

HALLIBURTON

Halliburton Announces Second Quarter Results

July 31, 2003

\$0.09 Per Diluted Share Income From Continuing Operations, Including \$0.24 Charge on Barracuda-Caratinga Project and \$0.03 Gain on Sale Of Halliburton Measurement Systems

HOUSTON, July 31 /PRNewswire-FirstCall/ -- Halliburton (NYSE: HAL) announced today that second quarter 2003 income from continuing operations was \$42 million or \$0.09 per diluted share. Two items impacting continuing operations for the quarter on an after-tax basis were: a previously announced \$104 million charge, or \$0.24 per diluted share, on the Barracuda-Caratinga project and a \$14 million gain, or \$0.03 per diluted share, on the sale of Halliburton Measurement Systems ("HMS").

Net income for the second quarter 2003 was \$26 million or \$0.06 per diluted share, which includes a net loss from discontinued operations of \$0.03 per diluted share.

Revenues were \$3.6 billion in the second quarter 2003, up 11 percent from the second quarter 2002. This increase is largely attributable to increased activity in certain Engineering and Construction Group ("ECG") projects, including government services work in the Middle East.

Operating income was \$71 million, including the \$24 million pretax gain on the sale of HMS and the \$173 million pretax loss on the Barracuda-Caratinga project, compared to a \$405 million loss in the second quarter of 2002. The second quarter of 2002 included a \$330 million asbestos charge, a \$119 million loss on the Barracuda-Caratinga project, a \$61 million charge related to the sale of Bredero-Shaw, a \$56 million restructuring charge and a loss of \$32 million on integrated solutions projects.

Results for the second quarter 2003 included a foreign exchange gain of \$19 million (\$11 million after-tax or \$0.3 per diluted share) due to a significant strengthening of the British pound to the US dollar during the period.

"I am pleased the Energy Services Group's 2003 second quarter revenue and operating income compared favorably to the prior year quarter as well as this year's first quarter. However, company performance was adversely impacted by the charge on the Barracuda-Caratinga project," said David Lesar, chairman, president and chief executive officer of Halliburton. "Looking ahead, I expect improved activity levels to provide revenue and earnings growth for the balance of the year in all segments. Accordingly, we expect earnings per share from continuing operations for the third quarter to be at least \$0.32 per share, excluding any impact of the proposed asbestos settlement."

Halliburton's objective is to provide transparency in its financial disclosures and therefore Halliburton is expanding its financial information into five segments and expanding geographic market disclosures. The tables at the end of this press release include:

- Quarterly and year to date revenues and operating income by operating segment for 2001, 2002 and 2003;
- Quarterly and year to date revenues and operating income by Energy Services Group ("ESG") geographic regions (North America, Latin America, Europe/Africa and Middle East/Asia) for 2001, 2002 and 2003;
- Quarterly and year to date list of significant transactions by operating segment included in operating income for 2001, 2002 and 2003; and
- Quarterly and year to date list of significant transactions by ESG geographic regions included in operating income for 2001, 2002 and 2003.

In addition, for the first time, condensed consolidated balance sheets as of June 30, 2003 and December 31, 2002 are included in the press release.

2003 Second Quarter Segment Results

Energy Services Group

During the second quarter 2003, Halliburton changed the way the ESG is managed by establishing four operating segments as follows:

- Drilling and Formation Evaluation -- consisting of drilling services (includes directional drilling and MWD/LWD), logging services and drill bits;
- Fluids -- consisting of cementing, drilling fluids and solid expandable tubulars;
- Production Optimization -- consisting of production enhancement services (includes fracturing, acidizing, coiled tubing, hydraulic workover, sand control, and pipeline and process services), completion products and services (includes well completion equipment, slickline and safety systems), tools and testing services (includes underbalanced applications, tubular conveyed perforating and testing services), and

Subsea 7; and

-- Landmark and Other ESG -- consisting of software and consulting services, integrated solutions projects, real-time operations, smart wells and non-core businesses (includes subsea operations not contributed to Subsea 7).

The following provides an analysis of material changes in revenues and operating income of the four ESG operating segments, ECG and Corporate for the second quarter 2003 compared to the second quarter 2002.

Combined ESG posted second quarter revenues of \$1.8 billion, a \$24 million increase, and operating income of \$235 million, up \$165 million.

