

# HALLIBURTON

## Halliburton Refutes Statements Made About Fuel Procurement and Delivery In Iraq

October 17, 2003

HOUSTON, Oct. 17 /PRNewswire-FirstCall/ -- Halliburton today strongly responded to statements about fuel procurement and delivery in Iraq.

"The claims made about our fuel delivery mission in Iraq are inaccurate, misleading and unwarranted," said Dave Lesar, chairman, president and chief executive officer, Halliburton. "KBR is successfully helping to deliver this needed resource to create some sense of normalcy for those who have suffered losses in Iraq. Halliburton is proud to offer our global resources at this critical time in the Middle East."

Because of wartime emergency, the Department of Defense asked Halliburton to provide emergency services in Iraq. One of these wartime emergency services is to provide fuel distribution support for the Iraqi people.

KBR has been directed to acquire, transport and distribute fuel through a hostile environment and deliver it to various locations within Iraq. Through an open and competitive bid process, KBR awarded the fuel acquisition contracts to suppliers who could meet the very demanding requirements defined by the client, the United States Army Corps of Engineers. The requirements included the ability to acquire the necessary and large quantities of fuel on short notice and the ability and willingness to deliver it in a hostile environment.

The cost calculations that have been reported for the fuel mission are inaccurate. Contrary to what many have reported, the fuel mission is not limited to the procurement and delivery of gasoline only. KBR was tasked to procure and deliver a variety of fuels ranging from gasoline to liquid propane gas (LPG) to kerosene and diesel. The costs associated with this effort are not limited to the price of the fuel. The company incurs costs for transportation, storage, distribution, quality assurance, and labor required to manage the operation. Including these mentioned expenses as well as the price of the fuel and the company's two percent fee, the average cost for the mission is approximately \$1.59 per gallon. This is less than the cost of a gallon of gas in either Washington, D.C. or California.

To allege that KBR is overcharging for this needed service is an insult to the KBR employees who are performing this dangerous mission to help bring fuel to the people of Iraq. The drivers transporting the fuel face the real risk of being killed or wounded, and vehicles and contents being destroyed. The contract allows for billing solely for costs incurred plus a two percent fee. The company's two percent fee is less than the markup for products at a local gas station or supermarket.

KBR continues to negotiate fair and competitive prices to provide fuel to the Iraqi people.

Safety and security of employees in the region is the company's primary concern. Since this mission requires extensive travel in a hostile environment, the names of countries and contractors providing the fuel have not been publicly released in an effort to prevent delivery routes from being attacked and ambushed. Halliburton is prepared to meet the challenge regardless of the difficulties and risks involved.

Halliburton helped build U.S. warships in World War II, as well as projects in Somalia, Rwanda and Haiti. It also put out more than half of the oil well fires in Kuwait during the 1991 Gulf War and now is assisting with restoration efforts in Iraq.

Halliburton, founded in 1919, is the world's largest provider 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 business segments.

SOURCE Halliburton