Halliburton Announces First Quarter Results

April 28, 2004

$0.17 Per Diluted Share Income From Continuing Operations, Including $0.14 Charge on Barracuda-Caratinga Project

HOUSTON, April 28 /PRNewswire-FirstCall/ -- Halliburton (NYSE: HAL) announced today that first quarter 2004 income from continuing operations was $76 million, or $0.17 per diluted share. Impacting continuing operations for the quarter on an after-tax basis was the previously announced $62 million charge, or $0.14 per diluted share, on the Barracuda-Caratinga project.

Net loss for the quarter was $65 million, or $0.15 per diluted share, and included a net loss from discontinued operations for the proposed asbestos and silica settlement of $141 million, or $0.32 per diluted share. The net loss from discontinued operations resulted primarily from the first quarter revaluation, due to the increase in Halliburton's stock price, of the 59.5 million shares of Halliburton common stock to be contributed to trusts for the benefit of asbestos and silica claimants.

Revenues were $5.5 billion in the first quarter 2004, up 80% from the first quarter 2003. This increase was largely attributable to additional activity on government services projects in the Middle East in the Engineering and Construction Group (known as KBR). Within the Energy Services Group (ESG), revenues increased 13% in the first quarter 2004 compared to the prior year period.

Consolidated operating income was $175 million in the first quarter 2004 compared to $142 million in the first quarter 2003. Operating income for ESG was up 19% in the first quarter. KBR operating results improved slightly as a result of increased government services work, offset by a $97 million pretax loss on the Barracuda-Caratinga project. First quarter 2003 operating income included a $55 million pretax loss on the Barracuda-Caratinga project, a $36 million pretax gain related to the sale of Mono Pumps, and a $15 million pretax loss related to the sale of Wellstream.

"Overall, I am pleased with our operating performance during the quarter," said Dave Lesar, chairman, president and chief executive officer of Halliburton. "We continue to see improvement in the energy services business. While oilfield activity and pricing was essentially flat until late in the first quarter, we are beginning to see signs that customer spending and pricing for our services are improving. We believe the agreement in principle on the Barracuda-Caratinga project, if completed, would resolve disputed items and significantly reduce remaining risks for us with the project."

2004 First Quarter Segment Results

Energy Services Group

ESG posted first quarter 2004 revenues of $1.8 billion, a $205 million increase over the first quarter 2003, and operating income of $214 million, up $34 million from the same period in the prior year.

Drilling and Formation Evaluation (DFE) operating income of $43 million was $23 million less than the prior year quarter primarily due to the $36 million gain on the sale of Mono Pumps in the first quarter 2003. Before considering the Mono Pumps gain, DFE operating income improved 43% year-over-year. Logging services operating income increased $14 million year-over-year on higher United States land rig counts, the implementation of exit strategies for logging operations in several underperforming countries, and a direct sale into China. Drilling services saw revenue growth across all geographic regions. For drill bits, operating margins improved as a result of benefits from the consolidation of manufacturing facilities to The Woodlands, Texas.

Fluids operating income for the first quarter 2004 was $60 million, a $5 million increase from the first quarter 2003. The increase in operating income was attributable to a $15 million increase in cementing services due to higher land rig activity in North America and improved pricing. This was partially offset by a $12 million reduction in drilling fluids operating results due primarily to the activity shift from favorable offshore operations to lower margin onshore areas.

Production Optimization operating income for the first quarter 2004 was $82 million, a 21% increase over first quarter 2003. The increase was primarily driven by production enhancement services, which improved operating income $22 million, largely derived from increased land rig activity and high utilization in the United States, revenue increases in all international regions, and improved pricing. The first quarter 2004 included $17 million in equity losses from the Subsea 7 joint venture compared with $14 million in equity losses in the first quarter 2003.

Landmark and Other Energy Services first quarter 2004 operating income was $29 million, compared to a loss of $9 million for the prior year period. This increase in operating income is attributed to a $15 million loss on the sale of Wellstream in the first quarter 2003, a $13 million reduction in legal reserves in the first quarter 2004 related to the settlement of the Anglo- Dutch litigation, and strong commodity prices benefiting integrated solutions services. Landmark Graphics achieved 5% growth in revenues over the prior year period, setting a new record for revenues in the first quarter of any year, due primarily to increased software sales.

KBR

KBR revenues for the first quarter 2004 were $3.7 billion, more than double its revenues in the first quarter 2003. The improvement was mostly due to government contract activities.

KBR operating loss for the first quarter 2004 was $15 million, compared to a $19 million loss in the first quarter 2003. First quarter 2004 operating loss included the $97 million loss on the Barracuda-Caratinga project, which was partially offset by increased results on government services projects, refining and gas projects in Canada and Africa, and upstream operations and maintenance projects. First quarter 2003 results included a $55 million loss on the Barracuda-Caratinga project.