Drilling and Formation Evaluation revenues were flat due to increased directional drilling services and drill bit sales being offset by the impact of the sale of Mono Pumps and lower Gulf of Mexico and Canadian drilling activity. Operating income, led by logging services, increased \$7 million due to higher activity and margins internationally in Mexico, Venezuela, Nigeria and Indonesia.

Fluids revenue increased 15 percent due to increases in both cementing and drilling fluids reflecting higher land rig counts in the United States and improved results internationally. Operating income was up 39 percent and reflects increases in cementing primarily in Norway and Mexico, and drilling fluids primarily in Mexico, Algeria and Angola.

Production Optimization posted a \$59 million increase in revenue with approximately two-thirds of the increase in production enhancement, where United States revenue was up as a result of higher land rig counts. Subsea 7, primarily in the North Sea, contributed most of the remaining increase. Operating income was up seven percent due to the \$24 million gain on the sale of HMS. This gain was partially offset by pricing pressure in North America coupled with inventory adjustments and higher mobilization costs.

Landmark and Other ESG revenues decreased \$104 million due to the contribution of subsea assets to Subsea 7 in May 2002. Operating income was up from a \$127 million loss, reflecting last year's impairment of Bredero- Shaw, losses on integrated solutions projects and restructuring charges. Landmark revenues and operating income remained flat.

Engineering and Construction Group

ECG's second quarter revenues increased 23 percent. Government services more than doubled, and onshore operations increased 21 percent, partially offset by decreases in both operations and maintenance of 12 percent and offshore operations of 22 percent. The increase in government services revenues was mainly attributable to activity in Iraq. Onshore revenues were up due to increased activity on several large projects, including the In Amenas and In Salah projects in Algeria and LNG projects in Nigeria and Egypt. The decrease in offshore operations was related to lower activity due to the decision to no longer pursue fixed price offshore EPIC contracts.

The operating loss for ECG was \$148 million, as compared to a \$450 million loss in the second quarter of 2002. The change was attributable to the \$330 million asbestos charge in the prior year as well as improved results in government services due primarily to activity in Iraq during the current quarter. This was partially offset by higher losses on the Barracuda-Caratinga project. The Barracuda-Caratinga project charge was due to higher cost estimates, schedule extensions, increased project contingencies and other factors identified during the quarterly project review.

General corporate costs decreased \$9 million due to a restructuring charge in the second quarter of 2002.

Backlog

ECG backlog as of June 30, 2003 was \$9.9 billion, up \$400 million from March 31, 2003. The increase was primarily due to new work in government services. Approximately 37 percent of the backlog is for fixed fee contracts, compared to 41 percent at March 31, 2003. Of the fixed fee contract backlog, 38 percent of the total relates to onshore contracts, 25 percent relates to government services and 24 percent relates to offshore.

Firm orders were \$8.2 billion at the end of the quarter. The remainder of the backlog primarily relates to government awards not yet funded, with the Balkans support contract representing the majority of the balance.

Discontinued Operations

The second quarter net loss from discontinued operations was \$16 million after tax, or \$0.03 per diluted share. This loss reflects a \$30 million charge for debtor-in-possession financing to Harbison-Walker in connection with their Chapter 11 bankruptcy proceeding that is expected to be forgiven by the Company as part of the asbestos settlement process and resolution of the Harbison-Walker bankruptcy. In addition, discontinued operations included professional fees associated with due diligence and other aspects of the proposed settlement for asbestos liabilities offset by a release of environmental and legal accruals related to indemnities associated with our 2001 disposition of Dresser Equipment Group which are no longer required. In the second quarter of 2002, the net loss from discontinued operations was \$140 million after tax, which reflects asbestos-related expenses of previously disposed businesses.

Liquidity and Capital Resources

Halliburton ended the second quarter with cash and equivalents of \$1.9 billion, an increase from \$1.1 billion at the end of 2002. The cash increase is due to \$1.2 billion in proceeds from convertible senior notes that were issued during the quarter. The notes bear interest at 3.125 percent and are due July 15, 2023. A significant use of cash was the scheduled repayment of \$139 million in senior notes. Although the Company had large increases in revenue during the first half of the year related to activity in Iraq, a significant portion of that revenue is currently invested in working capital, mainly accounts receivable and unbilled work. During the first six months of 2003, Halliburton's capital expenditures were \$229 million, primarily in ESG.

