in our portfolio of advanced technologies to assist customers with reducing their carbon footprint.

We have already achieved a 26% reduction in its emissions since 2012 through a commitment to new technology and operational efficiencies. We will continue to employ a broad range of emissions reduction initiatives across manufacturing, supply chain, logistics, energy sourcing and generation. We have established a global additive manufacturing technology network with a mission to bring commercial-scale production closer to customers, reducing transportation impact and associated emissions.

We expect to benefit from the following:

- **Complete fullstream portfolio.** Leading portfolio of products, services and expertise capable of serving upstream, midstream/liquefied natural gas ("LNG") and downstream sectors of the oil and gas industry, matching oilfield service and equipment leaders in many areas. We deliver across the value chain through our four product companies: Oilfield Services; Oilfield Equipment; Turbomachinery & Process Solutions; and Digital Solutions as discussed below under "Products and Services, and each are among the top four providers in their respective segments.
- **Technology.** We have a culture built on a heritage of innovation and invention in research and development, with complementary capabilities. Technology remains a differentiator for us, and a key enabler to drive the efficiency and productivity gains our customers need. We also have a range of technologies that support our customers efforts to reduce their carbon footprint. We remain committed to investing in our products and services to maintain our leadership position across our offerings, including \$700 million research & development spend in 2018.
- **Digital capabilities.** We expect to be able to continue to develop software offerings on any operating platform, for new and extended applications in the oil and gas and other industrial ecosystems, such as machine and equipment health, reliability management and maintenance optimization.

We believe our strategy coupled with our capabilities will help us compete and win in the current environment, while positioning us for the future.

## 2.6 Products And Services

We are a fullstream provider of oilfield products, services and digital solutions. Our reportable segments, which are the same as our operating segments, are organized based on the nature of our markets and customers. We report our operating results through our four operating segments that consist of similar products and services within each segment as described below.

### Oilfield Services

The OFS segment provides products and services for on and offshore operations across the lifecycle of a well, ranging from drilling, evaluation, completion, production, and intervention. The segment includes product lines that design and manufacture products and services to help operators find, evaluate, drill,

and produce hydrocarbons.

Products and services include diamond and tri-cone drill bits, drilling services, including directional drilling technology, measurement while drilling and logging while drilling, wireline services, drilling and completions fluids, completions tools and systems, wellbore intervention tools and services, artificial lift systems, and oilfield and industrial chemicals.

OFS' core evaluation and drilling technologies provide greater understanding of the subsurface to enable smoother, faster drilling and precise wellbore placement, leading to improved recovery and project economics. With the industry's broadest completions portfolio, OFS can provide tailored well integrity solutions for all well types. Drawing from a wide range of artificial lift technology, coupled with enterprise optimization software, OFS can help lower the cost per barrel for the life of an asset.

Our customers include the large integrated major and super-major oil and natural gas companies, U.S. and international independent oil and natural gas companies and the national or state-owned oil companies as well as oilfield service companies.

### **Oilfield Equipment**

The OFE segment provides a broad portfolio of products and services required to facilitate the safe and reliable flow of hydrocarbons from the subsea wellhead to the surface production facilities. The OFE operation designs and manufactures onshore and offshore drilling and production systems and equipment for floating production platforms and provides a full range of services related to onshore and offshore drilling activities.

The OFE segment includes deepwater drilling equipment, subsea production systems ("SPS"), flexible pipe systems, onshore wellheads, and related service solutions. The OFE drilling and production systems product line offers blowout preventers, control systems, marine drilling risers, wellhead connectors, diverters, and related services. OFE offers SPS, including trees, control systems, manifolds, connections, wellheads, specialty connectors & pipes, installation and decommissioning solutions, and related services. OFE also provides advanced flexible pipe products including risers, flowlines, fluid transfer lines and jumpers, for both subsea and FPSO (floating production storage & offloading) based production across a range of operating environments. Investment in composite technology is enabling the Company to extend the capabilities of the Company's flexibles even further. In addition, OFE offers a full range of onshore wellhead products, flow equipment, valves, actuators, as well as related services. OFE also offers a range of comprehensive, worldwide services for installation, technical support, well access through subsea intervention systems, operating resources and tools, offshore products and brownfield asset integrity solutions.

OFE customers are oil and gas field developers, drilling and oil companies seeking to undertake new subsea projects, mid-life upgrades and maintenance, well interventions and workover campaigns. OFE differentiates itself in SPS and deepwater drilling systems. The key competitive areas in OFE are large-bore gas fields, deepwater oilfields and fields with long tieback distances. In addition to a robust presence in other subsea areas, including high-pressure high-temperature ("HPHT") fields, OFE's product lines' production systems are among the industry's most reliable, with uptime of the critical control system exceeding 99.8%.

### **Turbomachinery & Process Solutions**

The TPS segment provides equipment and related services for mechanical-drive, compression and power-generation applications across the oil and gas industry as well as products and services to serve the downstream segments of the industry including refining, petrochemical, distributed gas, flow and process control, and other industrial applications. The TPS segment is a leader in designing, manufacturing, maintaining and upgrading rotating equipment across the oil and gas, petrochemical, and industrial sectors.

The TPS segment includes drivers, driven equipment, flow control, and turnkey solutions. Drivers are comprised of aero-derivative gas turbines, heavy-duty gas turbines, small- to medium-sized steam turbines, slow speed and integrated gas engines, hot gas and turbo expanders, and synchronous, and induction electric motors. TPS' driven equipment consists of electric generators, reciprocating,

centrifugal, axial, direct-drive high speed, integrated and subsea compressors, and turbo-expanders. TPS' flow control includes pumps, valves, regulators, control systems, and other flow and process control technologies. As part of its turnkey solutions, TPS offers power generation modules, waste heat/energy recovery, energy storage, modularized small and large liquefaction plants, carbon capture, and storage/use facilities. TPS also offers a variety of system upgrades and conversion solutions, from a single machine to full plant debottlenecking and modernization.

TPS' products enable customers to increase upstream oil and gas production, liquefy natural gas, compress gas for transport via pipelines, generate electricity, store gas and energy, refine oil and gas and produce petrochemicals, while minimizing both operational and environmental risks in the most extreme service conditions. TPS' customers are upstream, midstream and downstream, onshore and offshore, and small to large scale. Midstream and downstream customers include LNG plants, pipelines, storage facilities, refineries, and a wide range of industrial and engineering, procurement and construction ("EPC") companies.

TPS' value proposition is founded on its turbomachinery and flow control technology, a unique competence to integrate gas turbines and compressors in the most critical natural gas applications, best-in-class manufacturing and testing capabilities, reliable maintenance and service operations, and innovative real-time diagnostics and control systems, enabling condition-based maintenance and increasing overall productivity, availability, efficiency, and reliability for oil and gas assets. TPS differentiates itself from competitors with its expertise in technology and project management, local presence and partnerships, as well as the deep industry know-how of its teams to provide fully integrated equipment and services solutions with state-of-art technology from design and manufacture through to operations.

## **Digital Solutions**

The DS segment provides operating technologies helping to improve the health, productivity, and safety of asset intensive industries and enable the Industrial Internet of Things. DS includes the measurement & controls business for industry-leading hardware technologies as well as our software businesses that leverage best-of-class cloud services, including GE's Predix application development platform.

The DS segment includes condition monitoring, inspection technologies, measurement, sensing, and pipeline solutions. Condition monitoring technologies include the Bently Nevada® and System 1® brands, providing rack-based vibration monitoring equipment, sensors, software cybersecurity solutions, and industrial controls primarily for power generation and oil and gas operations. The DS inspection technologies product line includes non-destructive testing technology, software, and services, including industrial radiography, ultrasonic sensors, testing machines and gauges, NDT film, and remote visual inspection.

The DS process and pipeline services product line ("PPS") provides pre-commissioning and maintenance services to improve throughput and asset integrity for process facilities and pipelines while achieving the highest returns possible. In addition, the PPS product line provides inline inspection solutions to support pipeline integrity and includes nitrogen, bolting, torqueing and leak detection services, as well as the world's largest fleet of air compressors to dry pipelines after hydrotesting. The DS measurement and sensing product line provides instrumentation to better detect and analyze pressure, flow, gas, and moisture conditions.

The DS segment helps companies monitor and optimize industrial assets while mitigating risk and boosting safety, by providing performance management, and condition and asset health monitoring. It also provides customers the technical capabilities to drive enterprise wide digital transformation of business processes and to focus on better production outcomes along the entire oil & gas value chain, using sensors, services and inspections to connect industrial assets to the Industrial Internet. The DS software business is built to handle data at an industrial scale, giving customers the power to innovate, and make faster, more confident decisions to maximize performance.

## **2.7 Research And Development**

We engage in research and development activities directed primarily toward the development of new

products, services, technology, and other solutions, as well as the improvement of existing products and services and the design of specialized products to meet specific customer needs. We continue to invest across all operating segments in products to develop capability, improve performance, and reduce costs. In OFS, we invested in a range of formation evaluation capabilities as well as drilling, completions, and production hardware. This included the introduction of Electrical Submersible Pumps ("ESP's") with permanent magnet motors for higher efficiency through reduced power consumption. In OFE, the recent focus has been to expand capability into deeper water, longer offsets and at higher pressures as well as modular designs that allow for simpler and more integrated subsea systems. Additionally, subsea power and processing is also an area in which we are investing, covering both pumping and compression. In TPS, we continue to invest in continuous product improvement of reciprocating and centrifugal compressors, using advanced fluid dynamic simulation and advanced aeromechanics to improve capability, operability and efficiency of its centrifugal compressors family. Further, we continue to invest in our latest generation of gas turbines for energy efficiency and reduced carbon footprint. DS continues to invest in advanced digital solutions designed to improve the efficiency, reliability and safety of oil and gas production operations. These systems integrate operational data and provide analytics from producing oil and gas facilities helping to prevent unplanned downtime and improve facility reliability. In addition, DS invests in a broad range of measurement and control solutions spanning multiple industries, including methane detection systems for oil and gas operations and inspection technology for consumer electronics.

## **2.8 Markets And Competition**

We sell to our customers through direct and indirect channels. Our primary sales channel is through our direct sales force, which has a strong regional focus with local teams close to the customer, who are able to draw support from centers of excellence in each of our major product lines. No single customer accounted for 10% or more of our revenue in the current year.

## **2.9 Orders And Remaining Performance Obligations**

We are a global business and generate revenue and orders from a combination of equipment sales and services. In 2018, 40% of revenue was generated from equipment sales and 60% from services, while 42% of orders were for equipment and 58% for services. In 2017 and 2016, 42% and 47% of revenue was generated from equipment sales, and 58% and 53% of revenue was from services, respectively. We recognized orders of \$23,904 million, \$17,159 million, and \$11,066 million in 2018, 2017 and 2016, respectively. As of December 31, 2018, 2017 and 2016, the aggregate amount of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations totaled \$21.0 billion, \$21.0 billion, and \$21.8 billion, respectively.

## **2.10 Seasonality**

Our operations can be affected by seasonal weather, which can temporarily affect the delivery and performance of our products and services, and our customers' budgetary cycles. Examples of seasonal events that can impact our business are set forth below:

- The severity and duration of both the summer and the winter in North America can have a significant impact on activity levels. In Canada, the timing and duration of the spring thaw directly affects activity levels, which reach seasonal lows during the second quarter and build through the third and fourth quarters to a seasonal high in the first quarter.
- Adverse weather conditions, such as hurricanes in the Gulf of Mexico, may interrupt or curtail our coastal and offshore drilling, or our customers' operations, cause supply disruptions and result in a loss of revenue and damage to our equipment and facilities, which may or may not be insured.
- Severe weather during the winter months normally results in reduced activity levels in the North Sea and Russia generally in the first quarter and may interrupt or curtail our operations, or our customers' operations, in those areas and result in a loss of revenue.
- Scheduled repair and maintenance of offshore facilities in the North Sea can reduce activity in the second and third quarters.
- Many of our international oilfield customers increase orders for certain products and services in the fourth quarter.
- Our process & pipeline business in the DS segment typically experiences lower sales during the first

and fourth quarters of the year due to the Northern Hemisphere winter.

- Our broader DS business typically experiences higher customer activity as a result of spending patterns in the second half of the year.

## **2.11 Raw Materials**

We purchase various raw materials and component parts for use in manufacturing our products and delivering our services. The principal raw materials we use include steel alloys, chromium, nickel, titanium, barite, beryllium, copper, lead, tungsten carbide, synthetic and natural diamonds, gels, sand and other proppants, printed circuit boards and other electronic components, and hydrocarbon-based chemical feed stocks. Raw materials that are essential to our business are normally readily available from multiple sources, but may be subject to price volatility. Market conditions can trigger constraints in the supply of certain raw materials, and we are always seeking ways to ensure the availability and manage the cost of raw materials. Our procurement department uses its size and buying power to enhance its access to key materials at competitive prices.

In addition to raw materials and component parts, we also use the products and services of metal fabricators, machine shops, foundries, forge shops, assembly operations, contract manufacturers, logistics providers, packagers, indirect material providers, and others in order to produce and deliver products to customers. These materials and services are generally available from multiple sources.

## **2.12 Environmental Matters**

We are committed to the health and safety of people, protection of the environment and compliance with environmental laws, regulations and our policies. Our past and present operations include activities that are subject to extensive domestic (including U.S. federal, state and local) and international regulations with regard to air, land and water quality and other environmental matters. Regulations continue to evolve, and changes in standards of enforcement of existing regulations, as well as the enactment of new legislation, may require us and our customers to modify, supplement or replace equipment or facilities or to change or discontinue present methods of operation. Our environmental compliance expenditures and our capital costs for environmental control equipment may change accordingly.

We are, and may in the future be, involved in voluntary remediation projects at current and former properties. On rare occasions, our remediation activities are conducted as specified by a government agency-issued consent decree or agreed order. Remediation costs at these properties are accrued using currently available facts, existing environmental permits, technology and presently enacted laws and regulations. For sites where we are primarily responsible for the remediation, our cost estimates are developed based on internal evaluations and are not discounted. We record accruals when it is probable that we will be obligated to pay amounts for environmental site evaluation, remediation or related activities, and such amounts can be reasonably estimated. Accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. Ongoing environmental compliance costs, such as obtaining environmental permits, installation and maintenance of pollution control equipment and waste disposal, are expensed as incurred.

The Comprehensive Environmental Response, Compensation and Liability Act (known as "Superfund") imposes liability for the release of a "hazardous substance" into the environment. Superfund liability is imposed without regard to fault, even if the waste disposal was in compliance with laws and regulations. We have been identified as a potentially responsible party ("PRP") at various Superfund sites, and we accrue our share of the estimated remediation costs for the site. PRPs in Superfund actions have joint and several liability and may be required to pay more than their proportional share of such costs.

In some cases, it is not possible to quantify our ultimate exposure because the projects are either in the investigative or early remediation stage, or superfund allocation information is not yet available. Based upon current information, we believe that our overall compliance with environmental regulations, including remediation obligations, environmental compliance costs and capital expenditures for environmental control equipment, will not have a material adverse effect on our capital expenditures, earnings or competitive position because we have either established adequate reserves or our compliance cost, based on available information, is not expected to be material to our consolidated and combined financial statements. Our total accrual for environmental remediation was \$84 million and \$82 million at December 31, 2018 and 2017, respectively. We continue to focus on reducing future environmental liabilities by maintaining appropriate Company standards and by improving our assurance programs.

## 2.13 Outlook

Our business is exposed to a number of different macro factors, which influence our expectations and outlook. All of our outlook expectations are purely based on the market as we see it today, and are subject to change given volatile conditions in the industry.

- North America onshore activity: in 2018, we experienced an acceleration in rig count growth, as compared to 2017, driven by the increase in commodity prices for the first 10 months of the year. In the fourth quarter, WTI (West Texas Intermediate) prices declined 38% driven by both increased supply and geo-political events. We expect the decline in commodity prices may have a negative impact on activity in North America in 2019.
- International onshore activity: we have seen a moderate increase in rig count activity in 2018 and expect growth to continue into 2019, at a slightly increased rate. We have seen signs of improvement with the increase in commodity prices, but due to continued volatility, we remain cautious as to growth expectations.
- Offshore projects: although commodity prices have been volatile, we have begun to see increasing customer activity on offshore projects and more final investment decisions being made. Subsea tree awards increased in 2018, and we expect tree awards to be roughly flat in 2019, though still at levels significantly below prior 2012 and 2013 peaks. We expect customers to continue to evaluate the timing of final investment decisions, and in light of increased commodity price volatility, there may be some project delays.
- LNG projects: we remain optimistic on the LNG market. While currently oversupplied, we believe a significant number of final investment decisions are needed to fill the projected supply-demand imbalance in the early to middle part of the next decade. In 2018, we saw positive final investment decisions for new LNG capacity. We continue to view the long-term economics of the LNG industry as positive given our outlook for supply and demand.
- Refinery, petrochemical and industrial projects: in refining, we believe large, complex refineries should gain advantage in a more competitive, oversupplied landscape in 2019 as the industry globalizes and refiners position to meet local demand and secure export potential. In petrochemicals, we continue to see healthy demand and cost-advantaged supply driving projects forward in 2019. The industrial market continues to grow as outdated infrastructure is replaced, policy changes come into effect and power is decentralized. We continue to see growing demand across these markets in 2019.

We have other segments in our portfolio that are more correlated with different industrial metrics such as our Digital Solutions business. Overall, we believe our portfolio is uniquely positioned to compete across the value chain, and deliver comprehensive solutions for our customers. We remain optimistic about the long-term economics of the industry, but are continuing to operate with flexibility given our expectations for volatility and changing assumptions in the near term.