Halliburton's Iraq-related work contributed approximately $2.1 billion in revenues in the first quarter 2004 and $32 million in operating income.

Backlog

KBR backlog at March 31, 2004 was $8.4 billion, down $1.3 billion from December 31, 2003 primarily due to workoff and transition of the fuel delivery work in Iraq to the Defense Energy Support Center. Approximately 26% of the backlog is for fixed-fee contracts, essentially unchanged from December 31, 2003. Of the fixed-fee contract backlog, only 13% of the total related to offshore contracts, while 39% related to onshore contracts.

Technology and Significant Achievements

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

Energy Services Group new technologies and contracts:

- Halliburton announced the release of DecisionSpace Well Seismic Fusion(TM), a suite of interpretation and analysis tools for predicting reservoir rock properties from prestack seismic data, synthetic data, and well data. Working closely with Statoil, Landmark Graphics developed Well Seismic Fusion to leverage the rich information content contained in prestack seismic data to build earth models and more accurately predict reservoir lithology and fluids. This unique technology provides a highly integrated interpretation environment enabling interpreters and other asset team members to improve reservoir understanding and dramatically reduce exploration risk.

- Halliburton announced that it has signed a five-year technology agreement with Integrated Trade Systems, Inc., an agreement that will benefit PEMEX, Mexico's national oil and gas company. The agreement includes a broad range of Landmark Graphics' prospect generation and field development software that will support the exploration and development activities of PEMEX. A key component of this agreement is the provision of broad Landmark service support, to ensure that PEMEX exploration and production specialists are able to extract maximum value from this technology investment.

- Halliburton announced the release of Z3(TM) polycrystalline diamond compact (PDC) cutter technology for Fixed Cutter drill bits. Z3 technology, a proprietary development made in conjunction with long-time diamond technology provider US Synthetic, represents a step-change advance in the abrasion resistance of PDC cutters, leading to significantly longer and more cost-effective drilling operations.

KBR new contract awards:

- KBR has been awarded the contract to provide engineering, procurement, and construction management services for BP's Greater Plutonio fields located in Block 18 offshore Angola. The services are for the floating production, storage, and offloading vessel and the associated subsea systems.

- KBR has been awarded the seven-year contract for CONLOG (Contract for Logistics Support) by the United Kingdom Ministry of Defence to provide logistics and infrastructure support to Permanent Joint Forces Headquarters operations and exercises worldwide.

- KBR is providing engineering services for the onshore design of a Gas to Liquids (GTL) project in Qatar under a Front End Engineering Design (FEED) contract awarded to its joint venture partner JGC Corporation of Japan by Shell Global Solutions.

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 and Engineering and Construction Groups. 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 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 being unable to complete the proposed settlement of asbestos and silica liabilities, the risks of having material subsidiaries in Chapter 11 proceedings, the risks of audits and investigations of the company by domestic and foreign government agencies and legislative bodies, 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 or a delay in the payment of such claims, future asbestos claims defense and settlement costs, the risks of judgments against the company and its subsidiaries in other litigation and proceedings, including shareholder lawsuits, securities laws inquiries, contract disputes, patent infringements and environmental matters, legislation, changes in government regulations and adverse reaction to scrutiny involving the company; political risks, including the risks of unsettled political conditions, war 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/A for the year ended December 31, 2003 for a more complete discussion of such risk factors.

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

	Three Months Ended March 31		Three Months Ended December 31
	2004	2003	2003
Revenues			
Drilling and Formation Evaluation	$444	$379	$417
Fluids	535	480	531
Production Optimization	708	627	713
Landmark and Other Energy Services	129	125	138
Total Energy Services Group	1,816	1,611	1,799
Engineering and Construction Group	3,703	1,449	3,665
Total revenues	$5,519	$3,060	$5,464
Operating income (loss)			
Drilling and Formation Evaluation	$43	$66	$17
Fluids	60	55	73
Production Optimization	82	68	115
Landmark and Other Energy Services	29	(9)	36
Total Energy Services Group	214	180	241
Engineering and Construction Group	(15)	(19)	82
General corporate	(24)	(19)	(20)
Total operating income	175	142	303
Interest expense	(56)	(27)	(54)
Interest income	10	8	8
Foreign currency, net	(3)	(6)	4
Other, net	5	---	(1)
Income from continuing operations before income taxes, minority interest, and change in accounting principle	131	117	260
Provision for income taxes	(49)	(50)	(92)
Minority interest in net income of subsidiaries	(6)	(8)	(22)
Income from continuing operations before change in accounting principle	76	59	146
Loss from discontinued operations, net	(141)	(8)	(1,093)
Cumulative effect of change in accounting principle, net	---	(8)	---
Net income (loss)	$(65)	$43	$(947)