Technology and Significant Achievements

Halliburton had a number of advances in technology and new contract awards including:

- The KBR and Mowlem PLC joint venture, Aspire Defense, has been named by the UK Ministry of Defense as the preferred bidder for the \$6.7 billion PFI contract to upgrade and provide a range of services to the British Army's garrisons around Salisbury Plain and at Aldershot. The contract includes a \$1.7 billion construction program which will improve soldiers' single living accommodation, leisure and recreational facilities, technical and administrative accommodation, in addition to servicing and maintaining the facilities for a 30-year period.
- Halliburton provided the technology for the first known monobore completion in the Gulf of Mexico when several Halliburton product service lines were integrated to develop a well system that minimizes the client's initial capital investment and allows stacked pay zones to be accessed without the use of a rig;
- Halliburton and Statoil completed a successful test of a new game-changing formation evaluation technology. An LWD formation tester, the GeoTap(TM) sensor, was used to quantify formation pressure during drilling operations. The GeoTap(TM) tool, part of Sperry-Sun's Stellar(TM) MWD/LWD suite, was run in combination with a complete logging-while-drilling sensor package and the Geo-Pilot rotary steerable drilling system. This is the first time that this type of technology has been successfully applied in the Norwegian shelf;
- Halliburton deployed the largest-ever coiled tubing intervention system for deepwater Gulf of Mexico operations. The system, which includes the largest, most powerful, and strongest components ever deployed, consists of Halliburton's V135HP coiled tubing injector, a reel capable of handling 36,000 feet of 2-3/8-inch coiled tubing, and a 750-ton capacity tension lift frame;
- Halliburton expanded its relationship with Shell Exploration & Production Company for deepwater operations in the Gulf of Mexico. Halliburton was awarded a contract for the construction and implementation of a real-time operations center to help manage and optimize all Shell's well construction activities in the Gulf of Mexico; and
- Landmark released the Drill-to-the-Earth Model(TM) system. The system combines a broad range of applications to enable asset team members to rapidly design wells and visualize real-time earth models and wellbore updates from drilling operations in a 3-D environment.

Halliburton, founded in 1919, is one of the world's largest providers of products and services to the petroleum and energy industries. The Company serves its customers with a broad range of products and services through its Energy Services Group and Engineering and Construction Group. The Company's World Wide Web site can be accessed at www.halliburton.com.

NOTE: The statements in this press release that are not historical statements, including statements regarding future financial performance, are forward-looking statements within the meaning of the federal securities laws. These statements are subject to numerous risks and uncertainties, many of which are beyond the Company's control, which could cause actual results of operations to differ materially from the results expressed or implied by the statements. These risks and uncertainties include, but are not limited to: legal risks, including the risks of judgments against the Company's subsidiaries and predecessors in asbestos litigation pending and currently on appeal, the inability of insurers for asbestos exposures to pay claims; future asbestos claims, defense and settlement costs, other litigation and proceedings, including shareholder lawsuits, securities laws inquiries, contract disputes, patent infringements and environmental matters, changes in government regulations and adverse reaction to scrutiny involving the Company; political risks, including the risks of unsettled political conditions, ongoing conflicts in the Middle East and the effects of terrorism, foreign operations and foreign exchange rates and controls; liquidity risks, including the risks of potential reductions in debt ratings, access to credit, availability and costs of financing and ability to raise capital; weather-related risks; customer risks, including the risks of changes in capital spending and claims negotiations; industry risks, including the risks of changes that affect the demand for or price of oil and/or gas, structural changes in the industries in which the Company operates, risks of fixed-fee projects and risks of complex business arrangements; systems risks, including the risks of successful development and installation of financial systems; and personnel and merger/reorganization/disposition risks, including the risks of increased competition for employees, successful integration of acquired businesses, effective restructuring efforts and successful completion of planned dispositions. Please see Halliburton's Form 10-K for the year ended December 31, 2002.