Solar and wind net additions continued to exceed coal and gas throughout 2018. Governments may change or may not continue incentives for renewable energy additions. In the long term, renewables' cost decline may accelerate to compete with new-built fossil capacity. However, we do not anticipate any significant impacts to our business in the foreseeable future.

Despite the near-term volatility, the long-term outlook for our industry remains positive. We believe the world's demand for energy will continue to rise, and the supply of energy will continue to increase in complexity, requiring greater service intensity and more advanced technology from oilfield service companies. As such, we remain focused on delivering innovative, cost-efficient solutions that deliver step changes in operating and economic performance for our customers.

## 2.14 Income Taxes

We operate in more than 120 countries and our effective tax rate is based on our income, statutory tax rates and differences between tax laws and the GAAP (generally accepted accounting practices) in these various jurisdictions. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Our income tax rate is significantly affected by the tax rate on our global operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the U.S. Historically, U.S. taxes were due upon

repatriation of foreign earnings. Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax but may incur other taxes such as withholding or state taxes. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. Most of these earnings have been reinvested in active non-U.S. business operations. However, as a result of U.S. tax reform, substantially all of our prior unrepatriated foreign earnings were subject to U.S. tax and accordingly we expect to have the ability to repatriate those earnings without incremental U.S. federal tax. As a result of U.S. tax reform, we changed our intent regarding certain cash repatriations and have accrued an additional \$9 million of foreign withholding taxes. As of December 31, 2018, the cumulative amount of indefinitely reinvested foreign earnings is approximately \$6.3 billion. Computation of the potential deferred tax liability associated with these undistributed earnings and any other basis differences is not practicable.

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and short and long range business forecasts to provide insight. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (U.S. tax reform) that lowers the statutory tax rate on U.S. earnings, taxes historic foreign earnings previously deferred from U.S. taxation at a reduced rate of tax (transition tax), establishes a territorial tax system and enacts new taxes associated with global operations.

The impact of U.S. tax reform was initially recorded on a provisional basis as the legislation provided for additional guidance to be issued by the U.S. Department of the Treasury on several provisions, including the computation of the transition tax. Based on guidance received to date, finalization of purchase accounting for the Baker Hughes acquisition and finalization of our 2017 U.S. income tax returns, we have recorded a \$107 million tax benefit in 2018 for the impact of tax reform primarily related to the revaluation of deferred taxes.

Additionally, as part of U.S. tax reform, the U.S. has enacted a tax on "base eroding" payments from the U.S. and a minimum tax on foreign earnings (global intangible low-taxed income). We have made an accounting policy election to account for these taxes as period costs.

Our tax filings routinely are subject to audit by the tax authorities in the jurisdictions where we conduct business. These audits may result in assessments of additional taxes that are resolved with the tax authorities or through the courts. We have provided for the amounts we believe will ultimately result from these proceedings, but settlements of issues raised in these audits may affect our tax rate. We have \$472 million of gross unrecognized tax benefits, excluding interest and penalties, at December 31, 2018. We are not able to reasonably estimate in which future periods these amounts ultimately will be settled.

### **3 THE OUTLINE**

#### **3.1 Purpose of the ESPP**

The purpose of the ESPP is to provide Employees with an opportunity to purchase Shares in the Issuer through periodic offerings of options and thus develop a stronger incentive to work for the continued success of the Company. The terms of the ESPP are set forth in Exhibit I to this prospectus. The ESPP is not intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the U.S. Internal Revenue Code which could potentially provide tax benefits to U.S. taxpayers.

The net proceeds will be used for general corporate purposes.

Unless otherwise defined, the defined terms used in this Section 3 have the meaning ascribed to them in Exhibit I to this prospectus.

### 3.2 Shares Offered Under the ESPP

A total of 15,000,000 Shares are offered under the ESPP. This potential maximum total represents approximately 2.9% of the 514,871,270 Shares outstanding as of February 8, 2019. Such number is subject to adjustments effected in accordance with the ESPP. Unless otherwise defined, the defined terms used in this Section 3.2 have the meaning ascribed to them in Exhibit I.

Effective as of the Grant Date of each Offering, the Issuer shall grant an Option to each Participant which shall be exercisable on the Exercise Date through funds accumulated by the Participant through payroll deductions made during the Offering Period. Each Option is subject to the availability of such sufficient number of Shares reserved for purchase under the ESPP. Notwithstanding any other provision of the ESPP, unless the Compensation Committee of the Board of Directors of the Issuer (the "Board") determines otherwise with respect to an Offering, the maximum number of Shares that a Participant shall be permitted to purchase during an Offering Period is the lesser of (1) 1,275 Shares or (2) the number of Shares that may be purchased with \$3,000 at a per Share price of 85% of the Fair Market Value (as defined below) of a Share (determined as of the Grant Date). This is subject to the additional limitation that no employee shall be granted an Option to purchase Shares under the ESPP at a rate which exceeds U.S. twelve thousand dollars (U.S. \$12,000) of the Fair Market Value of such Shares (determined as of the Grant Date) for each calendar year in which such Option is outstanding at any time.

In the event of any stock dividend, split-up, recapitalization, merger, consolidation, combination or exchange of Shares, or the like, as a result of which Shares shall be issued in respect of the outstanding Shares, or the Shares shall be changed into the same or a different number of the same or another class of stock, the total number of Shares authorized to be committed to the ESPP, the number of Shares subject to each outstanding Option, the Option Price applicable to each Option, and/or the consideration to be received upon exercise of each Option shall be appropriately adjusted by the Committee. In addition, the Committee shall, in its sole discretion, have authority to provide for (a) the acceleration of the Exercise Date of outstanding Options or (b) the conversion of outstanding Options into cash or other property to be received in certain of the transactions specified in this paragraph above upon the completion of the transaction.

In the event of a Change in Control (as defined below), the Board or the Committee, in its sole discretion, may provide for any of the following: (a) each Option shall be assumed or an equivalent option shall be substituted by the acquirer in such Change in Control, (b) a date established by the Board or the Committee that is on or before the date of such Change in Control shall be treated as the last day of the Offering Period, and all outstanding Options shall be exercisable on such date, or (c) all outstanding Options shall terminate and as soon as administratively feasible there shall be refunded to each Participant the remaining funds in the Participant's Account.

"Change in Control" shall mean: (i) any person (as such term is used in Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")) or persons acting together in a manner which would constitute such persons a "group" for purposes of Section 13(d) of the Exchange Act acquires and "beneficially owns" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, at least 50% of the total voting power represented by the Issuer's then-outstanding voting securities; provided, however, that for purposes of this clause (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Issuer, (B) any acquisition by the Issuer, General Electric Company or any of their Affiliates, or (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Issuer or any of its Affiliates; (ii) the consummation of a merger or consolidation of the Issuer with any other entity, other than a merger or consolidation which would result in the voting securities of the Issuer outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least 50% of the total voting power represented by the voting securities of the Issuer or such surviving entity or its parent outstanding immediately after such merger or consolidation; or (iii) there is consummated a sale or disposition by the Issuer of all or substantially all of the Issuer's assets, other than a sale or disposition by the Issuer of all or substantially all of the Issuer's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Issuer in substantially the same proportions as their ownership of the Issuer immediately prior to such sale.



As of December 31, 2018, there were 15,000,000 Shares available for issuance under the ESPP.

### **3.3 Offering Period**

The ESPP shall be offered through Offering Periods, which, unless and until the Board or the Committee specifies otherwise in writing, shall be four quarterly periods during a calendar year, each of which commences on the first trading day of the quarter and ends on the last trading day of the quarter.

Each of these Offering Periods shall terminate with a purchase date on the last trading day (a day on which U.S. national stock exchanges and the New York Stock Exchange are open for trading) of each Offering Period.

### **3.4 Option Price**

The Option Price per Share shall be equal to 85% of the Fair Market Value of a Share on the last trading day of the Offering Period.

The Committee may change the discount with respect to any future Offering Period, but not below eighty-five percent (85%) unless such lower Option Price is approved by the Board or the Committee in advance of the applicable Offering Period.

For purposes of the ESPP, the term "Fair Market Value" shall be the closing price for the Share as quoted on the NYSE on the date of determination.

### **3.5 Purchase of the Company Shares**

During each Offering Period, Participants may elect to contribute to the ESPP through payroll deductions of up to 15% of their eligible compensation (*i.e.*, the employer automatically deducts this amount from the employees' compensation on each pay date). The accumulated payroll deductions are used to purchase Shares at the end of each Offering Period.

If, on a given Exercise Date (the last trading day of each Offering Period), the number of Shares with respect to which Options are to be exercised exceeds the number of Shares then available under the ESPP, the Company shall make a pro rata allocation of the Shares remaining available by multiplying the number of Shares reserved under the ESPP for such Offering Period by a fraction, the numerator of which shall be the number of Shares which the Participant elected to purchase during the Offering Period and the denominator of which shall be the total number of Shares which all Participants elected to purchase during such Offering Period.

Any amount remaining in the Participant's Account that represents the Option Price for Shares that could not be purchased, due to the restrictions in the ESPP, shall be refunded to the Participant in cash, without interest.

### **3.6 Term of the ESPP**

The ESPP will continue until terminated (as described in Section 3.7 below).

### **3.7 Amendment or Termination of the ESPP**

The Issuer may, by action of the Board or the Committee, terminate the ESPP at any time and for any reason. Upon any such termination, all outstanding Options shall, as determined by the Board or the Committee in its sole discretion, (a) terminate, and as soon as administratively feasible there shall be refunded to each Participant the remaining funds in the Participant's Account, or (b) a date established by the Board or the Committee that is on or before the date of such termination shall be treated as the last day of the Offering Period, and all outstanding Options shall be exercisable on such date. The ESPP shall automatically terminate upon the purchase by Participants of all Shares committed to the ESPP, unless the number of Shares committed to the ESPP is increased by the Committee or the Board and approved by the stockholders of the Issuer.

The Board or the Committee has the right to modify, alter or amend the ESPP at any time and from time to time to any extent that it deems advisable. The Board or the Committee may suspend the operation of the ESPP for any period as it may deem advisable.

#### **IV. ELIGIBILITY**

Unless otherwise defined, the defined terms used in this Section 4 have the meaning ascribed to them in Exhibit I to this prospectus.

##### **4.1 Eligible Employees**

Any employee of a Participating Company is eligible to participate in a given Offering if such employee is in the employment of a Participating Company on the first trading day of the Offering Period. Participation is voluntary.

The Committee, in its sole discretion, may determine to exclude any Employee or group of Employees from any Offering, including, without limitation, due to administrative, financial or local law considerations. For clarity, the following individuals are excluded from coverage under an Offering: an individual classified by the Participating Company as an independent contractor or a non-employee consultant, an individual who is performing services for a Participating Company through a leasing or employment agency, or an employee of an entity other than a Participating Company.

##### **4.2 Participation of Eligible Employees**

An employee who is eligible to participate in the ESPP in accordance with Section 4.1 may participate by authorizing deductions from their base salary prior to the Grant Date in accordance with the procedures established by the Committee.

Once enrolled in the ESPP, a Participant's payroll deductions shall continue and he or she shall continue to participate in the ESPP for all ensuing Offering Periods until he or she withdraws in accordance with procedures established by the Committee.

Any Option granted to a Participant under the ESPP is not transferable by the Participant other than by will or the laws of descent and distribution, and must be exercisable, during the Participant's lifetime, only by the Participant.

##### **4.3 Payroll Deductions**

For an Employee to participate during a given Offering Period, he must elect to participate in the Offering by authorizing deductions from his Base Compensation prior to the Grant Date in accordance with procedures established by the Committee. Participants may elect to contribute to the ESPP through payroll deductions of no less than 1% and up to 15% of their eligible compensation.

Unless the Participant changes the rate of the Participant's payroll deductions, the Participant's payroll deductions shall continue through the last pay date prior to the Exercise Date. A Participant may not make additional payments to the Participant's Account. An Employee who does not authorize payroll deductions from his Base Compensation with respect to a given Offering shall be deemed to have elected to not participate in the Offering. A Participant's payroll deduction authorization may remain in effect for all ensuing Offering Periods until changed by the Participant in accordance with procedures established by the Committee.

As of each payroll deduction period, the Participating Company shall cause to be credited to the Participant's Account in a ledger established for that purpose the funds withheld from and attributable to the Participant's Base Compensation for that period. No interest shall be credited to the Participant's Account at any time. The obligation of the Participating Company to the Participant for this Account shall be a general corporate obligation and shall not be funded through a trust or secured by any assets which would cause the Participant to be other than a general creditor of the Participating Company.

All payroll deductions received or held by a Participating Company may be used by the Participating Company for any corporate purpose, and the Participating Company shall not be obligated to segregate

such payroll deductions. Except as specified herein, as soon as administratively practicable after the expiration of an Offering Period, payroll deductions that are not used to purchase Shares during such Offering Period will be refunded to the Participants without interest.

#### **4.4 Discontinuance of Participation of Participants**

Except for a complete cessation of participation pursuant to the below paragraph, a Participant shall have no right to discontinue the Participant's payroll deduction authorization.

A Participant may decrease the amount of payroll deductions, and stop them altogether, during an Offering Period. A Participant may not increase deductions during an Offering Period (which also means that a Participant who stops payroll deductions during an Offering Period may not contribute for the rest of that period). Election changes must be made in accordance with established administrative procedures and will not result in refunds of any previous contributions. If the Participant wishes to participate in any future Offering Period, he must file a new payroll deduction election within the time frame required by the Committee for participation in the next Offering Period.

#### **4.5 Termination of Employment of Eligible Employees**

If a Participant's employment with the Company terminates for any reason, including, but not limited to, retirement, death, or disability, prior to the Exercise Date, any unapplied payroll deductions will be used to purchase Shares, and contributions will not resume unless and until the Participant again becomes an Employee and enrolls in the ESPP.

### **V. DELIVERY AND SALE OF BAKER HUGHES SHARES**

The Committee may determine in its discretion the manner of delivery of the Shares purchased under the ESPP, which may be by electronic account entry into new or existing accounts, delivery of certificates or any other means as the Committee, in its discretion, deems appropriate; provided that no certificates will be delivered for any fractional shares. The Committee may, in its discretion, hold a certificate for any Shares or cause Shares to be legended in order to comply with the securities laws of the applicable jurisdiction, or should the Shares be represented by book or electronic account entry rather than a certificate, the Committee may take such steps to restrict transfer of the Shares as the Committee considers necessary or advisable to comply with applicable law.

### **VI. RIGHTS RELATED TO BAKER HUGHES SHARES**

#### **6.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code**

As of December 31, 2018, the Issuer was authorized to issue 2 billion shares of Class A common stock, 1.25 billion shares of Class B common stock and 50 million shares of preferred stock each of which have a par value of \$0.0001 per share. As of February 8, 2019, the registrant had outstanding 514,871,270 shares of Class A Common Stock, \$0.0001 par value per share and 521,543,095 shares of Class B Common Stock, \$0.0001 par value per share.

The Shares are listed on the NYSE under the symbol "BHGE." The CUSIP number for the Shares is 057224AZ0. The Shares issued under the ESPP and are tradable on the NYSE and grant to the Participants the same rights as those attached to the Shares currently traded on the NYSE.

#### **6.2 Legislation Under Which the Securities Have Been Created**

The Shares were created under the General Corporation Law of the State of Delaware (US) (the "DGCL"). Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, United States of America.

### 6.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold Shares either in certificated or book entry form. The records are kept by the Company's transfer agent, Computershare Investor Services ("Computershare").

Computershare Investor Services can be contacted online at [www-us.computershare.com/Investor/Contact](http://www-us.computershare.com/Investor/Contact), by telephone at +1(201) 680-6578 (outside of the U.S.) or by mail at: PO Box 505000 Louisville, KY 40233-5000, United States.

The Issuer's designated ESPP broker is Fidelity Stock Plan Services (r).<sup>3</sup> Fidelity can be contacted through the web at [www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com). The address and telephone number of Fidelity are:

Fidelity Brokerage Services LLC  
900 Salem Street  
Smithfield, RI 02917  
782377.37.1

Participants are informed of the number of Shares purchased by consulting their account through the web at: <http://hr.BakerHughes.com/esp/countries1.htm> or via the Manager and Employee Information Data Administration System.<sup>4</sup>

### 6.4 Commission

The commission charged by Fidelity for sales of Shares purchased under the ESPP is, if done online, \$15 plus \$0.02 for each share. In addition, the SEC imposes a fee on the transfer of Shares. This fee is paid to the SEC at the time of sale and is required for all equity trades. Upon selling the Shares, the Participant will be charged a fee currently equal to \$0.00001212 multiplied by the total principal amount of the sale proceeds. The SEC may announce new fee rates at its discretion.

### 6.5 Currency of the Securities Issue

The Shares shall be purchased in United States Dollars. Participants assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Company Shares.

### 6.6 Rights Attached to the Securities

No Participant shall have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the Shares have been purchased and delivered to the Participant as provided in Paragraph 3 above. Following such purchase and delivery, the Participant shall be entitled to the rights attached to the Shares, as further described below:

**Dividend Rights.** The Board, subject to any restrictions contained in (a) the DGCL; or (b) Company's Amended and Restated Certificate of Incorporation, may declare and pay dividends upon the Shares. Dividends may be paid in cash, in property, or in Shares.

The Board may set apart out of any of the Issuer's funds available for dividends a reserve or reserves for any proper purpose and may abolish or modify any such reserve. Such purposes shall include, but not be limited to, equalizing dividends, repairing or maintaining any property of the Issuer, and meeting contingencies.

Under the DGCL and subject to preferences that may apply to shares of the Issuer's preferred stock outstanding at the time, the holders of outstanding Shares are entitled to receive dividends either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the Issuer's net profits for the fiscal year in

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<sup>3</sup> The Issuer may, in its sole discretion, decide to change its designated broker at any time.

