

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the quarterly period ended March 31, 1996

OR

Transition Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-3492

HALLIBURTON COMPANY

(a Delaware Corporation)  
73-0271280

3600 Lincoln Plaza  
500 N. Akard  
Dallas, Texas 75201

Telephone Number - Area Code (214) 978-2600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value \$2.50 per share:  
Outstanding at April 22, 1996 - 114,800,307

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements.

HALLIBURTON COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(In millions of dollars and shares)

	March 31 1996	December 31 1995
	-----	-----
ASSETS		
Current assets:		
Cash and equivalents	\$ 99.0	\$ 174.9
Receivables:		
Notes and accounts receivable	1,350.5	1,157.3
Unbilled work on uncompleted contracts	248.5	233.7
	-----	-----
Total receivables	1,599.0	1,391.0
Inventories	303.0	251.5
Deferred income taxes	132.1	137.5
Other current assets	101.4	95.0
	-----	-----
Total current assets	2,234.5	2,049.9
Property, plant and equipment, less accumulated depreciation of \$2,241.0 and \$2,225.8	1,093.4	1,111.2
Equity in and advances to related companies	126.5	115.4
Excess of cost over net assets acquired	206.0	207.5
Deferred income taxes	2.4	5.6
Other assets	154.8	157.0
	-----	-----
Total assets	\$ 3,817.6	\$ 3,646.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term notes payable	\$ 145.0	\$ 4.8
Current maturities of long-term debt	0.1	5.2
Accounts payable	347.0	357.3
Accrued employee compensation and benefits	109.7	151.8
Advance billings on uncompleted contracts	377.8	301.8
Income taxes payable	85.1	95.8
Other current liabilities	234.7	239.4
	-----	-----
Total current liabilities	1,299.4	1,156.1
Long-term debt	200.0	200.0
Reserve for employee compensation and benefits	272.7	262.8
Deferred credits and other liabilities	261.1	277.9
	-----	-----
Total liabilities	2,033.2	1,896.8
	-----	-----
Shareholders' equity:		
Common stock, par value \$2.50 per share - authorized 200.0 shares, issued 119.0 and 119.1 shares	297.6	297.6
Paid-in capital in excess of par value	202.4	199.4
Cumulative translation adjustment	(29.3)	(28.0)
Retained earnings	1,454.2	1,431.4
	-----	-----
	1,924.9	1,900.4
Less 4.2 and 4.6 shares of treasury stock, at cost	140.5	150.6
	-----	-----
Total shareholders' equity	1,784.4	1,749.8
	-----	-----
Total liabilities and shareholders' equity	\$ 3,817.6	\$ 3,646.6
	=====	=====

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)  
(In millions of dollars except per share data)

	Three Months Ended March 31	
	1996	1995
Revenues		
Energy services	\$ 663.3	\$ 569.0
Engineering and construction services	998.1	704.9
	-----	-----
Total revenues	\$ 1,661.4	\$ 1,273.9
	=====	=====
Operating income		
Energy services	\$ 67.3	\$ 52.3
Engineering and construction services	22.3	15.7
General corporate	(8.8)	(6.3)
	-----	-----
Total operating income	80.8	61.7
Interest expense	(4.9)	(12.8)
Interest income	3.0	8.5
Foreign currency gains	1.0	4.7
Other nonoperating income, net	0.5	0.1
	-----	-----
Income from continuing operations before income taxes and minority interest	80.4	62.2
Provision for income taxes	(29.0)	(23.8)
Minority interest in net (income) loss of subsidiaries	0.1	(0.1)
	-----	-----
Income from continuing operations	51.5	38.3
Income from discontinued operations, net of income taxes	-	0.8
	-----	-----
Net income	\$ 51.5	\$ 39.1
	=====	=====
Average number of common and common share equivalents outstanding	115.4	114.3
Income per share		
Continuing operations	\$ 0.45	\$ 0.33
Discontinued operations	-	0.01
	-----	-----
Net income	\$ 0.45	\$ 0.34
	=====	=====
Cash dividends paid per share	\$ 0.25	\$ 0.25

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(In millions of dollars)

	Three Months Ended March 31	
	1996	1995
Cash flows from operating activities:		
Net income	\$ 51.5	\$ 39.1
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	59.1	59.2
Provision for deferred income taxes	3.0	3.8
Net income from discontinued operations	-	(0.8)
Other non-cash items	(20.3)	(20.4)
Other changes, net of non-cash items:		
Receivables	(208.7)	(25.3)
Inventories	(51.6)	(14.4)
Accounts payable	2.5	49.0
Other working capital, net	32.8	(28.1)
Other, net	(32.9)	(67.2)
Total cash flows from operating activities	(164.6)	(5.1)
Cash flows from investing activities:		
Capital expenditures	(41.6)	(41.8)
Sales of property, plant and equipment	13.4	12.4
Purchases of businesses	(0.3)	(5.9)
Other investing activities	(0.5)	(5.5)
Total cash flows from investing activities	(29.0)	(40.8)
Cash flows from financing activities:		
Payments on long-term borrowings	(5.0)	(5.1)
Borrowings (repayments) of short-term debt	140.3	(10.8)
Payments of dividends to shareholders	(28.7)	(28.5)
Proceeds from exercises of stock options	10.8	0.7
Other financing activities	1.3	(0.3)
Total cash flows from financing activities	118.7	(44.0)
Effect of exchange rate changes on cash	(1.0)	0.6
Decrease in cash and equivalents	(75.9)	(89.3)
Cash and equivalents at beginning of year	174.9	375.3
Cash and equivalents at end of period	\$ 99.0	\$ 286.0
	=====	=====
Cash payments during the period for:		
Interest	\$ 9.9	\$ 11.5
Income taxes	7.9	6.2