HALLIBURTON COMPANY
Consolidated Statements of Operations
(Millions of dollars and shares except per share data)

(Unaudited)

	Three Months Ended June 30		Three Months Ended March 31 2003
	2003	2002	
Revenues			
Energy Services Group	\$ 1,780	\$ 1,756	\$ 1,611
Engineering and Construction Group	1,819	1,479	1,449
Total revenues	\$ 3,599	\$ 3,235	\$ 3,060
Operating income (loss)			
Energy Services Group	\$ 235	\$ 70	\$ 180
Engineering and Construction Group	(148)	(450)	(19)
General corporate	(16)	(25)	(19)
Total operating income (loss)	71	(405)	142
Interest expense	(25)	(30)	(27)
Interest income	7	12	8
Foreign currency, net	19	(5)	(6)
Other nonoperating, net	2	(2)	---
Income (loss) from continuing operations before income taxes, minority interest, and change in accounting principle	74	(430)	117
Benefit (provision) for income taxes	(29)	77	(50)
Minority interest in net income of subsidiaries	(3)	(5)	(8)
Income (loss) from continuing operations before change in accounting principle	42	(358)	59
Loss from discontinued operations, net	(16)	(140)	(8)
Cumulative effect of change in accounting principle, net	---	---	(8)
Net income (loss)	\$ 26	\$ (498)	\$ 43
Basic income (loss) per share:			
Continuing operations before change in accounting principle	\$ 0.09	\$ (0.83)	\$ 0.14
Loss from discontinued operations	(0.03)	(0.32)	(0.02)
Change in accounting principle	0.06	(1.15)	0.12
	---	---	(0.02)
Net income (loss)	\$ 0.06	\$ (1.15)	\$ 0.10
Diluted income (loss) per share:			
Continuing operations before change in accounting principle	\$ 0.09	\$ (0.83)	\$ 0.14
Loss from discontinued operations	(0.03)	(0.32)	(0.02)
Change in accounting principle	0.06	(1.15)	0.12
	---	---	(0.02)
Net income (loss)	\$ 0.06	\$ (1.15)	\$ 0.10
Basic weighted average common shares outstanding	434	432	434
Diluted weighted average common shares outstanding	436	432	436

See Footnote Table 1 for a list of significant items included in operating income.

HALLIBURTON COMPANY
Consolidated Statements of Operations
(Millions of dollars and shares except per share data)
(Unaudited)

	Six Months Ended	
	June 30	
	2003	2002
Revenues		
Energy Services Group	\$ 3,391	\$ 3,445
Engineering and Construction Group	3,268	2,797
Total revenues	\$ 6,659	\$ 6,242
Operating income (loss)		
Energy Services Group	\$ 415	\$ 239
Engineering and Construction Group	(167)	(508)
General corporate	(35)	(13)
Total operating income (loss)	\$ 213	\$ (282)
Interest expense	(52)	(62)
Interest income	15	16
Foreign currency, net	13	(13)
Other nonoperating, net	2	2
Income (loss) from continuing operations before income taxes, minority interest, and change in accounting principle	191	(339)
Benefit (provision) for income taxes	(79)	41
Minority interest in net income of subsidiaries	(11)	(10)
Income (loss) from continuing operations before change in accounting principle	101	(308)
Loss from discontinued operations, net	(24)	(168)
Cumulative effect of change in accounting principle, net	(8)	---
Net income (loss)	\$ 69	\$ (476)
Basic income (loss) per share:		
Continuing operations before change in accounting principle	\$ 0.23	\$ (0.71)
Loss from discontinued operations	(0.05)	(0.39)
	0.18	(1.10)
Change in accounting principle	(0.02)	---
Net income (loss)	\$ 0.16	\$ (1.10)
Diluted income (loss) per share:		
Continuing operations before change in accounting principle	\$ 0.23	\$ (0.71)
Loss from discontinued operations	(0.05)	(0.39)
	0.18	(1.10)
Change in accounting principle	(0.02)	---
Net income (loss)	\$ 0.16	\$ (1.10)
Basic weighted average common shares outstanding	434	432
Diluted weighted average common shares outstanding	436	432

See Footnote Table 1 for a list of significant items included in operating income.

