

HALLIBURTON

Department of Defense Approves Army's Request to Deviate on KBR Withhold Issue

February 3, 2005

HOUSTON, Feb 3, 2005 (BUSINESS WIRE) -- Halliburton (NYSE:HAL) confirmed today that the Army Field Support Command (AFSC) has informed KBR that the Army Materiel Command (AMC) has approved AFSC's request for a deviation from the Federal Acquisition Regulation (FAR) clause that could impose a 15 percent withholding on future invoices to the U.S. Government under the LOGCAP III contract. KBR is a subsidiary of Halliburton.

Although AMC determined that the FAR clause can apply to contingency contracts, it has delegated the authority to determine whether or not to implement the withholding to AFSC, the Army agency that administers KBR's LOGCAP III contract. AFSC has informed KBR that it will assess the situation on a task order by task order basis and that, at the present time, the withholding will continue to be deferred.

"This is indeed great news for KBR," said Andy Lane, chief operating officer, Halliburton. "The Army and KBR have agreed to continue working closely together to resolve any remaining billing issues because of the size and scope of the tasks in Iraq and the fact that the process is complex and constantly changing."

"KBR's top priority has always been making sure that the soldiers in Kuwait and Iraq have the best possible living conditions so they can concentrate on their warfighting mission. As in the past we have sought to identify problems and acted to fix them, and the challenging conditions of this unique environment have only quickened our pace," Lane continued. "KBR and the Army have made great strides toward the definitization of task orders under the LOGCAP III contract and we expect to work through any remaining issues in a cooperative manner."

"There are very few companies in the world that could or would adapt this quickly while, at the same time, financing an operation of this magnitude," added Bruce Stanski, senior vice president, KBR's Government & Infrastructure Division.

Halliburton has a 60-year history of working with the Government. KBR helped build U.S. warships in World War II, Korea and Vietnam as well as projects in Somalia, Rwanda, and the Balkans. We are proud to serve the troops making them feel a little closer to home.

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.

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