<sup>4</sup> The method by which Participating Employees are informed of the number of Company Shares purchased is subject to change, depending on changes to the Company's designated broker or a change in the practice of Company's current designated broker.

which the dividend is declared and/or the preceding fiscal year as the Issuer's Board may from time to time determine (see Section 170 of the DGCL).

During 2018 the Issuer declared and paid regular dividends of \$0.18 per share to holders of record of the Company's Class A common stock.

**Voting Rights.** Except as may be otherwise provided in the Amended and Restated Certificate of Incorporation, each stockholder shall be entitled to one vote for each Share held by such stockholder. There are currently no contrary provisions in the Amended and Restated Certificate of Incorporation.

Unless otherwise required by law, the Amended and Restated Certificate of Incorporation or the Bylaws<sup>5</sup>, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the Issuer's capital stock represented and entitled to vote thereat, voting as a single class.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of the stockholders shall not be held at any place, but may instead be held solely by means of remote communication in the manner authorized by the DGCL. In the absence of any designation, stockholders' meetings shall be held at the registered office of the Issuer.

The annual meeting of stockholders shall be held each year on a date and at a time designated by the Board. At the meeting, directors shall be elected and any other proper business may be transacted.

Pursuant to Section 242 of the DGCL, after a corporation has received payment for any of its capital stock, it may amend its certificate of incorporation, from time to time, in any and as many respects as may be desired, so long as its certificate of incorporation as amended would contain only such provisions as it would be lawful and proper to insert in an original certificate of incorporation filed at the time of the filing of the amendment; and, if a change in stock or the rights of stockholders, or an exchange, reclassification, subdivision, combination or cancellation of stock or rights of stockholders is to be made, such provisions as may be necessary to effect such change, exchange, reclassification, subdivision, combination or cancellation. In particular, and without limitation upon such general power of amendment, a corporation may amend its certificate of incorporation, from time to time, so as:

- (1) To change its corporate name; or
- (2) To change, substitute, enlarge or diminish the nature of its business or its corporate powers and purposes; or
- (3) To increase or decrease its authorized capital stock or to reclassify the same, by changing the number, par value, designations, preferences, or relative, participating, optional, or other special rights of the shares, or the qualifications, limitations or restrictions of such rights, or by changing shares with par value into shares without par value, or shares without par value into shares with par value either with or without increasing or decreasing the number of shares, or by subdividing or combining the outstanding shares of any class or series of a class of shares into a greater or lesser number of outstanding shares; or
- (4) To cancel or otherwise affect the right of the holders of the shares of any class to receive dividends which have accrued but have not been declared; or
- (5) To create new classes of stock having rights and preferences either prior and superior or subordinate and inferior to the stock of any class then authorized, whether issued or unissued; or
- (6) To change the period of its duration.

Any or all such changes or alterations may be effected by one certificate of amendment.

The Board shall adopt a resolution setting forth the amendment proposed, declaring its advisability, and either calling a special meeting of the stockholders entitled to vote in respect thereof for the consideration of such amendment or directing that the amendment proposed be considered at the next annual meeting of the stockholders. Such special or annual meeting shall be called and held upon notice. The notice shall set forth such amendment in full or a brief summary of the changes to be effected thereby, as the directors shall

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<sup>5</sup> Bylaws are the rules of a corporation established by the Board of Directors when a corporation is formed.

deem advisable. At the meeting a vote of the stockholders entitled to vote thereon shall be taken for and against the proposed amendment. If a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote thereon as a class has been voted in favor of the amendment, a certificate setting forth the amendment and certifying that such amendment has been duly adopted in accordance with Section 242 of the DGCL shall be executed, acknowledged and filed and shall become effective.

Subject to the provisions of the Certificate of Incorporation, the Bylaws may be amended upon approval by a majority of the Issuer's capital stock or by a majority of the entire Board.

**Right to Receive Liquidation Distributions.** Upon a liquidation, dissolution or winding-up of the Issuer the assets legally available for distribution to stockholders are distributable ratably among the holders of the Shares outstanding at that time after payment of any liquidation preferences on any outstanding preferred stock.

**No Preemptive, Redemptive or Conversion Provisions.** The Shares are not entitled to preemptive rights and are not subject to conversion or redemption.

## 6.7 Transferability

The Shares in this offering under the ESPP are registered on a registration statement on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide Shares for investment and not for resale. The Issuer does not, however, intend to restrict or influence any Participant in the conduct of his or her own affairs. A Participant, therefore, may sell Shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws. THE PARTICIPANT ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES.

## 6.8 General Provisions Applying to Business Combinations

The Issuer is subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any "business combination" with an "interested stockholder" for a period of three years following the time that such stockholder became an interested stockholder, unless:

- the Board of Directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an "interested stockholder" is a person or group who or which owns 15% or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

A Delaware corporation, such as the Issuer may “opt out” of this provision with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. However, the Issuer has not “opted out” of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire the Issuer.

Section 253 of the DGCL authorizes the Board of Directors of a Delaware corporation that owns 90% or more of each of the outstanding classes of stock of a subsidiary that are entitled to vote on a merger to merge the subsidiary into itself without any requirement for action to be taken by the Board of Directors of the subsidiary.

**VII. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF DECEMBER 31, 2018**

**7.1 Capitalization and Indebtedness (in millions of US\$ - unaudited)**

Total Current debt	942
- Guaranteed	-
- Secured <sup>6</sup>	46
- Unguaranteed / Unsecured	896
 Total Non-Current debt (excluding current portion of long-term debt)	 6285
- Guaranteed	-
- Secured <sup>6</sup>	103
- Unguaranteed / Unsecured	6,182
 Shareholder’s equity	
a. Share Capital	18,659
b. Legal Reserve	-
c. Other Reserves	-
Total	18,659

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<sup>6/6</sup> The secured assets concern liens or similar types of security granted on properties or equipment leased by the Company.

## 7.2 Net Indebtedness (in millions of US\$ - Unaudited)

A. Cash	2,429
B. Cash Equivalents	1,294
C. Trading Securities	57
<b>D. Liquidity (A) + (B) + (C)</b>	<b>3,780</b>
<b>E. Current Financial Receivable</b>	<b>5,969</b>
F. Current Bank debt	-
G. Current portion of non-current debt	-
H. Other current financial debt	942
<b>I. Current Financial Debt (F) + (G) + (H)</b>	<b>942</b>
<b>J. Net Current Financial Indebtedness (I) – (E) – (D)</b>	<b>[9682]</b>
K. Non-current Bank loans	-
L. Bonds Issued	6288
M. Other non current loans	5
<b>N. Non-current Financial Indebtedness (K) + (L) + (M)</b>	<b>6293</b>
<b>O. Net Financial Indebtedness (J) + (N)</b>	<b>3389</b>

## 7.3 Indirect and Contingent Indebtedness

### Contractual obligations

In the table below, we set forth our contractual obligations as of December 31, 2018. Certain amounts included in this table are based on our estimates and assumptions about these obligations, including their duration, anticipated actions by third parties and other factors. The contractual obligations we will actually pay in future periods may vary from those reflected in the table because the estimates and assumptions are subjective.

(In millions)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Total debt and capital lease obligations <sup>(1)</sup>	\$ 6,989	\$ 942	\$ 562	\$ 1,272	\$ 4,213
Estimated interest payments <sup>(2)</sup>	3,716	239	473	404	2,600
Operating leases <sup>(3)</sup>	846	186	262	132	266
Purchase obligations <sup>(4)</sup>	1,507	1,388	86	25	8
<b>Total</b>	<b>13,058</b>	<b>2,755</b>	<b>1,383</b>	<b>1,883</b>	<b>7,087</b>

(1) Amounts represent the expected cash payments for the principal amounts related to our debt, including capital lease obligations. Amounts for debt do not include any deferred issuance costs or unamortized discounts or premiums including step up in the value of the debt on the acquisition of Baker Hughes. Expected cash payments for interest are excluded from these amounts. Total debt and capital lease obligations includes \$896 million payable to GE and its affiliates. As there is no fixed payment schedule on the amount payable to GE and its affiliates we have classified it as payable in less than one year.

(2) Amounts represent the expected cash payments for interest on our long-term debt and capital lease



obligations.

- (3) Amounts represent the future minimum payments under noncancelable operating leases with initial or remaining terms of one year or more. We enter into operating leases, some of which include renewal options, however, we have excluded renewal options from the table above unless it is anticipated that we will exercise such renewals. See further information below.
- (4) Purchase obligations include expenditures for capital assets for 2019 as well as agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Due to the uncertainty with respect to the timing of potential future cash outflows associated with our uncertain tax positions, we are unable to make reasonable estimates of the period of cash settlement, if any, to the respective taxing authorities. Therefore, \$597 million in uncertain tax positions, including interest and penalties, have been excluded from the contractual obligations table above.

We have certain defined benefit pension and other post-retirement benefit plans covering certain of our U.S. and international employees. During 2018, we made contributions and paid direct benefits of approximately \$72 million in connection with those plans, and we anticipate funding approximately \$41 million during 2019. Amounts for pension funding obligations are based on assumptions that are subject to change, therefore, we are currently not able to reasonably estimate our contribution figures after 2019.

At December 31, 2018, we had long-term non-cancelable operating leases covering certain facilities and equipment. The minimum annual rental commitments, net of amounts due under subleases, for each of the five years in the period ending December 31, 2023 are \$186 million, \$154 million, \$108 million, \$77 million and \$55 million, respectively, and \$266 million in the aggregate thereafter. Rent expense was \$579 million, \$360 million and \$200 million for the years ended December 31, 2018, 2017 and 2016, respectively. We did not enter into any significant capital leases during the three years ended December 31, 2018.

## **Legal Proceedings**

We are subject to a number of lawsuits and claims arising out of the conduct of our business. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. We record a liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, including accruals for self-insured losses which are calculated based on historical claim data, specific loss development factors and other information.

A range of total possible losses for all litigation matters cannot be reasonably estimated. Based on a consideration of all relevant facts and circumstances, we do not expect the ultimate outcome of currently pending lawsuits or claims against us, other than those discussed below, will have a material adverse effect on our financial position, results of operations or cash flows, however, there can be no assurance as to the ultimate outcome of these matters.

With respect to the litigation matters below, if there was an adverse outcome individually or collectively, there could be a material impact on our business, financial condition and results of operations expected for the year. These litigation matters are subject to inherent uncertainties and management's view of these matters may change in the future. Therefore, there can be no assurance as to the ultimate outcome of these matters.

During 2014, we received notification from a customer related to a possible equipment failure in a natural gas storage system in Northern Germany, which includes certain of our products. The customer initiated arbitral proceedings against us on June 19, 2015, under the rules of the German Institute of Arbitration e.V. ("DIS"). On August 3, 2016, the customer amended its claims and alleged damages of €202 million plus interest at an annual rate of prime + 5%. Hearings before the arbitration panel were held January 16, 2017 through January 23, 2017, and March 20, 2017 through March 21, 2017. In addition, on September 21, 2015, TRIUVA Kapitalverwaltungsgesellschaft mbH filed a lawsuit in the United States District Court for the Southern District of Texas, Houston Division against the Company and Baker Hughes Oilfield Operations, Inc. alleging that the plaintiff is the owner of gas storage caverns in Etzel, Germany in which the Company provided certain equipment in connection with the development of the gas storage caverns. The plaintiff

further alleges that the Company supplied equipment that was either defectively designed or failed to warn of risks that the equipment posed, and that these alleged defects caused damage to the plaintiff's property. The plaintiff seeks recovery of alleged compensatory and punitive damages of an unspecified amount, in addition to reasonable attorneys' fees, court costs and pre-judgment and post-judgment interest. The allegations in this lawsuit are related to the claims made in the June 19, 2015 German arbitration referenced above. On June 7, 2018, the DIS arbitration panel issued a confidential Arbitration Ruling which addressed all claims asserted by the customer. The estimated financial impact of the Arbitration Ruling has been reflected in the Company's financial statements and did not have a material impact. The Company is vigorously contesting the claims made by TRIUVA in the Houston Federal Court. At this time, we are not able to predict the outcome of the claims asserted in the Houston Federal Court.

On July 31, 2015, Rapid Completions LLC filed a lawsuit in federal court in the Eastern District of Texas against Baker Hughes Incorporated, Baker Hughes Oilfield Operations, Inc., and others claiming infringement of U.S. Patent Nos. 6,907,936; 7,134,505; 7,543,634; 7,861,774; and 8,657,009. On August 6, 2015, Rapid Completions amended its complaint to allege infringement of U.S. Patent No. 9,074,451. On September 17, 2015, Rapid Completions and Packers Plus Energy Services Inc. sued Baker Hughes Canada Company in the Canada Federal Court on the related Canadian patent 2,412,072. On April 1, 2016, Rapid Completions removed U.S. Patent No. 6,907,936 from its claims in the lawsuit. On April 5, 2016, Rapid Completions filed a second lawsuit in federal court in the Eastern District of Texas against Baker Hughes Incorporated, Baker Hughes Oilfield Operations, Inc. and others claiming infringement of U.S. Patent No. 9,303,501. These patents relate primarily to certain specific downhole completions equipment. The plaintiff has requested a permanent injunction against further alleged infringement, damages in an unspecified amount, supplemental and enhanced damages, and additional relief such as attorney's fees and costs. During August and September 2016, the United States Patent and Trademark Office (USPTO) agreed to institute an inter-partes review of U.S. Patent Nos 7,861,774; 7,134,505; 7,543,634; 6,907,936; 8,657,009; and 9,074,451. On August 29, 2017, the USPTO issued its final written decisions in the inter-partes reviews of U.S. Patent Nos. 8,657,009 and 9,074,451 finding that all claims of those patents were unpatentable. On August 31, 2017, the USPTO issued its final written decision in the inter-partes review of U.S. Patent 6,907,936 - the patent dropped from the lawsuit by the plaintiffs - finding that all claims of this patent were patentable. On October 27, 2017, Rapid Completions filed its notices of appeal of the USPTO's final written decision in the inter-partes review of U.S. Patent Nos. 8,657,009 and 9,074,451. On September 26, 2018, the USPTO issued its final written decision in the inter-partes review of U.S. Patent No. 7,134,505 finding all of the challenged claims unpatentable. On September 27, 2018, the USPTO issued its final written decision in the inter-partes review of U.S. Patent No. 7,543,634 finding all of the challenged claims unpatentable. Trial on the validity of asserted claims from Canada patent 2,412,072, was completed March 9, 2017. On December 7, 2017, the Canadian Court issued its judgment finding the patent claims asserted from Canada patent 2,412,072 against Baker Hughes Canada Company were invalid. On January 5, 2018, Rapid Completions filed its Notice of Appeal of the Canadian Court's judgment of invalidity. At this time, we are not able to predict the outcome of these claims.

Following consummation of the Transactions, two purported holders of shares of Baker Hughes common stock, representing a total of 1,875,000 shares of common stock of Baker Hughes, filed petitions in the Court of Chancery of the State of Delaware seeking appraisal for their shares pursuant to Section 262 of the Delaware General Corporation Law. The action is captioned as follows: *GKC Strategic Value Master Fund, LP F/K/A GKC Appraisal Rights Master Fund, LP and Walleye Trading LLC v. Baker Hughes Incorporated*, Case No. 2017-0769. On July 12, 2018, the parties entered a Confidential Settlement Agreement and Release of all claims asserted by the two shareholders. The Settlement Agreement does not have a material impact on the Company's financial statements.

On February 17, 2017, GE Infrastructure Sensing, Inc. (now known as GE Infrastructure Sensing, LLC) ("GEIS"), a subsidiary of the Company, was served with a lawsuit filed in the Eastern District of New York by a company named Saniteq LLC claiming compensatory damages totaling \$500 million plus punitive damages of an unspecified amount. The complaint is captioned *Saniteq LLC v. GE Infrastructure Sensing, Inc.*, No. 17-cv-771 (E.D.N.Y 2017). The complaint generally alleges that GEIS breached a contract being negotiated between the parties and misappropriated unspecified trade secrets. On September 13, 2018, the District Court entered an Order granting GEIS' Motion for Summary Judgment dismissing Saniteq LLC's claims in their entirety as a matter of law. Saniteq LLC filed a notice of appeal from the District Court's Judgment. On February 6, 2019, the parties entered a Confidential Settlement Agreement and Release of all claims. The Settlement Agreement does not have a material impact on the Company's financial statements.

In January 2013, INEOS and Naphtachimie initiated expertise proceedings in Aix-en-Provence, France arising out of a fire at a chemical plant owned by INEOS in Lavera, France, which resulted in a 15-day plant shutdown and destruction of a steam turbine, which was part of a compressor train owned by Naphtachimie. The most recent quantification of the alleged damages is €250 million. Two of the Company's subsidiaries (and 17 other companies) were notified to participate in the proceedings. The proceedings are ongoing, and at this time, there is no indication that the Company's subsidiaries were involved in the incident. Although the outcome of the claims remains uncertain, BHGE's insurer has accepted coverage and is defending the Company in the expertise proceeding.

In late November 2017, staff of the Boston office of the SEC notified GE that they are conducting an investigation of GE's revenue recognition practices and internal controls over financial reporting related to long-term service agreements. The scope of the SEC's request may include some BHGE contracts, expected to be mainly in our TPS business. We have provided documents to GE and are cooperating with them in their response to the SEC. At this time, we are not able to predict the outcome of this review.