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets
(Millions of dollars)
(Unaudited)

	June 30	December 31
	2003	2002
Assets		
Current assets:		
Cash and equivalents	\$ 1,859	\$ 1,107
Total receivables, net	3,666	3,257

Inventories	747	734
Other current assets	503	462
Total current assets	6,775	5,560
Property, plant and equipment, net	2,498	2,629
Insurance for asbestos and silica related liabilities	2,059	2,059
Other assets	2,690	2,596
Total assets	\$14,022	\$12,844

Liabilities and Shareholders' Equity

Current liabilities:		
Short-term notes payable	\$ 16	\$ 49
Current maturities of long-term debt	166	295
Accounts payable	1,056	1,077
Other current liabilities	2,079	1,851
Total current liabilities	3,317	3,272
Long-term debt	2,374	1,181
Asbestos and silica related liabilities	3,396	3,425
Other liabilities	1,293	1,337
Minority interest in consolidated subsidiaries	83	71
Total liabilities	10,463	9,286
Total shareholders' equity	3,559	3,558
Total liabilities and shareholders' equity	\$14,022	\$12,844

TABLE 1

HALLIBURTON COMPANY
Revenue and Operating Income Comparison By Operating Segments
(Millions of dollars)
(Unaudited)

2003	Quarter Ended		Six Months
	March 31	June 30	Ended June 30
Revenues			
Drilling and Formation Evaluation	\$ 379	\$ 414	\$ 793
Fluids	480	518	998
Production Optimization	629	693	1,322
Landmark and Other ESG	123	155	278
Total Energy Services Group	1,611	1,780	3,391
Engineering and Construction Group	1,449	1,819	3,268
Total revenues	\$ 3,060	\$ 3,599	\$ 6,659
Operating Income			
Drilling and Formation Evaluation	\$ 66	\$ 49	\$ 115
Fluids	55	68	123
Production Optimization	70	113	183
Landmark and Other ESG	(11)	5	(6)
Total Energy Services Group	180	235	415
Engineering and Construction Group	(19)	(148)	(167)
General Corporate	(19)	(16)	(35)
Total operating income	\$ 142	\$ 71	\$ 213

2002	March 31	Quarter Ended			Twelve
		June 30	Sept. 30	Dec. 31	Months Ended Dec. 31

Revenues					
Drilling and Formation					
Evaluation	\$ 399	\$ 413	\$ 408	\$ 413	\$ 1,633
Fluids	453	450	449	463	1,815
Production Optimization	612	634	655	653	2,554
Landmark and Other ESG	225	259	165	185	834
Total Energy					
Services Group	1,689	1,756	1,677	1,714	6,836
Engineering and					
Construction Group	1,318	1,479	1,305	1,634	5,736
Total revenues	\$ 3,007	\$ 3,235	\$ 2,982	\$ 3,348	\$12,572

Operating Income					
Drilling and Formation					
Evaluation	\$ 38	\$ 42	\$ 35	\$ 45	\$ 160
Fluids	51	49	54	48	202
Production Optimization	83	106	103	92	384
Landmark and Other ESG	(3)	(127)	8	14	(108)
Total Energy					
Services Group	169	70	200	199	638
Engineering and					
Construction Group	(58)	(450)	12	(189)	(685)
General Corporate	12	(25)	(21)	(31)	(65)
Total operating income (loss)	\$ 123	\$ (405)	\$ 191	\$ (21)	\$ (112)

See Footnote Table 1 for a list of significant items included in operating income.

TABLE 1

HALLIBURTON COMPANY
 Revenue and Operating Income Comparison By Operating Segments
 (Millions of dollars)
 (Unaudited)
 (continued)

2001	Quarter Ended				Twelve Months
	March 31	June 30	Sept. 30	Dec. 31	Ended Dec. 31
Revenues					
Drilling and Formation					
Evaluation	\$ 383	\$ 425	\$ 425	\$ 410	\$ 1,643
Fluids	487	520	556	502	2,065
Production Optimization	634	741	759	669	2,803
Landmark and Other ESG	288	322	358	332	1,300
Total Energy					
Services Group	1,792	2,008	2,098	1,913	7,811
Engineering and					
Construction Group	1,352	1,331	1,293	1,259	5,235
Total revenues	\$ 3,144	\$ 3,339	\$ 3,391	\$ 3,172	\$13,046
Operating Income					
Drilling and Formation					
Evaluation	\$ 25	\$ 42	\$ 48	\$ 56	\$ 171
Fluids	63	74	94	77	308
Production Optimization	97	153	161	117	528
Landmark and Other ESG	4	(1)	18	8	29
Total Energy					
Services Group	189	268	321	258	1,036
Engineering and					
Construction Group	27	21	36	27	111
General Corporate	(18)	(17)	(15)	(13)	(63)
Total operating					

