

HALLIBURTON

KBR and U.S. Army Complete Definitization of \$10.5 Billion in Task Orders Under LOGCAP III Contract

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Twenty-Seven Task Orders Definitized; Company Also Announces Final Agreement Reached on Kuwait and Iraq Dining Facilities Billing

Halliburton (NYSE:HAL) announced today that the U.S. Army Field Support Command (AFSC) and Halliburton subsidiary KBR have completed the definitization of 27 outstanding task orders, valued at more than \$10.5 billion, related to support KBR provided the U.S. military during Operation Enduring Freedom and Operation Iraqi Freedom. The support was provided under the competitively awarded Logistics Civil Augmentation Program (LOGCAP) III contract. The company announced at the same time that it has reached an agreement with the Army on an issue of billings for food service provided to troops in Iraq.

"KBR and our customer have been working to definitize these task orders for more than a year. Achieving this, especially given the challenges of definitizing services provided in a constantly changing war zone, took an outstanding team effort," said Andy Lane, chief operating officer, Halliburton. "We salute the efforts and diligence of the AFSC and our other government partners. This milestone allows us to continue to satisfy federal regulations while providing the quality support on which the soldiers on the ground in Iraq and elsewhere depend."

Among the definitized task orders were: life support provided to the U.S. and Coalition troops and Coalition Provisional Authority; logistics support; and the theater transportation mission.

Dining Facility (DFAC) Billing Issue Resolved

Included in the 27 definitized task orders are 14 related to dining facility services the company provided U.S. and Coalition troops in Iraq and Kuwait. Under the terms of the agreement, AFSC will pay KBR \$1.176 billion while retaining \$55.1 million of approximately \$200 million in payments that had been withheld while these issues were resolved. KBR stated it will negotiate payment adjustments with its subcontractors as a result. Additionally, portions of the 14 affected task orders were converted from Cost Plus Award Fee to Firm Fixed Price in order to streamline contract administration.

This negotiated agreement resolves a payment withholding issue that has been pending since February 2004.

"This is clearly good news for the company," added Bruce Stanski, senior vice president of KBR's government and infrastructure division. "As we have said before, we have withheld amounts from our subcontractors based on the government's actions and we do not expect any negative financial impact from this settlement as a result."

The dining facilities issue stemmed from interpretive differences in billing approaches for services provided at several sites during the first nine months of the war. The U.S. Army specified minimum numbers of troops that every facility should be prepared to serve on any given day. When KBR's subcontractors billed for those minimum numbers, however, the Defense Contract Audit Agency (DCAA) suggested the bills should be based on the actual number of troops served each day - rather than the minimum numbers of soldiers the subcontractors were directed to be prepared to serve.

KBR is a global engineering, construction, technology and services company. Whether designing an LNG facility, serving as a defense industry contractor, or providing small capital construction, KBR delivers world-class service and performance. KBR employs more than 60,000 people in 43 countries around the world.

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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