On July 31, 2018, International Engineering & Construction S.A. ("IEC") initiated arbitration proceedings in New York administered by the International Center for Dispute Resolution ("ICDR") against the Company and its subsidiaries arising out of a series of sales and service contracts entered between IEC and the Company's subsidiaries for the sale and installation of LNG plants and related power generation equipment in Nigeria (Contracts). Prior to the filing of the IEC Arbitration, the Company's subsidiaries made demands for payment due under the Contracts. On August 15, 2018, the Company's subsidiaries initiated a separate demand for ICDR arbitration against IEC for claims of additional costs and amounts due under the Contracts. On October 10, 2018, IEC filed a Petition to Compel Arbitration in the United States District Court for the Southern District of New York against the Company seeking to compel non-signatory BHGE entities to participate in the arbitration filed by IEC. The complaint is captioned International Engineering & Construction S.A. et al. v. Baker Hughes, a GE Company LLC, et al. No. 18-cv-09241 (S.D.N.Y 2018). IEC alleges breach of contract and other claims against the Company and its subsidiaries and seeks recovery of alleged compensatory damages, in addition to reasonable attorneys' fees, expenses and arbitration costs. IEC alleges that its total damages may exceed \$500 million. The Company intends to vigorously contest the claims made by IEC in the arbitration and litigation proceedings. At this time, we are not able to predict the outcome of these claims.

We insure against risks arising from our business 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 or future legal proceedings or other claims. Most of our 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.

## **VIII. MAXIMUM DILUTION AND NET PROCEEDS**

Unless otherwise defined, the defined terms used in this Section 8 have the meaning ascribed to them in Exhibit I to this prospectus.

### **8.1 Maximum Dilution**

A total of 15,000,000 shares are offered under the ESPP pursuant to this prospectus to 4,734 eligible employees in Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Switzerland and United Kingdom. As indicated in Part I Section E of the summary above, employees may not purchase Shares with a Fair Market Value of more than \$12,000 per calendar year in which such option is outstanding at any time. As noted above, there is an additional limitation on Share purchases, under which employees may not purchase more than 1,275 Shares in an Offering Period.

Offering Periods run during successive three month periods, which shall commence on January 1, April 1, July 1 and October 1 each calendar year.

Assuming that other ESPP limitations are not exceeded, on June 30 2019, being the final trading day of an Offering Period, Participants would be able to purchase a maximum of 1,275 Shares, being the maximum

number of Shares that may be purchased in an Offering Period. Shares are purchased at 85% of the Fair Market Value of the Shares on the last trading day in the Offering Period.

For each successive three month Offering Period, Participants would be able to purchase a further maximum of 1,275 Shares, provided the aggregate value of purchases does not exceed a Fair Market Value of \$12,000 in one calendar year.

Based on an assumed Fair Market Value of \$24.12, (based on the closing price of the Shares on July 18, 2018), Participants will meet the \$12,000 limit for 2019 after purchasing 2497 Shares. The maximum number of Shares offered pursuant to this prospectus amounts to 15,000,000 Shares.

Assuming that the Shares offered under this prospectus would all be newly issued, the holdings of a shareholder of the Company currently holding 1% of the total outstanding Class A share capital of the Company as of November 9, 2018 (*i.e.*, 412,188,510 shares) and who is not an eligible employee participating in the offer would be diluted as indicated in the following table:

	Percentage of the total outstanding Shares	Total number of outstanding Shares
Before the issuance of Shares under the ESPP (as of February 8, 2019)	1.00%	514,871,270
After issuance of 15,000,000 Shares under the ESPP	0.0097%	529,871,270

## 8.2 Net Proceeds

Assuming, using the example above, that the maximum amount of Shares under the ESPP offered pursuant to this prospectus, that is, a total of 15,000,000 Shares, then the gross proceeds of the Issuer in connection with the offer under the ESPP pursuant to this prospectus would be \$361,800,000. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$361,650,000. The net proceeds will be used for general corporate purposes.

## IX. DIRECTORS AND EXECUTIVE OFFICERS

### 9.1 Board of Directors

Name	Age
W. Geoffrey Beattie	58
Gregory D. Brenneman	56
Clarence P. Cazalot, Jr.	68
Martin S. Craighead	58
Lynn L. Elsenhans	61
Jamie S. Miller	49
James J. Mulva	71
John G. Rice	61
Lorenzo Simonelli	45

## 9.2 Executive Officers

Name	Age	Position
Lorenzo Simonelli	45	Chairman, President & Chief Executive Officer
Brian Worrell	49	Chief Financial Officer
Maria Claudia Borrás	50	President, Oilfield Services
Kurt Camilleri	44	Vice President, Controller and Chief Accounting Officer
Roderick Christie	56	President, Turbomachinery and Process Solutions
Matthias Heilmann	50	President, Digital Solutions
William D. Marsh	56	Chief Legal Officer
Derek Mathieson	48	Chief Marketing & Technology Officer
Neil Saunders	49	President, Oilfield Equipment
Uwem Ukpog	47	Chief Global Operations Officer

## 9.3 Directors and Executive Officers' Biographies

### Geoffrey Beattie

Mr. Beattie has been serving as a director of the Issuer since July 2017, and as the Lead Director of the Board since October 2017. He has been the Chief Executive Officer of Generation Capital, a private investment company based in Toronto, Canada, since September 2013. He served previously as Chief Executive Officer of the Woodbridge Company Limited, a privately held investment company and the majority shareholder of Thomson Reuters from March 1998 to December 2012, where he also served as Deputy Chairman from May 2000 to May 2013. Mr. Beattie was previously a partner of the law firm Torys LLP.

He currently serves on the boards of directors of GE, Maple Leaf Foods and Acasta Enterprises Inc. He also serves as the Chairman of Relay Ventures, a Canadian venture capital firm and as a director of DBRS Inc. (Dominion Bond Rating Service). Mr. Beattie is a GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Beattie's extensive leadership experience, investor experience and broad financial expertise, including in the area of risk management.

He is a member of the Audit committee and chair of the Governance & Nominating committee

### Gregory D. Brenneman

Mr. Brenneman has been serving as a director of the Issuer since July 2017. He has served as Executive Chairman of CCMP Capital Advisors, LLC since 2016, Chief Executive Officer from 2015 to 2016 and Chairman from 2008 to 2016. He has also served as Chairman and Chief Executive Officer of TurnWorks, Inc., a private equity firm, since 1994. Mr. Brenneman served as Executive Chairman of Quizno's Corporation from 2008 to 2010 and as its President and Chief Executive Officer from 2007 to 2008. He served on BHI's Board of Directors from 2014 through July 2017 and served on the boards of Automatic Data Processing, Inc., Milacron Holdings Corp and Francesca's Collections within the last five years.

He currently serves on the board of directors of The Home Depot, Inc. and PQ Corporation. Mr. Brenneman is a Non-GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Brenneman's leadership and financial experience in public companies including his service as a director of other public companies.

He is a member of the Conflicts, Compensation and Governance & Nominating committees.

### **Clarence P. Cazalot, Jr.**

Mr. Cazalot has been serving as a director of the Issuer since July 2017. He was the Executive Chairman of the Board of Marathon Oil Corporation from August 2013 to December 2013. Mr. Cazalot served as the Chairman of Marathon Oil Corporation from 2011 to 2013 and as President, Chief Executive Officer and a Director of Marathon Oil Corporation from 2002 to August 2013. He served on BHI's Board of Directors from 2002 to July 2017 and within the last five years, he served on the Board of FMC Technologies.

He currently serves as a director of Enbridge, Inc. Mr. Cazalot is a Non-GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Cazalot's role as a former chairman of a board, chief executive officer and president of a publicly traded energy company as well as his many years of experience in the global energy business.

He is a member of the Governance & Nominating committee and chair of the Conflicts committee.

### **Martin S. Craighead**

Mr. Craighead has been serving as a director of the Issuer since July 2017, and he is the Vice Chairman of the Board. He served as Chairman of the Board of BHI from April 2013 to July 2017 and as Director of the Board from 2011 to April 2013. Mr. Craighead served as Chief Executive Officer of BHI from January 2012 to July 2017 and President from 2010 to 2017.

Mr. Craighead currently serves as a director of PQ Corporation. Mr. Craighead is a Non-GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Craighead's leadership experience, global business experience and extensive background in the oil and gas industry.

He is a member of the Compensation committee.

### **Lynn L. Elsenhans**

Ms. Elsenhans has been serving as a director of the Issuer since July 2017. She was the Executive Chairman of Sunoco, Inc. from January 2009 until May 2012, and Chief Executive Officer and President from August 2008 until March 2012. She also served as Chairman of Sunoco Logistics Partners L.P. from October 2008 until May 2012, and Chief Executive Officer from July 2010 until March 2012. Ms. Elsenhans worked at Royal Dutch Shell for more than 28 years where she held a number of senior roles, including Executive Vice President, Global Manufacturing from 2005 to 2008. She served on BHI's Board of Directors from 2012 to July 2017 and was a director of Flowserve Corporation within the last five years.

Ms. Elsenhans is a member of the Board of Directors of GlaxoSmithKline. She is a Non-GE Director nominee pursuant to the terms of the Stockholders Agreement.

Ms. Elsenhans' positions as a former chairman and chief executive officer of a publicly traded energy company as well as her many years of leadership experience at a global oil and gas company.

She is a member of the Governance & Nominating and Conflicts committee, and chair of the Audit committee.

### **Jamie S. Miller**

Ms. Miller has been serving as a director of the Issuer since July 2017. She currently serves as the Senior Vice President and Chief Financial Officer of GE. Ms. Miller previously served as the Senior Vice President, GE and President and Chief Executive Officer, GE Transportation from October 2015 to October 2017 and Senior Vice President, Chief Information Officer for GE from April 2013 to September 2015. Ms. Miller joined GE in April 2008 as Vice President, Controller and Chief Accounting Officer and held this position until April 2013. Prior to joining GE, Ms. Miller served as the Senior Vice President and Controller of WellPoint, Inc. (now Anthem) and was a partner at PricewaterhouseCoopers LLP.

Ms. Miller is a GE Director nominee pursuant to the terms of the Stockholders Agreement.

Ms. Miller's extensive leadership experience in various businesses and functions across GE and with other firms, her global business experience and her technological, financial and accounting experience.

She is a member of the Governance & Nominating committee.

**James J. Mulva**

Mr. Mulva has been serving as a director of the Issuer since July 2017. He was the Chairman and Chief Executive Officer of ConocoPhillips from October 2004 until his retirement in June 2012. He is the former Chairman of the American Petroleum Institute.

Mr. Mulva currently serves on the boards of GE and General Motors Company and served on the board of Statoil within the last five years. Mr. Mulva is a GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Mulva's extensive leadership experience, global business experience, significant background in the oil and gas industry, as well as his public and private company board experience.

He is a member of the Audit and Compensation committee.

**John G. Rice**

Mr. Rice has been serving as a director of the Issuer since July 2017. He will retire as Vice Chairman, GE on March 31, 2018, and was the CEO, GE Global Growth Organization from November 2010 until December 2017. He served in other various leadership positions across GE, including Vice Chairman, GE and President and CEO of GE Technology Infrastructure from 2007 until November 2010, Vice Chairman of GE's industrial and infrastructure businesses from 2005 until 2007 and President and CEO of GE Energy from 2000 until 2005.

Mr. Rice currently serves as a director of Li and Fung. Mr. Rice is a GE Director nominee pursuant to the terms of the Stockholders Agreement.

Mr. Rice's extensive leadership experience in various businesses across GE, his global business experience and his experience with global energy and infrastructure markets from his current and prior roles at GE.

He is the Chair of the Compensation committee.

**Lorenzo Simonelli**

Mr. Simonelli has been serving as Chairman of the Board of Directors of the Issuer since October 2017, and as a Director and as Chief Executive Officer of the Company since July 2017. Before joining the Issuer in July 2017, Mr. Simonelli was the Senior Vice President, GE and President and Chief Executive Officer, GE Oil & Gas from October 2013 to July 2017. Before joining GE Oil & Gas, he was the President and Chief Executive Officer of GE Transportation from July 2008 to October 2013. Mr. Simonelli joined GE in 1994 and held various finance and leadership roles from 1994 to 2008.

Mr. Simonelli's extensive leadership experience in businesses and functions across GE, including as the Chief Executive Officer of GE O&G, in addition to his global experience, financial experience and extensive background in the oil and gas industry

**Brian Worrell**

Brian Worrell is the Chief Financial Officer of the Issuer. Prior to joining the Issuer in July 2017, he served as Vice President and Chief Financial Officer of GE Oil & Gas from January 2014 to July 2017. He previously held the position of Vice President, Financial Planning & Analysis for GE from 2010 to January 2014 and Vice President Corporate Audit Staff for GE from 2006 to 2010.

**Maria Claudia Borrás**

Maria Claudia Borrás is the President and Chief Executive Officer, Oilfield Services of the Company. Before

joining the Issuer in July 2017, she served as the Chief Commercial Officer of GE Oil & Gas from December 2014 to July 2017. Prior to joining GE Oil & Gas, she held various leadership positions at Baker Hughes Incorporated including President, Latin America from October 2013 to January 2015, President Europe Region from August 2011 to October 2013, Vice President, Global Marketing from May 2009 to July 2011 and other leadership roles at Baker Hughes Incorporated from 1994 to April 2009

#### **Kurt Camilleri**

Kurt Camilleri is the Vice President, Controller and Chief Accounting Officer of the Issuer. Prior to joining the Issuer in July 2017, he served as the Global Controller for GE Oil & Gas from July 2013 to July 2017. Mr. Camilleri served as the Global Controller for GE Transportation from January 2013 to June 2013 and the Controller for Europe and Eastern and African Growth Markets for GE Healthcare from 2010 to January 2013. He began his career in 1996 with Pricewaterhouse in London, which subsequently became PricewaterhouseCoopers.

#### **Roderick Christie**

Rod Christie is the President and Chief Executive Officer of Turbomachinery & Process Solutions of the Company. Prior to joining the Issuer in July 2017, he served as the Chief Executive Officer of Turbomachinery & Process Solutions at GE Oil & Gas from January 2016 to July 2017. He served as the Chief Executive Officer of GE Oil & Gas' Subsea Systems & Drilling Business from August 2011 to 2016 and held various other leadership positions within GE between 1999 to 2011.

#### **Matthias Heilmann**

Matthias Heilmann is the President and Chief Executive Officer of Digital Solutions of the Issuer. Prior to joining the Issuer in July 2017, he served as the Chief Digital Officer, President & Chief Executive Officer of Digital Solutions within GE Oil & Gas from 2016 through July 2017. Prior to joining GE Oil & Gas, he led ABB's Global Product Group Enterprise Software business from June 2014 to January 2016. He served as the Chief Operating Officer of Ryerson Holding Corporation from March 2010 until January 2012 and served as Executive Vice President and Chief Operating Officer of Ryerson Inc. from January 2009 to January 2012.

#### **William D. Marsh**

William D. Marsh is the Chief Legal Officer of the Issuer. Prior to joining the Issuer in July 2017, he served as the Vice President and General Counsel of Baker Hughes Incorporated from February 2013 to July 2017. He previously served as the Vice President-Legal for Western Hemisphere at Baker Hughes Incorporated from May 2009 to February 2013 and held various executive, legal and corporate roles within Baker Hughes Incorporated from 1998 to 2009.

#### **Derek Mathieson**

Derek Mathieson is the Chief Marketing and Technology Officer of the Issuer. Prior to joining the Company in July 2017, he served in various leadership roles at Baker Hughes Incorporated including Chief Integration Officer from October 2016 to July 2017; Chief Commercial Officer from May 2016 to October 2016; Chief Technology and Marketing Officer from September 2015 to May 2016; Chief Strategy Officer from October 2013 to September 2015; President Western Hemisphere Operations from 2012 to 2013; President, Products and Technology from May 2009 to January 2012; and Chief Technology and Marketing Officer from December 2008 to May 2009.

#### **Neil Saunders**

Neil Saunders is the President and Chief Executive Officer of Oilfield Equipment of the Issuer. Prior to joining the Issuer in July 2017, he served as the President and Chief Executive Officer of the Subsea Systems & Drilling business at GE Oil & Gas from July 2016 to July 2017 and the Senior Vice President for Subsea Production Systems from August 2011 to July 2016. He served in various leadership roles within GE Oil & Gas from 2007 to August 2011



## **Uwem Ukpog**

Uwem Ukpog is the Chief Global Operations Officer of the Company. Prior to this role, he served as the Chief Integration Officer of the Company from July 2017 to January 2018. He served as Vice President, Baker Hughes Integration for GE Oil & Gas from October 2016 to July 2017 and President and CEO of the GE Oil & Gas Surface Business from January 2016 to October 2016. He held various technical and leadership roles at Schlumberger from 1993 to 2015.

### **9.4 General: conflicts of interest**

The Board expects its directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's Code of Conduct. The Company will not make any personal loans or extensions of credit to directors or executive officers. No independent director may provide personal services for compensation to the Company or GE, other than in connection with serving as a director. The Board will not permit any waiver of any ethics policy for any director or executive officer.

If an actual or potential conflict of interest arises for a director, the director will promptly inform the chairman/CEO and the lead director. The Governance & Nominating Committee will resolve any such conflicts, subject to the specific rules governing Related Party Transactions, as defined and further described below. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Governance & Nominating Committee will resolve any conflict of interest question involving the CEO or an executive officer reporting directly to the CEO, and the CEO will resolve any conflict of interest issue involving any other officer of the Company.

The Company is not aware of any existing or potential conflicts of interest.

### **9.5 Executive Benefits**

BHI and GE O&G benefits remained in place for corresponding legacy executives throughout 2017. Each legacy benefit plan offers a variety of health and welfare and retirement programs to all eligible employees. The Senior Executives are generally eligible for the same broad-based benefit programs on the same basis as the rest of our employees who work in the United States. Programs that provide different levels of benefits for Senior Executives are noted in the descriptions below, including long-term disability, life insurance, the BHI Supplemental Retirement Plan (the "SRP"), the GE Supplementary Pension Plan, the Executive Severance Plan, and financial counseling. We routinely benchmark our benefits programs against the competitive market and make modifications as we deem appropriate. Outlined below is a summary of legacy benefits provided to executives of BHI and GE O&G respectively. A new set of streamlined executive benefits are currently under consideration and will be phased in as appropriate.