Operating Income					
North America	\$ 168	\$ 213	\$ 239	\$ 170	\$ 790
Latin America	33	38	42	40	153
Europe / Africa	(22)	1	(5)	7	(19)
Middle East / Asia	10	16	45	41	112
Total operating income	\$ 189	\$ 268	\$ 321	\$ 258	\$ 1,036

See Footnote Table 2 for a list of significant items included in operating income.

Footnote Table 1
Items Included in Operating Income by Segment
(Millions of dollars)
(Unaudited)

	Quarter Ended				Twelve Months Ended
	March 31	June 30	Sept. 30	Dec. 31	Dec. 31
2003					
Drilling Formation and Evaluation:					
Mono Pumps gain on sale	\$ 36	\$ ---	\$ ---	\$ ---	\$ 36
Production Optimization:					
HMS gain on sale	---	24	---	---	24
Landmark and Other ESG:					
Wellstream loss on sale	(15)	---	---	---	(15)
Engineering & Construction:					
Asbestos and silica liability	(2)	---	---	---	(2)
Barracuda-Caratinga project loss	(55)	(173)	---	---	(228)
Total	\$(36)	\$(149)	\$ ---	\$ ---	\$(185)
2002					
Production Optimization:					
Patent infringement lawsuit accrual	\$(98)	\$ ---	\$ ---	\$ ---	\$(98)
Landmark and Other ESG:					
EMC gain on sale	108	---	---	---	108
Restructuring charge	(5)	(37)	(5)	(17)	(64)
Bredero impairment	---	(61)	---	---	(61)
Bredero loss on sale	---	---	(18)	---	(18)
Engineering & Construction:					
Highlands receivable write-off	(80)	---	---	---	(80)
Restructuring charge	(4)	(10)	(2)	(2)	(18)
Barracuda-Caratinga project loss	---	(119)	---	2	(117)
Asbestos and silica liability	---	(330)	---	(234)	(564)
Corporate:					
Insurance company demutualization	28	---	---	1	29
Restructuring charge	(2)	(9)	(4)	(10)	(25)
Total	\$(53)	\$(566)	\$(29)	\$(260)	\$(908)
2001					
Engineering & Construction:					
Asbestos and silica liability	\$ (5)	\$ ---	\$ (3)	\$ (3)	\$ (11)
Total	\$ (5)	\$ ---	\$ (3)	\$ (3)	\$ (11)

Footnote Table 2

Items Included in Operating Income by Geographic Region -- ESG Only

	(Millions of dollars)				
	(Unaudited)				
		Quarter Ended			Twelve
		March 31	June 30	Sept. 30	Months
					Ended
					Dec. 31
					Dec. 31
2003					
North America:					
Mono Pumps gain on sale	\$ 24	\$ ---	\$ ---	\$ ---	\$ 24
Wellstream loss on sale	(11)	---	---	---	(11)
HMS gain on sale	---	24	---	---	24
Europe / Africa:					
Mono Pumps gain on sale	12	---	---	---	12
Wellstream loss on sale	(4)	---	---	---	(4)
Total	\$ 21	\$ 24	\$ ---	\$ ---	\$ 45
2002					
North America:					
Patent infringement lawsuit accrual	\$ (98)	\$ ---	\$ ---	\$ ---	\$ (98)
Restructuring charge	(5)	(29)	(4)	(13)	(51)
Bredero-Shaw impairment	---	(61)	---	---	(61)
Bredero-Shaw loss on sale	---	---	(18)	---	(18)
Latin America:					
Restructuring charge	---	(3)	---	---	(3)
Europe / Africa:					
EMC gain on sale	108	---	---	---	108
Restructuring charge	---	(2)	(1)	(4)	(7)
Middle East / Asia:					
Restructuring charge	---	(3)	---	---	(3)
Total	\$ 5	\$ (98)	\$ (23)	\$ (17)	\$ (133)

SOURCE Halliburton