Basic income (loss) per share:			
Income from continuing operations before change in accounting principle	$0.17	$0.14	$0.34
Loss from discontinued operations, net	(0.32)	(0.02)	(2.52)
Cumulative effect of change in accounting principle, net	---	(0.02)	---
Net income (loss)	$(0.15)	$0.10	$(2.18)
Diluted income (loss) per share:			
Income from continuing operations before change in accounting principle	$0.17	$0.14	$0.34
Loss from discontinued operations, net	(0.32)	(0.02)	(2.51)
Cumulative effect of change in accounting principle, net	---	(0.02)	---
Net income (loss)	$(0.15)	$0.10	$(2.17)
Basic weighted average common shares outstanding	436	434	435
Diluted weighted average common shares outstanding	440	436	438

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

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

	March 31		December 31
	2004	2003	2003
Assets			
Current assets:			
Cash and equivalents	$1,933	$928	$1,815
Total receivables, net	5,720	3,293	4,765
Inventories	743	757	695
Other current assets	867	460	644
Total current assets	9,263	5,438	7,919
Property, plant, and equipment, net	2,537	2,492	2,526
Insurance for asbestos- and silica-related liabilities	1,535	2,059	2,038
Other assets	3,072	2,595	2,980
Total assets	$16,407	$12,584	$15,463
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term notes payable	$9	$9	$18
Current maturities of long-term debt	23	299	22
Accounts payable	2,102	949	1,776
Asbestos- and silica-related liabilities	2,505	---	2,507
Other current liabilities	2,284	1,788	2,219
Total current liabilities	6,923	3,045	6,542
Long-term debt	3,934	1,175	3,415
Asbestos- and silica-related liabilities	1,769	3,407	1,579
Other liabilities	1,199	1,314	1,280

Total liabilities	13,825	8,941	12,816
Minority interest in consolidated subsidiaries	110	81	100
Shareholders' equity	2,472	3,562	2,547
Total liabilities and shareholders' equity	$16,407	$12,584	$15,463

Note: These Condensed Consolidated Balance Sheets do not include a breakout of prepetition liabilities. This information will be provided in our first quarter 2004 Form 10-Q.

TABLE 1

HALLIBURTON COMPANY
Revenue and Operating Income Comparison
By Geographic Region - Energy Services Group Only
(Millions of dollars)
(Unaudited)

	Three Months Ended March 31		Three Months Ended December 31
	2004	2003	2003
Revenues:			
North America	$814	$745	$787
Latin America	229	182	255
Europe/Africa	372	342	350
Middle East/Asia	401	342	407
Total revenues	$1,816	$1,611	$1,799
Operating Income:			
North America	$118	$84	$100
Latin America	30	23	48
Europe/Africa	19	32	36
Middle East/Asia	47	41	57
Total operating income	$214	$180	$241

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

FOOTNOTE TABLE 1

HALLIBURTON COMPANY
Items Included in Operating Income by Operating Segment
(Millions of dollars except per share data)
(Unaudited)

	Three Months Ended March 31 2004		Three Months Ended March 31 2003		Three Months Ended December 31 2003	
	Operating Income	After Tax per Share	Operating Income	After Tax per Share	Operating Income	After Tax per Share
Drilling and Formation Evaluation:						
Mono Pumps gain on sale	$---	$---	$36	$0.05	$---	$---
Landmark and Other Energy Services:						
Anglo-Dutch lawsuit	13	0.02	---	---	---	---
Wellstream loss on sale	---	---	(15)	(0.03)	---	---
Engineering and						

Construction Group:						
Barracuda-Caratinga project loss	(97)	(0.14)	(55)	(0.08)	(10)	(0.01)

FOOTNOTE TABLE 2

HALLIBURTON COMPANY
Items Included in Operating Income
By Geographic Region - Energy Services Group Only
(Millions of dollars except per share data)
(Unaudited)

	Three Months Ended March 31 2004		Three Months Ended March 31 2003		Three Months Ended December 31 2003	
	Operating Income	After Tax per Share	Operating Income	After Tax per Share	Operating Income	After Tax per Share
North America:						
Anglo-Dutch lawsuit	$13	$0.02	$---	$---	$---	$---
Mono Pumps gain on sale	---	---	24	0.03	---	---
Wellstream loss on sale	---	---	(11)	(0.02)	---	---
Europe/Africa:						
Mono Pumps gain on sale	---	---	12	0.02	---	---
Wellstream loss on sale	---	---	(4)	(0.01)	---	---

SOURCE Halliburton