#### **BHI Executive Benefits**

Legacy BHI executives are eligible for BHI executive benefits, including Messrs. Chariag, Mathieson, and Marsh. Former named executive officers of BHI ("BHI NEOs") were also eligible for these benefits.

#### **Disability**

The BHI long-term disability program provides continuation of a percentage of the employee's base pay up to age 65 if the employee has a qualifying disability lasting longer than 26 weeks. Disability coverage options include Company paid core coverage equal to 50% income replacement or optional buy-up coverage equal to 60% income replacement. Senior Executives receive the buy-up option at no cost.

#### **Life Insurance and Accidental Death and Dismemberment**

The BHI life insurance and accidental death and dismemberment programs provide financial protection for employees or their beneficiaries in the event of death. The Company provides life insurance and accidental death and dismemberment coverage at two times pay for Senior Executives. Senior Executives may purchase additional life insurance and accidental death and dismemberment coverage from one to six times pay. All employees have the option of purchasing supplemental life insurance, spouse and child life insurance as well as voluntary accidental death and dismemberment insurance. Various limits apply to

each program.

## **Retirement Plans**

The SRP is a nonqualified defined contribution retirement plan intended to supplement the retirement benefits of a select group of management and provides for a basic contribution of 5% of the participant's elective deferral under the SRP and 5% of the sum of the participant's base compensation and bonus for the calendar year (whether or not deferred) that exceeds the dollar limit under Section 401(A)(17) of the Code (\$270,000 in 2017); the applicable age-based contribution that would have been made under the BHI Thrift Plan but for the participant's elective deferral under the SRP or the dollar limit under Section 401(A)(17) of the Internal Revenue Code ("Code"); and the applicable age-based contribution that would have been made under the BHI Pension Plan but for the participant's elective deferral under the SRP or the dollar limit under Section 401(A)(17) of the Code; plus deemed interest credits based upon the rate of earnings on selected notional investment funds.

The amounts of the BHI Thrift Plan and BHI SRP contributions and accruals for 2017 for legacy BHI NEOs are included in the Summary Compensation Table (under the All Other Compensation column). The changes in values of the BHI Pension Plan actuarial present values of the accumulated benefits of legacy BHI NEOs are set forth in the Summary Compensation Table (under the Change in Pension Value column).

## **BHI Change in Control Agreements**

BHI had entered into change in control agreements ("Change in Control Agreements") with the Senior Executives, as well as certain other Executives. The Change in Control Agreements are described in the Payments Upon a Change in Control section. The BHI Change in Control Agreements that applied to covered Executives who continued with BHGE were terminated in connection with the closing of the Transactions.

As part of the "Stay and Win" packages, BHI NEOs who continued with BHGE waived eligibility for future CIC benefits under the Change in Control Agreements. The "Stay and Win" packages are described below in the Payments Upon Termination section.

## **Legacy GE Oil & Gas Executive Benefits**

Messrs. Simonelli and Worrell are eligible for the following GE O&G executive benefits.

### **Life Insurance**

GE provides taxable payments to cover premiums for universal life insurance policies for legacy GE O&G Named Executive Officers, which includes our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers ("NEOs" or "Senior Executives"). These policies include: (1) Executive Life, which provides universal life insurance policies for the NEOs totaling \$3 million in coverage at the time of enrollment and increased 4% annually thereafter; and (2) Leadership Life, which provides universal life insurance policies for the named executives with coverage of 2X their annual pay (salary + most recent bonus).

### **Retirement Plans**

GE provides retirement benefits to the legacy GE O&G NEOs under the same GE Pension Plan and GE Supplementary Pension Plan in which other eligible GE employees participate. A portion of the benefits accrued under these plans is allocated to BHGE based on the NEOs' service with BHGE since July 2017 in relation to the NEOs' combined service with GE (i.e., prior to July 2017) and BHGE. The Pension Plan is a funded, tax-qualified plan. The Supplementary Pension Plan, which increases retirement benefits above amounts available under the Pension Plan, is an unfunded, unsecured obligation of GE O&G and is not qualified for tax purposes.

The GE Pension Plan is a broad-based retirement program that is closed to new participants. Eligible employees vest in the plan after five years of qualifying service. The plan also requires employee contributions, which vest immediately.

The GE Supplementary Pension Plan is an unfunded and non-tax-qualified retirement program that is offered to eligible employees in the executive band and above, including the NEOs, that provides retirement

benefits above amounts available under the other GE pension programs. This plan has been closed to new participants since 2011.

### **Baker Hughes Executive Benefits**

Harmonized benefits are being reviewed and benchmarked against the competitive market and will be implemented as internal systems and processes allow.

### **Executive Severance Plan**

The Executive Severance Plan provides assistance to Executives, including Senior Executives, while they seek other employment following involuntary separation from service. Under the Plan, Executives are eligible for severance of 9 to 12 months of base salary, based on their positions in the Company, and outplacement services for 12 months. Our NEOs also have additional severance benefits through individual agreements or "Stay and Win" agreements, which are described in the Payments Upon Change in Control or Termination section.

### **Financial Counseling**

In addition to Company-wide benefits, both BHI and GE O&G provide Senior Executives elective Company-paid professional financial planning and tax preparation services through a third party. We believe this service improves their understanding of the compensation and benefits programs offered by the Company and serves to maximize the retention and engagement value of our programs. It also allows them to more fully concentrate on our business success and comply with plan requirements. We do not reimburse executives for taxes paid on income attributable to this benefit.

### **Indemnification Agreements**

We entered into an indemnification agreement with each of our directors and Senior Executives. These agreements provide that we will indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers, to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such persons under any directors' and officers' liability insurance policy we choose, in our discretion, to maintain. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted in the State of Delaware and are in addition to any other rights the indemnitee may have under the Company's Certificate of Incorporation, Second Amended and Restated Bylaws and applicable law. We believe these indemnification agreements enhance our ability to attract and retain knowledgeable and experienced Senior Executives and directors.

### **Stay and Win Award Agreements**

Prior to the Transactions, legacy BHI executives Belgacem Chariag, Derek Mathieson, and William D. Marsh accepted "Stay and Win" awards to continue with the Company which included a waiver by the executive of all rights and claims for any termination payments provided under existing BHI change in control agreements or plans. These awards included a special equity "Founders Grant," a cash retention award, and certain benefits if involuntarily terminated within three years of the Transactions, including:

- full vesting of Founders Equity Grant restricted stock units ("RSU's") and any outstanding RSUs granted by BHI;
- cash severance payment equal to 18 months of base salary plus any unpaid portion of the cash retention award;
- prorated target bonus; and
- continuation of excise tax gross-up for these executives that will expire at the end of the transition period.

The "Stay and Win" awards were offered as an inducement to certain legacy BHI executives by replacing benefits they would have been entitled to under their legacy BHI change in control agreements. While the award letter provides for a continuation of the excise tax gross-up that were included in the legacy BHI change in control agreements, it should be noted that these are the only agreements at the Company that provide for an excise tax gross-up and that upon their expiration in three years, no employees of the Company will have agreements providing for excise tax gross-ups.

The Founders Grants were made following the closing of the Transactions and consist of equity awards with respect to shares of the Issuer's Common Stock (with RSUs comprising 75% of the grant and stock options comprising 25% of the grant). The awards vest one-third on each of the first three anniversaries of the grant date. The cash retention awards vest and become payable in three equal installments in January of 2018, 2019 and 2020.

Stay and Win Award	Belgacem Chariag	Derek Mathieson	William D. Marsh
Founders Grant FMV	\$3,500,000	\$2,425,000	\$1,900,000
Cash Retention Award	\$2,250,000	\$2,100,000	\$1,500,000

### 9.6 Potential Payments Upon Change in Control or Termination

The Company does not have change in control agreements or provide excise tax gross-ups on any payments associated with a change in control. Some of our compensation plans that apply on the same basis to other employees, however, contain provisions with narrow change in control definitions that generally provide benefits only if an employee is terminated without Cause or resigns for Good Reason within 12 months following a change in control. A reduction in GE's ownership stake in the Company generally would not constitute a change in control.

All legacy BHI NEOs who continued with the Company waived eligibility for future benefits under BHI agreements or plans in consideration of their offer and "Stay & Win" package to continue with the Company (described in the CD&A). For these executives, at the closing of the Transactions, all outstanding restricted stock awards and RSUs granted before October 30, 2016 became fully vested and non-forfeitable and they received a pro-rata annual bonus per the terms of the BHI AIP. The "Stay and Win" Awards are described above and in the Payments Upon Termination section.

Under the Company's Executive Officer Short-Term Incentive Compensation Plan, in the event of a change in control and involuntary termination, the participant will receive an amount equal to his or her annual target bonus for the year of termination multiplied by a fraction, the numerator of which equals the number of days that have elapsed since the beginning of the performance period through and including the date of termination, and the denominator of which equals the number of days in the performance period. Payment of such prorated awards will be made at the same time and in the same manner as awards are paid to other participants whose employment continues.

Under the Company's 2017 Long-Term Incentive Plan (the "LTIP"), there is no prescribed treatment of outstanding equity awards, though the Compensation Committee has discretion to take actions it deems necessary. The equity award agreements provide that, in the event of a change in control and involuntary termination for grants held over one year, restrictions on all RSUs immediately lapse, and any unvested options become immediately vested and exercisable.

"Change in Control" under the LTIP generally means:

- the acquisition of at least 50% of the total voting power represented by the Issuer's then-outstanding voting securities, other than any acquisition directly from the Issuer or by the Issuer, General Electric Company or any of their affiliates;
- a merger or consolidation of the Issuer with any other entity, unless the voting securities of the Company continue to represent at least 50% of the total voting power represented by the voting securities of the Issuer or such surviving entity or its parent; or
- a sale or disposition by the Issuer of all or substantially all of its assets, other than a sale or disposition to an entity at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Issuer in substantially the same proportions as their ownership of the Issuer.

### Payments Upon Involuntary Termination of Employment Not In Connection With a Change in Control

The Company's Executive Severance Plan provides that, on an involuntary termination of employment, Senior Executives receive 12 months of continued base salary and outplacement, and an amount equal to

the Senior Executive's earned annual incentive bonus, prorated based on the number of months that the Senior Executive participated in the annual incentive bonus plan during the calendar year. Senior Executives are also generally provided up to 12 months of Health and Life Insurance benefits.

Separately, our NEOs have certain benefits under individual agreements or "Stay and Win" awards.

- Messrs. Simonelli and Worrell are eligible for benefits under the Company's Executive Severance Plan plus (a) an additional six months of base salary and (b) 1.5 times the greater of the last annual bonus and the average of the last three year bonuses (applying the bonuses earned prior to employment by the Company if needed).

- For a period of three years following the closing of the Transactions, in exchange for waiving termination benefits under the BHI Change in Control Agreements, Messrs. Chariag, Mathieson and Marsh are eligible for certain severance benefits as a "Safety Net" under their "Stay and Win" awards described in the CD&A. These benefits include lump sum payments for 18 months of salary, accelerated payment of amounts under the cash retention plan, vesting of outstanding "Founder's Grant" RSUs and any outstanding RSUs granted by BHI, pro-rata bonus, outplacement, a gross-up of any excise tax imposed on "excess" change in control payments under Section 4999 of the Internal Revenue Code, and, other than for Mr. Chariag, interest on any payment that is subject to a six-month delay under Section 409A of the Internal Revenue Code. As previously mentioned, these benefits will expire after three years and that time no employees within the Company will have excise tax gross-ups.

Any amounts payable under the Executive Severance Plan are reduced by the amount of any severance payments payable to the Senior Executive under any other plan, program or individual contractual arrangement.

#### **Payments in the Event of a Change in Control without Termination of Employment**

If a Change in Control were to have occurred on December 31, 2017, or any other date, and the Senior Executives did not incur a termination of employment, the Senior Executives would not have been entitled to any payments in connection with the Change in Control.

#### **Payments in the Event of a Change in Control and Termination of Employment by the Senior Executive for Good Reason or by the Company or its Successor Without Cause**

In addition to the benefits described above under "Payments Upon Involuntary Termination of Employment Not In Connection With a Change in Control", if a Senior Executive is terminated without Cause or for Good Reason within 12-months following a Change in Control, pursuant to the equity award agreements, if the awards were granted more than one year before the termination date, the restrictions on the RSUs will immediately lapse, and any unvested options will become immediately vested and exercisable.

#### **Termination of Employment for Any Reason**

If a Senior Executive had terminated employment with the Company on December 31, 2017 for any reason, including resignation or involuntary termination of employment for cause, the Senior Executive would have been entitled to receive those vested benefits to which the Senior Executive is entitled under the terms of the employee benefit plans in which the Senior Executive is a participant as of the Senior Executive's date of termination of employment.

#### **Payments Upon Disability**

If the Senior Executive had terminated employment with the Company on December 31, 2017 due to disability, the Senior Executive would have received the following:

- all outstanding RSUs that have been held for at least one year would have become fully vested and non-forfeitable;
- all outstanding stock options that have been held for at least one year would have become fully vested and exercisable;
- an amount equal to the Senior Executive's earned annual incentive bonus, prorated based on the number of months of the Senior Executive's participation in the annual incentive bonus during the calendar year; and

- for Messrs. Chariag, Mathieson and Marsh, any other termination benefits described in “Payments Upon Involuntary Termination of Employment Not In Connection With a Change in Control” above.

### **Payments Upon Death**

If a Senior Executive had terminated employment with us on December 31, 2017 due to death, the Senior Executive would have received the following:

- all outstanding RSUs granted by us would have become fully vested and non-forfeitable;
- all outstanding stock options granted by us would have become fully vested and exercisable;
- an amount equal to the Senior Executive's annual target bonus; and
- for Messrs. Chariag, Mathieson and Marsh, any other termination benefits described in “Payments Upon Involuntary Termination of Employment Not In Connection With a Change in Control” above.

### **Payments Upon Retirement**

If a Senior Executive had met retirement eligibility of 60 years old with 5 years of service on December 31, 2017, the Senior Executive would have received the following benefits:

- all outstanding RSUs that have been held for at least one year would have become fully vested and non-forfeitable;
- all outstanding stock options that have been held for at least one year would have become fully vested and exercisable.

### **Legacy BHI Change in Control Agreements**

BHI had previously entered into Change in Control Agreements with the legacy BHI Senior Executives, as well as certain other Executives. The actual payments that were made to the Senior Executives on July 3, 2017 in connection with the closing of the Transactions are as follows:

- all outstanding options to acquire BHI common stock, granted prior to October 30, 2016, became fully vested and immediately exercisable;
- all outstanding restricted stock awards and RSUs granted prior to October 30, 2016 became fully vested and non-forfeitable;
- all outstanding performance-based RSUs granted after October 30, 2016 converted to an equal number of service-based RSUs;
- an amount equal to the Senior Executive's annual incentive bonus computed as if the target level of performance had been achieved, multiplied by a fraction, the numerator of which is the number of the Senior Executive's months of participation during the calendar year through the closing date, and the denominator of which is 12;
- accelerated vesting of the Senior Executive's accounts under the SRP, to the extent not already vested; and
- reimbursement for any legal fees and expenses incurred by the Senior Executive in seeking in good faith to enforce the Change in Control Agreement or in connection with any tax audit or proceeding relating to the application of parachute payment excise taxes to any payment or benefit under the Change in Control Agreement.

In addition, the Senior Executives were also entitled to the following payments on involuntary termination following the closing of the Transactions:

- a lump-sum payment equal to three times the Senior Executive's highest base salary (as defined in the Change of Control Agreement);
- a lump-sum payment equal to the Senior Executive's highest bonus amount (as defined in the Change of Control Agreement), prorated based upon the number of days of service during the performance period (reduced by any payments received by the Senior Executive under the Company's annual incentive bonus, in connection with the Change in Control, if the termination of employment occurred during the same calendar year in which the Change in Control occurred);
- a lump-sum payment equal to three times the greater of the Senior Executive's (a) earned highest bonus amount or (b) highest base salary, multiplied by the Senior Executive's applicable multiple, which, as of

July 3, 2017, was 1.2 for Messrs. Craighead, Soucy and Williams and 1.0 for Ms. Ross;

- all outstanding restricted stock awards and RSUs granted on or after October 30, 2016 became fully vested and non-forfeitable;
- continuation of accident and health insurance benefits for an additional three years;
- a lump-sum payment equal to the sum of the cost of the Senior Executive's perquisites in effect prior to termination of employment for the remainder of the calendar year and for an additional three years;
- a lump-sum payment equal to the undiscounted value of the benefits the Senior Executive would have received had the Senior Executive continued to participate in the Thrift Plan, the Pension Plan and the SRP for an additional three years, assuming for this purpose that:
  - (1) the Senior Executive's compensation during that three-year period were his or her highest base salary and highest bonus amount; and
  - (2) the Senior Executive's contributions to and accruals under those plans remained at the levels in effect as of the date of the Change in Control or the date of termination, whichever is greater;
- eligibility for our retiree medical program if the Senior Executive would have become entitled to participate in that program had he or she remained employed for an additional three years. The value of this benefit is the aggregate value of the medical coverage utilizing the assumptions applied under FASB ASC Topic 715, Compensation-Retirement Benefits;
- a lump-sum payment equal to 36 multiplied by the monthly basic life insurance premium applicable to the Senior Executive's basic life insurance coverage on the date of termination;
- a lump-sum payment of \$30,000 for outplacement services;
- a lump-sum payment equal to the amount of interest that would be earned on any of the foregoing payments subject to a six-month payment delay under Section 409A using the six-month London Interbank Offered Rate plus two percentage points; and
- for grandfathered Senior Executives, a lump-sum cash payment (a "gross-up" payment) in an amount equal to any excise taxes imposed under the "golden parachute" rules on payments and benefits received in connection with the Transactions.

## **9.7 Fraudulent Offences and Bankruptcy, Etc.**

For at least the previous five years, none of the directors or executive officers of the Issuer has:

- (a) been convicted in relation to fraudulent offenses;
- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Baker Hughes; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the executive officers and directors listed above.

## **X. EMPLOYEES**

### **10.1 Directors and Executive Officers' Holdings of Shares and Options**

The following table sets forth information, calculated as of March 19, 2018, regarding (i) each director and NEO of the Issuer and (ii) all of the Issuer's directors and executive officers as a group. The address of each director, director nominee and executive officer shown in the table below is c/o the Issuer. Attention: Secretary.

## Shares Beneficially Owned

<u>Name</u>	<u>Shares Owned as of March 19, 2018</u>	<u>Shares Subject to Options and RSUs Which Are or Will Become Exercisable or Vested Prior to May, 18 2018</u>	<u>Total Beneficial Ownership as of March 19, 2018</u>	<u>% of Class (1)</u>
W Geoffrey Beattie	7,900	4,176	12,076	-
Gregory D. Brenneman	97,666	4,176	101,842	-
Clarence P. Cazalot, Jr.	39,198	13,776	52,974	-
Martin S Craighead	502,455	600,599	1,103,054	-
Lynn L. Elsenhans	24,640	17,293	41,933	-
Jamie S. Miller	-	-	-	-
James J. Mulva	1,204	4,176	5,380	-
John G Rice	5,000	-	5,000	-
Lorenzo Simonelli	9,139	-	9,139	-
Brian Worrell	2,801	-	2,801	-
Belgacem Chariag	220,147	174,194	394,341	-
Derek Mathieson	83,080	85,807	168,887	-
William D. Marsh	29,006	47,890	76,896	-
Kimberly Ross	84,001 <sup>(2)</sup>	-	84,001	-
Arthur L. Soucy	43,785 <sup>(3)</sup>	150,325	194,110	-
Richard L. Williams	42,989 <sup>(4)</sup>	53,217	96,206	-
All directors and executive officers as a group (19 persons) <sup>(5)</sup>	1,025,736	975,411	2,001,147	-

(1) No percent of class is shown for holdings of less than 1%.

(2) Ms. Ross' ownership is reported as of July 3, 2017, the date she separated from BHI as Chief Financial Officer.

(3) Mr. Soucy's ownership is reported as of July 3, 2017, the date he separated from BHI as President, Products & Technology.

(4) Mr. Williams' ownership is reported as of January 25, 2016, the date of his last BHI Form 4 filing.

(5) The totals in this row include the NEOs, current directors and all officers subject to reporting obligations under Section 16 of the Exchange Act.

### 10.2 Employee participation

In July 2017, we adopted the Company's 2017 Long-Term Incentive Plan ("LTI Plan") under which we may grant stock options and other equity-based awards to employees and non-employee directors providing services to the Company and our subsidiaries. A total of up to 57.4 million shares of Class A common stock are authorized for issuance pursuant to awards granted under the LTI Plan over its term which expires on the date of the annual meeting of the Issuer in 2027. A total of 53.7 million shares of Class A common stock are available for issuance as of December 31, 2017.

As a result of the acquisition of BHI, on July 3, 2017, each outstanding BHI stock option was converted into an option to purchase a share of Class A common stock in the Issuer. Consequently, we issued 6.8 million stock options which are fully vested. Each converted option is subject to the same terms and conditions as applied to the original option, and the per share exercise price of each converted option was reduced by \$17.50 to reflect the per share amount of the special dividend pursuant to the agreement associated with the Transactions. Additionally, as a result of the acquisition of BHI, there were 1.7 million Baker Hughes RSUs that were converted to BHGE RSUs at a fair value of \$40.18.

Stock-based compensation cost is measured at the date of grant based on the calculated fair value of the award and is generally recognized on a straight-line basis over the vesting period of the equity grant. The compensation cost is determined based on awards ultimately expected to vest; therefore, we have reduced the cost for estimated forfeitures based on historical forfeiture rates. Forfeitures are estimated at the time



of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures. There were no stock-based compensation costs capitalized as the amounts were not material.

During the year ended December 31, 2017, we issued 2.1 million RSUs and 1.6 million stock options under the LTI Plan. These RSUs and stock options generally vest in equal amounts over a three-year vesting period provided that the employee has remained continuously employed by the Company through such vesting date.

Stock based compensation expense was \$37 million in 2017. Included in this amount is \$15 million of expense which relates to the acceleration of equity awards upon termination of employment of Baker Hughes employees with change in control agreements, and are included as part of "Merger and related costs" in the consolidated and combined statements of income (loss). As BHGE LLC is a pass through entity, any tax benefit would be recognized by its partners. Due to its cumulative losses, the Company is unable to recognize a tax benefit on its share of stock related expenses.

The fair value of each stock option granted is estimated using the Black-Scholes option pricing model. The following table presents the weighted average assumptions used in the option pricing model for options granted under the LTI Plan. The expected life of the options represents the period of time the options are expected to be outstanding. The expected life is based on a simple average of the vesting term and original contractual term of the awards. The expected volatility is based on the historical volatility of our five main competitors over a six year period. The risk-free interest rate is based on the observed U.S. Treasury yield curve in effect at the time the options were granted. The dividend yield is based on a five year history of dividend payouts in Baker Hughes.

	<b>2017</b>
Expected life (years)	6
Risk-free interest rate	2.1%
Volatility	36.4%
Dividend yield	1.2%
Weighted average fair value per share at grant date	\$ 12.32

The following table presents the changes in stock options outstanding and related information (in thousands, except per option prices):

	<b>Number of Options</b>		<b>Weighted Average Exercise Price Per Option <sup>(1)</sup></b>
Conversion of Baker Hughes stock options outstanding on July 3, 2017	6,822	\$	36.17
Granted	1,626		36.62
Exercised	(261)		25.66
Forfeited	(28)		36.89
Expired	(318)		61.21
Outstanding at December 31, 2017	7,841	\$	35.59
Exercisable at December 31, 2017	6,243	\$	35.33

<sup>(1)</sup> Weighted average exercise price for the converted stock options reflect a reduction of \$17.50 for the special dividend.

The weighted average remaining contractual term for options outstanding and options exercisable at December 31, 2017 were 4.3 years and 2.9 years, respectively. The maximum contractual term of options outstanding is 9.6 years.

The total intrinsic value of stock options (defined as the amount by which the market price of our common stock on the date of exercise exceeds the exercise price of the option) exercised in 2017 was \$3 million. There is no income tax benefit realized from stock options exercised in 2017.

There were no options that vested in 2017. As of December 31, 2017, there was \$17 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 2.6 years.

The total intrinsic value of stock options outstanding at December 31, 2017 was \$20 million, all of which relates to options vested and exercisable. The intrinsic value of stock options outstanding is calculated as the amount by which the quoted price of \$31.64 of our common stock as of the end of 2017 exceeds the exercise price of the options.

In addition to stock options, our officers, directors and key employees may be granted restricted stock awards ("RSA"), which is an award of common stock with no exercise price, or RSUs, where each unit represents the right to receive, at the end of a stipulated period, one unrestricted share of stock with no exercise price. RSAs and RSUs are subject to cliff or graded vesting, generally ranging over a three year period, or over a one year period for non-employee directors. We determine the fair value of restricted stock awards and restricted stock units based on the market price of our common stock on the date of grant, discounted by the present value of future dividends.

The following table presents the changes of RSUs and related information (in thousands, except per unit prices):

	Number of Units	Weighted Average Great Date Fair Value Per Unit
Conversion of Baker Hughes RSUs outstanding on July 3, 2017	1,720	\$ 40.18
Granted	2,121	36.73
Vested	(471)	40.18
Forfeited	(84)	38.09
Unvested balance at December 31, 2017	3,286	\$ 38.01

The total intrinsic value of RSUs (defined as the value of the shares awarded at the current market price) vested and outstanding in 2017 was \$17 million and \$38 million, respectively. The total fair value of RSUs vested in 2017 was \$19 million. As of December 31, 2017, there was \$98 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted average period of 2.5 years.

## **XI. WORKING CAPITAL STATEMENT**

The Issuer is of the opinion that the working capital available to the Company is sufficient for its present requirements; that is for at least 12 months following the date of this prospectus.

## **XII. SELECTED FINANCIAL INFORMATION**

### **12.1 Selected Financial Data**

The selected financial data of the Issuer set out in this prospectus are derived in part from the Issuer's audited consolidated and combined financial statements and notes thereto appearing respectively on pages 27-28 and pages 49-105 of its Form 10-K for the year ended December 31, 2018. The Form 10-K is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and do not form part of this prospectus. The Issuer's financial statements have been prepared on a consolidated basis, effective July 3, 2017. Under this basis of presentation, the Issuer's financial statements consolidate all of its subsidiaries (entities in which it has a controlling financial interest, most often because it holds a majority voting interest). All subsequent periods will also be presented on a consolidated basis. For all periods prior to July 3, 2017, the Issuer's financial statements were prepared on a combined basis.

The combined financial statements combine the relevant parts of the financial statements of GE and its subsidiaries that were historically managed as part of its oil & gas business and contributed to BHGE LLC as part of the Transactions. The Transactions were treated as a "reverse acquisition" for accounting purpose and, as such, the historical financial statements of the accounting acquirer, GE O&G, are the historical

financial statements of the Company.

Additionally, the selected financial data of the Issuer also includes certain assets, liabilities and results of operations of other businesses of GE that were also contributed to BHGE LLC as part of the Transactions on a fully retrospective basis (in accordance with the guidance applicable to transactions between entities under common control) based on their carrying values, as reflected in the accounting records of GE. The consolidated and combined statements of income reflect intercompany expense allocations made to us by GE for certain corporate functions and for shared services provided by GE. Where possible, these allocations were made on a specific identification basis, and in other cases, these expenses were allocated by GE based on relative percentages of net operating costs or some other basis depending on the nature of the allocated cost. The historical financial results in the consolidated and combined financial statements presented may not be indicative of the results that would have been achieved had GE O&G operated as a separate, stand-alone entity during those periods.

### SELECTED FINANCIAL DATA (In millions)

#### Consolidated and Combined Statements of Income (Loss)

<i>(In millions, except per share amounts)</i>	Years Ended December 31,		
	2018	2017	2016
Revenue:			
Sales of goods	\$ 13,113	\$ 11,062	\$ 9,462
Sales of services	9,764	6,117	3,620
Total revenue	<u>22,877</u>	<u>17,179</u>	<u>13,082</u>
Costs and expenses:			
Cost of goods sold	11,524	9,486	7,829
Cost of services sold	7,367	4,657	2,321
Selling, general and administrative expenses	2,699	2,535	1,926
Restructuring, impairment and other	433	412	516
Goodwill impairment	153	—	—
Merger and related costs		373	33
Total costs and expenses	<u>22,176</u>	<u>17,463</u>	<u>12,625</u>
Operating income (loss)	701	(284)	457
Other non operating income, net	202	80	3
Interest expense, net	(223)	(131)	(102)
Income (loss) before income taxes and equity in loss of affiliate	680	(335)	358
Equity in loss of affiliate	(139)	(11)	—
Provision for income taxes	(258)	(45)	(173)
Net income (loss)	283	(391)	185
Less: Net income (loss) attributable to GE O&G pre-merger	-	42	254
Less: Net loss attributable to noncontrolling interests	88	(330)	(69)
Net loss attributable to Baker Hughes, a GE company	<u>195</u>	<u>\$ (103)</u>	<u>\$ -</u>
Per share amounts:			
Basic and diluted loss per Class A common share	\$ 0.46	(0.24)	
Diluted income (loss) per Class A common share	0.45	(0.24)	
Cash dividend per Class A common share	\$ 0.72	0.35	
Special dividend per Class A common share		<u>\$ 17.50</u>	

## Consolidated and Combined Statements of Financial Position

<i>(In millions, except par value)</i>	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016<sup>7</sup></b>
<b>ASSETS</b>			
Current Assets			
Cash and equivalents	3,723	\$ 7,030	\$ 981
Current receivables, net	5,969	6,015	2,564
Inventories, net	4,620	4,507	3,166
All other current assets	659	872	633
Total current assets	<u>14,971</u>	<u>18,424</u>	7,344
Property, plant and equipment, less accumulated depreciation	6,228	6,959	2,325
Goodwill	20,717	19,927	\$ 6,680
Other intangible assets, net	5,719	6,358	2,449
Contract assets	1,894	2,044	1,509
All other assets	1,838	2,073	573
Deferred income taxes	1,072	715	586
Total assets <sup>(1)</sup>	<u>52,439</u>	<u>\$ 56,500</u>	<u>\$ 21,466</u>
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities:			
Accounts payable	4,025	\$ 3,377	\$ 1,896
Short-term debt and current portion of long-term debt <sup>(1)</sup>	942	2,037	239
Progress collections	1,765	1,775	2,038
All other current liabilities	2,288	2,038	1,151
Total current liabilities	<u>9,020</u>	<u>9,227</u>	5,324
Long-term debt	6,285	6,312	38
Deferred income taxes	143	490	880
Liabilities for pensions and other employee benefits	1,018	1,172	519
All other liabilities	960	889	425
Equity:			
Class A common stock, \$0.0001 par value - 2,000 authorized, 422 issued and outstanding as of December 31, 2017	-	-	-
Class B common stock, \$0.0001 par value - 1,250 authorized, 707 issued and outstanding as of December 31, 2017	-	-	-
Capital in excess of par value	18,659	15,083	-
Parent's net investment	25	-	16,001
Retained loss	(1,219)	(103)	-
Accumulated other comprehensive loss	-	(703)	(1,888)
Baker Hughes, a GE company equity	17,465	14,277	14,113
Noncontrolling interests	17,548	24,133	167
Total equity	<u>35,013</u>	<u>38,410</u>	14,280
Total liabilities and equity	<u>52,439</u>	<u>\$ 56,500</u>	<u>\$ 21,466</u>

(1) Total assets include \$896 million and \$1,124 million of assets held on behalf of GE, of which \$747 million and \$997 million is cash and cash equivalents and \$149 million and \$127 million is investment securities at December 31, 2018 and December 31, 2017, respectively, and a corresponding amount of liability is reported in short-term borrowings.

<sup>7</sup> The information on the year ended December 31, 2016 is extracted from the Form 10-K of the Issuer filed on 8 February 2017.

## 12.2 Significant change in the Issuer's financial or trading position

According to the Issuer, there has not been any significant change in the financial or trading position of the Company since 31 December 2018.

## 12.3 Independent Registered Public Accounting Firm

The independent registered public accounting firm of the Issuer is KPMG LLP, Houston, Texas, U.S.A. KPMG is registered with the Public Company Accounting Oversight Board (United States) and is a member of the American Institute of Certified Public Accountants.

## XIII. TREND INFORMATION

Our business is exposed to a number of different macro factors, which influence our expectations and outlook. All of our outlook expectations are purely based on the market as we see it today, and are subject to change given volatile conditions in the industry.

- North America onshore activity: in 2018, we experienced an acceleration in rig count growth, as compared to 2017, driven by the increase in commodity prices for the first 10 months of the year. In the fourth quarter, WTI prices declined 38% driven by both increased supply and geo-political events. We expect the decline in commodity prices may have a negative impact on activity in North America in 2019.
- International onshore activity: we have seen a moderate increase in rig count activity in 2018 and expect growth to continue into 2019, at a slightly increased rate. We have seen signs of improvement with the increase in commodity prices, but due to continued volatility, we remain cautious as to growth expectations.
- Offshore projects: although commodity prices have been volatile, we have begun to see increasing customer activity on offshore projects and more final investment decisions being made. Subsea tree awards increased in 2018, and we expect tree awards to be roughly flat in 2019, though still at levels significantly below prior 2012 and 2013 peaks. We expect customers to continue to evaluate the timing of final investment decisions, and in light of increased commodity price volatility, there may be some project delays.
- LNG projects: we remain optimistic on the LNG market. While currently oversupplied, we believe a significant number of final investment decisions are needed to fill the projected supply-demand imbalance in the early to middle part of the next decade. In 2018, we saw positive final investment decisions for new LNG capacity. We continue to view the long-term economics of the LNG industry as positive given our outlook for supply and demand.
- Refinery, petrochemical and industrial projects: in refining, we believe large, complex refineries should gain advantage in a more competitive, oversupplied landscape in 2019 as the industry globalizes and refiners position to meet local demand and secure export potential. In petrochemicals, we continue to see healthy demand and cost-advantaged supply driving projects forward in 2019. The industrial market continues to grow as outdated infrastructure is replaced, policy changes come into effect and power is decentralized. We continue to see growing demand across these markets in 2019.

We have other segments in our portfolio that are more correlated with different industrial metrics such as our Digital Solutions business. Overall, we believe our portfolio is uniquely positioned to compete across the value chain, and deliver comprehensive solutions for our customers. We remain optimistic about the long-term economics of the industry, but are continuing to operate with flexibility given our expectations for volatility and changing assumptions in the near term.

Solar and wind net additions continued to exceed coal and gas throughout 2018. Governments may change or may not continue incentives for renewable energy additions. In the long term, renewables' cost decline may accelerate to compete with new-built fossil capacity. However, we do not anticipate any significant impacts to our business in the foreseeable future.

Despite the near-term volatility, the long-term outlook for our industry remains positive. We believe the world's demand for energy will continue to rise, and the supply of energy will continue to increase in complexity, requiring greater service intensity and more advanced technology from oilfield service companies. As such, we remain focused on delivering innovative, cost-efficient solutions that deliver step changes in operating and economic performance for our customers.

#### **XIV. DOCUMENTS ON DISPLAY**

The Issuer files periodic reports, proxy statements and other information with the SEC. Such annual, quarterly and special reports, proxy and information statements and other information are available on the Internet website maintained by the SEC, at <http://www.sec.gov>. You may read and copy this information at the SEC's Public Record Room, 100 F Street, NE, Washington D.C., 20549, U.S.A. Please call the SEC at + 1-800-SEC-0330 for further information on their public reference room. The Issuer makes this information available on its website, [www.bhge.com](http://www.bhge.com).

The Information Statement referred to in this prospectus may be obtained free of charge upon request by an employee.

#### **XV. TAX CONSEQUENCES**

##### **15.1 Germany**

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the ESPP.

This discussion is based on the law in effect in Germany as of March 2019. This discussion is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of grantees. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this discussion may be out of date at the time you purchase shares or you sell the shares acquired pursuant to the ESPP. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Germany apply to your specific situation.

If you are a citizen or resident of more than one country, or are considered a resident of more than one country for local law purposes, the information contained in this discussion may not be applicable to you.

##### **Grant of Purchase Rights**

You will not be subject to income tax when the purchase rights are granted to you.

##### **Purchase of Shares**

You will be subject to income tax and social insurance contributions (to the extent you have not exceeded the annual threshold) when you purchase shares on the difference between the fair market value of the shares on the applicable date and the purchase price. You will also be subject to solidarity surcharge and church tax, if applicable, on your income tax liability.

You may be eligible for a limited deduction in each calendar year in which you purchase shares because the taxable income results from the purchase of stock in your employer's parent company. You should consult your personal tax advisor to determine if this deduction applies to your specific situation.

##### **Sale of Shares**

When you sell the shares acquired at purchase, you will be subject to capital gain tax, subject to any applicable allowance.

##### **Withholding and Reporting**

Your employer is required to withhold and report income tax and social insurance contributions when you purchase shares.

You are responsible for reporting and paying any additional tax due and any capital gains tax upon the sale

of shares.

## **15.2 Italy**

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the ESPP.

This discussion is based on the law in effect in Italy as of March 2019. This discussion is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of grantees. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this discussion may be out of date at the time you purchase shares or you sell the shares acquired pursuant to the ESPP. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Italy apply to your specific situation.

If you are a citizen or resident of more than one country, or are considered a resident of more than one country for local law purposes, the information contained in this discussion may not be applicable to you.

### **Grant of Purchase Rights**

You will not be subject to income tax when the purchase rights are granted to you.

### **Purchase of Shares**

You will be subject to income tax and likely social insurance contributions when you purchase shares. The taxable amount will be the difference between the fair market value (the normal value) of the shares on the date of purchase and the purchase price, subject to any applicable exemption. Please contact your tax advisor for additional details. Normal value is defined for shares of public companies as the average price of the shares in the month preceding the purchase date, which includes the date of purchase and the same date of the preceding month.

### **Sale of Shares**

When you sell the shares acquired at purchase, you will be subject to capital gain tax on the difference between the sales proceeds and the normal value of the shares on the date of purchase.

If the sales proceeds are lower than the normal value of the shares on the date of purchase, you will realize a capital loss (*i.e.* loss from the sale of shares). You may be able to offset the capital loss against current year or future capital gains. Please consult with your personal tax advisor for additional details.

### **Withholding and Reporting**

Your employer is required to withhold and report when you purchase shares.

You are responsible for reporting your income and capital gains in your individual annual tax return and paying any additional taxes due.

## **15.3 The Netherlands**

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the ESPP.

This discussion is based on the law in effect in the Netherlands as of March 2019. This discussion is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of grantees. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this discussion may be out of date at the time you purchase shares or you sell the shares acquired pursuant to the ESPP. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in the Netherlands apply to your specific situation.

If you are a citizen or resident of more than one country, or are considered a resident of more than one country for local law purposes, the information contained in this discussion may not be applicable to you.

## **Grant of Purchase Rights**

You will not be subject to income tax when the purchase rights are granted to you.

## **Purchase of Shares**

You will be subject to income tax and social insurance contributions (to the extent you have not exceeded the applicable ceiling) when you purchase shares. You will be subject to tax on the difference between the fair market value of the shares on the date of purchase and the purchase price. In addition, you will also be subject to an annual wealth tax, including the value of the shares acquired. Please consult your tax advisor for additional details.

## **Sale of Shares**

When you sell the shares acquired at purchase, you will not be subject to capital gain tax.

## **Withholding and Reporting**

Your employer is required to withhold and report for income tax and social insurance contributions when you purchase shares. Your employer will report the details of your purchase rights at purchase to the applicable tax authorities. You are responsible for reporting and paying any capital gains and wealth tax due.

### **15.4 United Kingdom**

The following section has been prepared to provide you with a summary of the tax consequences of your participation in the ESPP.

This discussion is based on the law in effect in the United Kingdom as of March 2019. This discussion is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of grantees. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this discussion may be out of date at the time you purchase shares or you sell the shares acquired pursuant to the ESPP. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in the United Kingdom apply to your specific situation.

If you are a citizen or resident of more than one country, or are considered a resident of more than one country for local law purposes, the information contained in this discussion may not be applicable to you.

## **Grant of Purchase Rights**

You will not be subject to income tax when the purchase rights are granted to you.

## **Purchase of Shares**

You will be subject to income tax and national insurance contributions when you purchase shares on the difference between the fair market value of the shares on the date of purchase and the purchase price.

## **Sale of Shares**

When you sell the shares acquired at purchase, you will be subject to capital gain tax on the difference between the sales proceeds (less any brokerage fees) and the fair market value of the shares on the date of purchase, subject to an annual exemption.

## **Withholding and Reporting**

Your employer is required to withhold and report for income tax and national insurance contributions when you purchase shares via PAYE. In addition, your employer is required to provide informational reporting to the tax authorities.

You are responsible for reporting any capital gain or loss for the year in an individual self assessment return. Please consult with your personal tax advisor for additional details.



**EXHIBIT**  
**BAKER HUGHES, A GE COMPANY, EMPLOYEE STOCK PURCHASE PLAN**  
**EMPLOYEE STOCK PURCHASE PLAN**

**1. PURPOSE, SHARE COMMITMENT AND INTENT.**

1.1 The purpose of this Plan is to provide an opportunity for Employees of Baker Hughes, A GE Company (the "Corporation") and its Designated Subsidiaries, to purchase Common Stock of the Corporation and thereby to have an additional incentive to contribute to the prosperity of the Corporation. The Plan is not intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986.

1.2 The aggregate number of shares of Stock authorized to be sold pursuant to Options granted under the Plan is 15,000,000, subject to adjustment as provided in Section 4.6. In computing the number of shares of Stock available for grant, any shares of Stock relating to Options which are granted, but which subsequently lapse, are cancelled or are otherwise not exercised by the final date for exercise, shall be available for future grants of Options.

**2. DEFINITIONS.**

(a) "**Account**" means the bookkeeping account maintained by the Committee that reflects the amount of payroll deductions credited on behalf of a Participant under the Plan.

(b) "**Affiliate**" means any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company or General Electric Company.

(c) "**Authorized Leave of Absence**" means a bona fide leave of absence from service with the Company or an Affiliate if the period of the leave does not exceed 90 calendar days, or, if longer, so long as the individual's right to reemployment with the Company or an Affiliate is guaranteed either by statute or contract.

(d) "**Base Compensation**" means regular straight-time earnings or base salary, excluding payments for overtime, shift differentials, incentive compensation, bonuses, and other special payments, fees, allowances or extraordinary compensation.

(e) "**Board**" means the Board of Directors of the Company, as constituted from time to time.

(f) "**Change in Control**" has the meaning assigned to it in the Baker Hughes, a GE company 2017 Long-Term Incentive Plan, as may be amended from time to time.

(g) "**Code**" means the Internal Revenue Code of 1986, of the USA, as amended from time to time. Any reference to a Section of the Code herein shall be a reference to any successor or amended Section of the Code.

(h) "**Committee**" means a committee of the Board acting in accordance with the provisions of Section 8.1, designated by the Board to administer the Plan. For the purposes of the Plan, reference to the Committee shall be deemed to refer to any subcommittee, subcommittees, or other persons or groups of persons to whom the Committee delegates authority pursuant to Section 8.1(b).

(i) "**Company**" means Baker Hughes, a GE company.

(j) "**Corporation**" shall mean Baker Hughes, a GE Company, a Delaware corporation.

(k) "**Employee**" shall mean an individual classified as an employee (within the meaning of Code Section 3401(c) and the regulations thereunder) by the Corporation or a Designated Subsidiary on the Corporation's or such Designated Subsidiary's payroll records during the relevant participation period. Employees shall not include individuals classified as independent contractors.

(l) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(m) "**Exercise Date**" means the last Trading Day of each Offering Period, which is the day that all Options that eligible Employees are granted an Option under the Plan.

(n) "**Fair Market Value**" means, with respect to any share of Stock, the closing price of a share of Stock on the date as of which the determination is being made or as otherwise determined in a manner specified by the Committee.

(o) "**Grant Date**" means the first day of each Offering Period, which is the day all eligible Employees are granted an Option under the Plan.

(p) "**Offering**" means a given offering of Options under the Plan.

(q) "**Offering Period**" means, with respect to a given Offering, the period beginning on the Grant Date and ending on the Exercise Date. The Offering Periods shall begin and end at such times as are specified by the Board or the Committee. Unless and until the Board or the Committee specified different Offering Periods in writing, there shall be four quarterly Offering Periods during a calendar year, each of which commences on the first day of the quarter and ends on the last day of the quarter.

(r) "**Option**" means an option granted under the Plan to purchase shares of Stock at the Option Price on the Exercise Date.

(s) "**Option Price**" means the price per share of Stock to be paid by each Participant upon exercise of an Option. The Option Price may be stated as either a percentage or as a dollar amount. The Option Price shall be subject to adjustment under Section 4.6. Unless the Board or the Committee establishes in writing a different Option Price that will apply with respect to a given Offering Period, the Option Price shall be an amount that is equal to 85 percent of the Fair Market Value of a share of Stock on the Exercise Date. The Committee has no authority to establish an Option Price that is lower than the amount specified in the preceding sentence unless such lower Option Price is approved by the Board or the Committee in advance of the applicable Offering Period. Without limiting the foregoing, the Board or the Committee may establish in writing, in advance of the applicable Offering Period, an Option Price equal to a specified percentage but not less than 85 percent of the Fair Market Value of a share of Stock on (a) the Grant Date or (b) the Exercise Date, whichever is lower.

(t) "**Participant**" means, with respect to an Offering, and Employee who elects to participate in such Offering.

(u) "**Participating Company**" means the Company or any of its Subsidiaries that is selected for participation in the applicable Offering pursuant to Article IX.

(v) "**Person**" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(w) "**Plan**" means the Baker Hughes, a GE company Employee Stock Purchase Plan, as set out in this document and as it may be amended from time to time.

(x) "**Stock**" means Class A common shares of the Company, \$0.0001 par value, and such other securities as may become available, pursuant to an adjustment under section 4.6.

(y) "**Subsidiary**" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, as described in Code Section 424(f).

(z) "**Trading Day**" means a day on which the principal securities exchange on which the shares of Stock are listed is open for trading.

### **3. ELIGIBILITY.**

3.1 **General Requirements.** Each Employee of each Participating Company who is not excluded from participation pursuant to Section 3.2 is eligible to participate in a given Offering if such Employee is in the employ of a Participating Company on the Grant Date. Participation in the Plan by any Employee is voluntary.

3.2 **Exclusions From Participation.** Options will be granted to all Employees of all Participating Companies under each Offering; provided, however, the Committee, in its sole discretion, may determine to exclude any Employee or group of Employees from any Offering, including, without limitation, due to administrative, financial or local law considerations. For clarity, the following individuals are excluded from coverage under an Offering: an individual classified by the Participating Company as

an independent contractor or a non-employee consultant, an individual who is performing services for a Participating Company through a leasing or employment agency, or an employee of an entity other than a Participating Company.

#### **4. OPTIONS.**

4.1 **Terms of an Offering.** The terms of an Offering shall be established by the Committee. The terms shall be set forth in writing and communicated to eligible Employees prior to the Grant Date for the Offering. The terms of an Offering shall include (1) a designation of the Participating Company, (2) the identification of any exclusions from participation applicable to the Offering (which exclusions must be permitted under Section 3.2), (3) the Offering Period, and (4) the Option Price. Offerings may be consecutive and overlapping, and the terms of each Offering need not be identical.

4.2 **Grant of an Option.** Effective as of the Grant Date of each Offering, the Company shall grant an Option to each Participant which shall be exercisable on the Exercise Date through funds accumulated by the Participant through payroll deductions made during the Offering Period. Each Option grant is subject to the availability of a sufficient number of shares of Stock reserved for purchase under the Plan. In the event there is an insufficient number of shares reserved for purchase under the Plan, the number of shares purchased shall be adjusted as provided in Section 4.7.

4.3 **Maximum Number of Shares Subject to Option.** An Option granted to an Employee for any Offering shall be for that number of shares of Stock equal to the least of the number of whole shares of Stock that may be purchased during the Offering Period (1) at the Option Price with the amount credited to the Participant's Account on the Exercise Date, (2) under limitations established by the Committee pursuant to Section 4.4, or (3) under the limitation set forth in Section 4.5. The number of shares of Stock that may be purchased under an Option shall be subject to adjustment under Sections 4.6 and 4.7.

4.4 **Formula or Specific Share Limitation Established by the Company.** The Committee shall establish and announce to Participants prior to an Offering a maximum number of shares of Stock that may be purchased by a Participant during the Offering Period. The Committee may specify that the maximum amount of Stock that a Participant may purchase under an Offering is determined on the basis of a uniform relationship to the total compensation, or the basic or regular rate of compensation, of all Employees. Notwithstanding any other provision of the Plan, unless the Committee determines otherwise with respect to an Offering, the maximum number of shares of Stock that a Participant shall be permitted to purchase during an Offering Period is the lesser of (1) 1,275 shares or (2) the number of shares of Stock that may be purchased with \$3,000 at a per share price of 85% of the Fair Market Value of a share of Stock (determined as of the Grant Date).

4.5 **Annual \$12,000 Limitation.** No Employee will be permitted to purchase shares of Stock under the Plan at a rate which exceeds \$12,000, or with respect to any Employee whose Base Compensation is denominated in a currency other than United States dollars, the equivalent amount as denominated in such local currency, as determined by the Committee, in Fair Market Value of the shares of Stock (determined at the time the Option is granted) for each calendar year in which any Option granted to the Employee is outstanding at any time.

4.6 **Adjustments of Options.** In the event of any stock dividend, split-up, recapitalization, merger, consolidation, combination or exchange of shares, or the like, as a result of which shares shall be issued in respect of the outstanding shares of Stock, or the shares of Stock shall be changed into the same or a different number of the same or another class of stock, the total number of shares of Stock authorized to be committed to the Plan, the number of shares of Stock subject to each outstanding Option, the Option Price applicable to each Option, and/or the consideration to be received upon exercise of each Option shall be appropriately adjusted by the Committee. In addition, the Committee shall, in its sole discretion, have authority to provide for (a) the acceleration of the Exercise Date of outstanding Options or (b) the conversion of outstanding Options into cash or other property to be received in certain of the transactions specified in this paragraph above upon the completion of the transaction.

4.7 **Insufficient Number of Shares.** If the number of shares of Stock reserved for purchase for any Offering Period is insufficient to cover the number of shares which Participants elect to purchase during such Offering Period, then the number of shares of Stock which each Participant has a right to purchase on the Exercise Date shall be reduced to the number of shares of Stock which the Committee shall determine by multiplying the number of shares of Stock reserved under the Plan for such Offering Period by a fraction, the numerator of which shall be the number of shares of Stock which the Participant

elected to purchase during the Offering Period and the denominator of which shall be the total number of shares of Stock which all Participants elected to purchase during such Offering Period.

## **5. PAYROLL DEDUCTIONS.**

5.1 **Authorization of Payroll Deductions.** For an Employee to participate during a given Offering Period, he must elect to participate in the Offering by authorizing deductions from his Base Compensation prior to the Grant Date in accordance with procedures established by the Committee. Unless the Participant changes the rate of the Participant's payroll deductions, the Participant's payroll deductions shall continue through the last pay date prior to the Exercise Date. A Participant may not make additional payments to the Participant's Account. An Employee who does not authorize payroll deductions from his Base Compensation with respect to a given Offering shall be deemed to have elected to not participate in the Offering.

5.2 **Payroll Deductions Continuing.** A Participant's payroll deduction authorization may remain in effect for all ensuing Offering Periods until changed by the Participant in accordance with procedures established by the Committee.

5.3 **Right to Stop Payroll Deductions.** Except for a complete cessation of participation pursuant to Section 6.1, a Participant shall have no right to discontinue the Participant's payroll deduction authorization.

5.4 **Accounting for Funds.** As of each payroll deduction period, the Participating Company shall cause to be credited to the Participant's Account in a ledger established for that purpose the funds withheld from and attributable to the Participant's Base Compensation for that period. No interest shall be credited to the Participant's Account at any time. The obligation of the Participating Company to the Participant for this Account shall be a general corporate obligation and shall not be funded through a trust or secured by any assets which would cause the Participant to be other than a general creditor of the Participating Company.

5.5 **Participating Company's Use of Funds.** All payroll deductions received or held by a Participating Company may be used by the Participating Company for any corporate purpose, and the Participating Company shall not be obligated to segregate such payroll deductions.

5.6 **Return of Funds.** Except as specified herein, as soon as administratively practicable after the expiration of an Offering Period, payroll deductions that are not used to purchase Stock during such Offering Period will be refunded to the Participants without interest.

## **6. IN SERVICE ELECTION CHANGES; TERMINATION OF EMPLOYMENT.**

6.1 **In Service Election Changes.** A Participant may decrease the amount of payroll deductions, and may stop payroll deductions altogether, during an Offering Period. A Participant may not increase payroll deductions during an Offering Period (which also means that a Participant who stops payroll deductions during an Offering Period may not contribute for the rest of that period). Election changes must be made in accordance with established administrative procedures, and will not result in refunds of any previous contributions. If the Participant wishes to participate in any future Offering Period, he must file a new payroll deduction election within the time frame required by the Committee for participation in the next Offering Period.

6.2 **Termination of Employment Prior to the Exercise Date.** If a Participant's employment with the Company and all Affiliates terminates for any reason, including but not limited to retirement, death, or disability, prior to the Exercise Date, any unapplied payroll deductions will be used to purchase Shares, and contributions will not resume unless and until the Participant again becomes an Employee and enrolls in the Plan.

## **7. EXERCISE OF OPTION.**

7.1 **Purchase of Shares of Stock.** Subject to the provisions of the Plan, on the Exercise Date of the applicable Offering Period for an Offering, each Participant's Account shall be used to purchase shares of Stock, which may result in the crediting of fractional shares at the Option Price for that Offering.

Any fractional shares will be computed to four decimal places. After the purchase of all shares of Stock available on the Exercise Date, all Options granted for the Offering to the extent not used are terminated and no Option shall remain exercisable after the Exercise Date.

7.2 **Issuance of Shares of Stock.** The Committee may determine in its discretion the manner of delivery of the shares of Stock purchased under the Plan, which may be by electronic account entry into new or existing accounts, delivery of shares of Stock certificates or any other means as the Committee, in its discretion, deems appropriate; provided that no Stock certificates will be delivered for any fractional shares. The Committee may, in its discretion, hold a certificate for any shares of Stock or cause shares of Stock to be legended in order to comply with the securities laws of the applicable jurisdiction, or should the shares of Stock be represented by book or electronic account entry rather than a certificate, the Committee may take such steps to restrict transfer of the shares of Stock as the Committee considers necessary or advisable to comply with applicable law.

## 8. **ADMINISTRATION.**

8.1 **Powers.** Except as otherwise provided herein, the Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for implementing the terms of the Plan as it may deem appropriate. The Committee shall have the ability to modify the Plan provisions, to the extent necessary, or delegate such authority, to accommodate any law or regulation in jurisdictions in which Participants are eligible to receive Options under any Offering.

(a) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority:

i. to delegate or make rules for administering the Plan so long as they are not inconsistent with the terms of the Plan;

ii. to construe all provisions of the Plan;

iii. to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan;

iv. to select, employ, and compensate at any time any consultants, accountants, attorneys, and other agents the Committee believes necessary or advisable for the proper administration of the Plan;

v. to determine all questions relating to eligibility, Fair Market Value, Option Price and all other matters relating to benefits or Participants' entitlement to benefits;

vi. to determine all controversies relating to the administration of the Plan, including but not limited to any differences of opinion arising between a Participating Company and a Participant, and any questions it believes advisable for the proper administration of the Plan; and

vii. to delegate any clerical or recordation duties of the Committee as the Committee believes is advisable to properly administer the Plan.

(b) Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan shall be within the sole discretion of the Committee, may be made at any time, and shall be final, conclusive, and binding upon all Persons, including any Participating Company, any Affiliate, any Participant, any stockholder, and any Employee. Actions of the Committee may be taken by:

i. the Chairman of the Committee;

ii. a subcommittee, designated by the Committee;

iii. the Committee but with one or more members abstaining or recusing himself or herself from acting on the matter, so long as two or more members remain to act on the matter. Such action, authorized by the Chairman, such a subcommittee or by the Committee (whether upon the abstention or recusal of such members or otherwise), shall be the action of the Committee for purposes of the Plan; or

iv. one or more officers or managers of the Company or any Subsidiary, or a committee

of such officers or managers whose authority is subject to such terms and limitations set forth by the Committee, and only with respect to Employees who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act<sup>8</sup>. This delegation shall include modifications necessary to accommodate changes in the laws or regulations of jurisdictions outside the U.S.

**8.2 Standard of Judicial Review of Committee Actions.** The Committee has full and absolute discretion in the exercise of each and every aspect of its authority under the Plan. Notwithstanding anything to the contrary, any action taken, or ruling or decision made by the Committee in the exercise of any of its powers and authorities under the Plan shall be final and conclusive as to all parties, including without limitation all Participants and their beneficiaries, regardless of whether the Committee or one or more of its members may have an actual or potential conflict of interest with respect to the subject matter of the action, ruling, or decision. No final action, ruling, or decision of the Committee shall be subject to de novo review in any judicial proceeding; and no final action, ruling, or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

## **9. PARTICIPATION IN PLAN BY SUBSIDIARIES.**

**9.1 Participation Procedure.** The Company, acting through the Committee, shall designate the Subsidiaries of the Company that may participate in a given Offering. A Subsidiary that is selected to participate in an Offering shall provide the Company all information required by the Company in order to administer the Plan.

**9.2 No Joint Venture Implied.** Neither the participation in the Plan or an Offering by a Subsidiary nor any act performed by it in relation to the Plan shall create a joint venture or partnership relation between it and the Company or any other Subsidiary.

## **10. TERMINATION, CHANGE IN CONTROL AND AMENDMENT OF THE PLAN.**

**10.1 Termination.** The Company may, by action of the Board or the Committee, terminate the Plan at any time and for any reason. Upon any such termination, all outstanding Options shall, as determined by the Board or the Committee in its sole discretion, (a) terminate, and as soon as administratively feasible there shall be refunded to each Participant the remaining funds in the Participant's Account, or (b) a date established by the Board or the Committee that is on or before the date of such termination shall be treated as the last day of the Offering Period, and all outstanding Options shall be exercisable on such date. The Plan shall automatically terminate upon the purchase by Participants of all shares of Stock committed to the Plan, unless the number of shares of Stock committed to the Plan is increased by the Committee or the Board and approved by the stockholders of the Company.

**10.2 Change in Control.** In the event of a Change in Control, the Board or the Committee, in its sole discretion, may provide for any of the following: (a) each Option shall be assumed or an equivalent option shall be substituted by the acquirer in such Change in Control, (b) a date established by the Board or the Committee that is on or before the date of such Change in Control shall be treated as the last day of the Offering Period, and all outstanding Options shall be exercisable on such date, or (c) all outstanding Options shall terminate and as soon as administratively feasible there shall be refunded to each Participant the remaining funds in the Participant's Account.

**10.3 Amendment.** The Board or the Committee has the right to modify, alter or amend the Plan at any time and from time to time to any extent that it deems advisable. The Board or the Committee may suspend the operation of the Plan for any period as it may deem advisable. However, no amendment or suspension shall operate to reduce any amounts previously allocated to a Participant's Account, reduce a Participant's rights with respect to shares of Stock previously purchased and held on the Participant's behalf under the Plan or adversely affect the current Option a Participant already has outstanding under the Plan without the Participant's agreement. Any amendment changing the aggregate number of shares of Stock to be committed to the Plan and any other change for which stockholder approval is required under regulations issued by the Department of Treasury or the listing rules of the New York Stock

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<sup>8</sup> Officers or directors of the Company for purposes of Section 16 of the Exchange Act refer to officers of the Company that are subject to reporting obligations with respect to their beneficial ownership interest in the Company pursuant to Section 16 of the US Securities Exchange Act.

Exchange or such other stock exchange or national market system on which shares of Stock are listed or quoted, must be approved by the stockholders of the Company in order to be effective.

**10.4 Plan Term; Approval by Stockholders.** Subject to approval by the stockholders of the Company in accordance with this Section, the Plan shall be in effect from the date of the adoption of the Plan by the Board until terminated in accordance with Section 10.1. The Plan shall be submitted for approval by the stockholders of the Company prior to the first Exercise Date. Options may be granted prior to such stockholder approval; provided, however, that if such approval has not been obtained prior to the first Exercise Date, all Options previously granted under the Plan shall thereupon terminate without being exercised, and the funds credited to each Participant's account shall be returned to such Participant as soon as administratively feasible after such termination.

## **11. MISCELLANEOUS.**

**11.1 Plan not an employment contract.** The adoption and maintenance of the Plan is not a contract between any Participating Company and its Employees which gives any Employee the right to be retained in his employment. Likewise, it is not intended to interfere with the rights of any Participating Company to discharge any Employee at any time or to interfere with the Employee's right to terminate the Employee's employment at any time.

**11.2 Options Are Not Transferable.** Any Option granted to a Participant under the Plan is not transferable by the Participant other than by will or the laws of descent and distribution, and must be exercisable, during the Participant's lifetime, only by the Participant. In the event any Participant attempts to violate the terms of this Section 11.2, any Option held by the Participant shall be terminated by the Company and, upon return to the Participant of the remaining funds in the Participant's Account, all of the Participant's rights under the Plan will terminate.

**11.3 No Rights of Stockholder.** No eligible Employee or Participant shall by reason of participation in the Plan have any rights of a stockholder of the Company until he acquires shares of Stock as provided in the Plan.

**11.4 Governmental Regulations.** The obligation to sell or deliver the shares of Stock under the Plan is subject to the approval of all governmental authorities required in connection with the authorization, purchase, issuance or sale of the shares of Stock.

**11.5 Notices.** All notices and other communications in connection with the Plan shall be in the form specified by the Committee and shall be deemed to have been duly given when sent to the Participant at the Participant's last known address or to the Participant's designated personal representative or beneficiary as determined in accordance with Section 11.11, or to the Participating Company or its designated representative, as the case may be.

**11.6 Indemnification.** In addition to all other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted under the Plan, and against all amounts paid in settlement (provided the settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any action, suit or proceeding, except in relation to matters as to which it is adjudged in the action, suit or proceeding, that the Committee member is liable for gross negligence or willful misconduct in the performance of his duties.

**11.7 Tax Withholding.** At the time a Participant's Option is granted or exercised or at the time a Participant disposes of some or all of the shares of Stock purchased under the Plan, the Participant must make adequate provision for the Participating Company's federal, state, foreign or other tax withholding obligations, if any, which arise upon the grant or exercise of the Option or the disposition of the shares of Stock. At any time, the Participating Company may, but shall not be obligated to, withhold from the Participant's Option, by way of net settlement, the number of Shares otherwise issuable on exercise of such Option as is necessary for the Participating Company to meet applicable withholding obligations

**11.8 Gender and Number.** If the context requires it, words of one gender when used in the Plan shall include the other gender, and words used in the singular or plural shall include the other.

11.9 **Data Privacy.** By participating in the Plan, each Participant agrees to the collection, processing, use and transfer of personal information by the Participating Company that employs the Participant, the Company, and the Committee in order to administer the Plan.

11.10 **Dispositions in Compliance with Securities Laws.** By becoming a Participant in the Plan, each Participant agrees that any dispositions of shares of Stock by such Participant shall be in compliance with the provisions of federal, state and foreign securities laws, including the provisions of Section 16(b) of the Exchange Act.

11.11 **Beneficiary(ies).** At the time of the Participant's or former Participant's death, any shares of Stock in the Account shall be distributed to such Participant's or former Participant's (a) executor or administrator or (b) his heirs at law, if there is no administration of such Participant's or former Participant's estate. Before any distribution is made, the Committee may require appropriate written documentation of (1) the appointment of the personal representative of the Participant's estate or (2) heirship.

11.12 **Severability.** Each provision of the Plan may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

11.13 **Binding Effect.** The Plan shall be binding upon any successor of the Company.

11.14 **Limitation on Liability.** Under no circumstances shall the Company incur liability for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any Person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's role as Plan sponsor.

11.15 **Governing Law.** The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law without regard to conflict of law.

11.16 **Section 409A of the Code.** Options granted under the Plan to U.S. taxpayers are intended to be exempt from the application of Section 409A of the Code under the short-term deferral exception and any ambiguities will be construed and interpreted in accordance with such intent. Options granted to U.S. taxpayers under the Plan will be subject to such terms and conditions that will permit such Options to satisfy the requirements of the short-term deferral exception available under Section 409A of the Code, including the requirement that the shares subject to an Option be delivered within the short-term deferral period. If the Committee determines that an Option or the exercise, payment, settlement, or deferral thereof is subject to Section 409A of the Code, the Option will be granted, exercised, paid, settled or deferred in a manner that will comply with Section 409A of the Code. Notwithstanding the foregoing, the Company will have no liability to a Participant or any other Person if an Option that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board or the Committee with respect thereto.



**CROSS-REFERENCE  
LISTS ANNEX I  
MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION  
DOCUMENT (SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

<b>Item #</b>	<b>Item contents</b>	<b>Chapter/Exhibit</b>	<b>Page</b>
<b>1.</b>	<b>Persons Responsible</b>		
1.1.	All persons responsible for the information given in the prospectus	Part II - Section B, I.	30
1.2.	A declaration by those responsible for the prospectus	Part II - Section B, I.	30
<b>2.</b>	<b>Statutory Auditors</b>		
2.1.	Names and addresses of the issuer's auditors	Part II - Section B. 12.2	69
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
<b>3.</b>	<b>Selected Financial Information</b>		
3.1.	Selected historical financial information	Part II - Section B, 12.1	66-68
3.2.	Interim periods	Not applicable	Not applicable
<b>4.</b>	<b>Risk Factors</b>	Part II - Section A	18-29
<b>5.</b>	<b>Information about the Issuer</b>		
<b>5.1.</b>	<b>History and Development of the Issuer</b>		
5.1.1.	the legal and commercial name of the issuer;	Part I – Section B.1	4
<b>12.</b>	<b>Trend Information</b>		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus.	Part II - Section B, XIII	69-70

12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Part II - Section B, XIII	69-70
<b>13.</b>	<b>Profit Forecasts or Estimates</b>	Not applicable	Not applicable
<b>14.</b>	<b>Administrative, Management, Supervisory Bodies and Senior Management</b>		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:  a) members of the administrative, management or supervisory bodies;	Part II – Section B, 9.1-9.3	52-57
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Part II – Section B, 9.1-9.3	52-57
	The nature of any family relationship between any of those persons.	Part II – Section B, 9.7	63
	In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:  (a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.	Part II – Section B, 9.3	52-57

	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p>	Part II – Section B, 9.7	63
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Part II – Section B, 9.4	57
<b>17.</b>	<b>Employees</b>		
17.2.	Shareholdings and stock options with respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1.	Part II - Section B, 10.1	63-64
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Part II - Section B, 2, 10.1	64-66
<b>20.7.</b>	<b>Dividend policy</b>		
20.7.1.	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Part II - Section B, 6.6	44-45
20.8.	Legal and arbitration proceedings	Part II – Section B, 7.3	49-51
20.9.	Significant change in the issuer's financial or trading position since the end of the last financial period	Part II – Section B, 12.2	69
<b>23.</b>	<b>Third Party Information and Statement by Experts and Declarations of Any Interest</b>		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable

23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable
<b>24.</b>	<b>Documents on Display</b>	Part II- Section B, XIV	70

### ANNEX III

#### MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

1.1.	All persons responsible for the information given in the prospectus.	Part II - Section B, I.	30
1.2.	A declaration by those responsible for the prospectus.	Part II - Section B, I.	30
<b>2.</b>	<b>Risk Factors</b>	Part II - Section A	18-29
3.1	Working capital Statement	Part II – Section B, XI	66
3.2	Capitalization and indebtedness	Part II – Section B, 7.1-7.2	47-48
3.4	Reasons for the offer and use of proceeds	Part II – Section B, 3.1	39
		Exhibit 1, Section 1	73
<b>4.</b>	<b>Information Concerning the Securities to be Offered/ Admitted to Trading</b>		
4.1	Type and the class of the securities being offered, including the security identification code.	Part II – Section B, 6.1	43
4.2	Legislation under which the securities have been created.	Part II – Section B, 6.2	43
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Part II – Section B, 6.3	44
4.4	Currency of the securities issue.	Part II – Section B, 6.5	44

4.5	Rights attached to the securities	Part II – Section B, 6.6	44-46
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Part II – Section B, 6.2	43
4.7	Expected issue date of the securities.	Part II – Section B, 3.3	41
4.8	Description of any restrictions on the free transferability of the securities.	Part II – Section B, IV., 6.7	46
4.9	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Part II – Section B, 6.8	46-47
4.11	Information on taxes on the income from the securities withheld at source	Part II - Section B, XV.	70-72
<b>5.1</b>	<b>Conditions, offer statistics, expected timetable and action required to apply for the offer</b>		
5.1.1	Conditions to which the offer is subject.	Part II – Section B, III-VI	39-47
5.1.2	Total amount of the issue/offer.	Part II – Section B, 8.2	52
5.1.3	Time period during which the offer will be open and description of the application process.	Part II – Section B, III-V	39-43
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Part II – Section B, 3.7	41-42
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Part II – Section B, 3.5	41
5.1.6	Minimum and/or maximum amount of application.	Part II – Section B, 3.2, 4.2	40, 42
5.1.7	Period during which an application may be withdrawn.	Part II, Section B – 4.4.	43
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Part II – Section B, 4.3, V	42-43
5.3.1.	An indication of the price at which the securities will be offered.	Part II - Section B, 3.4	41

5.3.2.	Process for the disclosure of the offer price.	Part II – Section B, 3.4, 6.3	41, 44
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Part II – Section B, 6.6	44-46
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
5.4.2	Name and address of any paying agents and depository agents in each country.	Part II – Section B, 6.3	44
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Part II – Section B, 6.1	43
6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Part II – Section B, 6.1	43
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Part II – Section B, 8.2	52
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Part II – Section B, 8.1	51-52
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable

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