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1. Management Representation

The Company employs accounting policies that are in accordance with generally accepted accounting principles in the United States. The preparation of financial statements in conformity with generally accepted accounting principles requires Company management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements present information in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Company's 1995 Annual Report on Form 10-K.

In the opinion of the Company, the financial statements include all adjustments necessary to present fairly the Company's financial position as of March 31, 1996, and the results of its operations and cash flows for the three months ended March 31, 1996 and 1995. The results of operations for the three months ended March 31, 1996 and 1995 may not be indicative of results for the full year. In connection with the discontinuance of the Company's insurance segment, the Company has adopted a classified balance sheet format. Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 2. Inventories

	March 1996	December 31 1995	
	-----	-----	
	Millions of dollars		
Sales items	\$ 87.3	\$ 85.2	
Supplies and parts	152.9	121.7	
Work in process	44.2	27.1	
Raw materials	18.6	17.5	
	-----	-----	
Total	\$ 303.0	\$ 251.5	
	=====	=====	

About one-third of all sales items (including related work in process and raw materials) are valued using the last-in, first-out (LIFO) method. If the average cost method had been in use for inventories on the LIFO basis, total inventories would have been about \$19.3 million and \$18.3 million higher than reported at March 31, 1996, and December 31, 1995, respectively.

Note 3. General and Administrative Expenses

General and administrative expenses were \$35.6 million and \$37.1 million for the three months ended March 31, 1996 and 1995, respectively.

Note 4. Income Per Share

Income per share amounts are based upon the average number of common and common share equivalents outstanding. Common share equivalents included in the computation represent shares issuable upon assumed exercise of stock options which have a dilutive effect.

Note 5. Related Companies

The Company conducts some of its operations through various joint venture and other partnership forms which are accounted for using the equity method. European Marine Contractors, Limited, (EMC) which is 50% owned by the Company and part of Engineering and Construction Services, specializes in engineering, procurement and construction of marine pipelines. Summarized operating results for 100% of the operations of EMC are as follows:

	Three Months Ended March 31	
	1996	1995
	-----	
	Millions of dollars	
Revenues	\$ 41.5	\$ 58.9
	=====	=====
Operating income	\$ 19.7	\$ 15.7
	=====	=====
Net income	\$ 13.2	\$ 10.0
	=====	=====

Included in the Company's revenues for the three months ended March 31, 1996 and 1995 are equity in income of related companies of \$21.1 million and \$13.8 million, respectively.

Note 6. Commitments and Contingencies

The Company is involved as a potentially responsible party (PRP) in remedial activities to clean up various "Superfund" sites under applicable Federal law which imposes joint and several liability, if the harm is indivisible, on certain persons without regard to fault, the legality of the original disposal, or ownership of the site. Although it is very difficult to quantify the potential impact of compliance with environmental protection laws, management of the Company believes that any liability of the Company with respect to all but one of such sites will not have a material adverse effect on the results of operations of the Company. With respect to a site in Jasper County, Missouri (Jasper County Superfund Site), sufficient information has not been developed to permit management to make such a determination and management believes the process of determining the nature and extent of remediation at this site and the total costs thereof will be lengthy. Brown & Root, Inc. (Brown & Root), a subsidiary of the Company, has been named as a PRP with respect to the Jasper County Superfund Site by the Environmental Protection Agency (EPA). The Jasper County Superfund Site includes areas of mining activity that occurred from the 1800's through the mid 1950's in the southwestern portion of Missouri. The site contains lead and zinc mine tailings produced from mining activity. Brown & Root is one of nine participating PRPs which have agreed to perform a Remedial Investigation/Feasibility Study (RI/FS), which is not expected to be completed until the third quarter of 1996. Although the entire Jasper County Superfund Site comprises 237 square miles as listed on the National Priorities List, in the RI/FS scope of work, the EPA has only identified seven areas, or subsites, within this area that need to be studied and then possibly remediated by the PRPs. Additionally, the Administrative Order on Consent for the RI/FS only requires Brown & Root to perform RI/FS work at one of the subsites within the site, the Neck/Alba subsite, which only comprises 3.95 square miles. Brown & Root's share of the cost of such a study is not expected to be material. At the present time Brown & Root cannot determine the extent of its liability, if any, for remediation costs on any reasonably practicable basis.

The Company and its subsidiaries are parties to various other legal proceedings. Although the ultimate dispositions of such proceedings are not presently determinable, in the opinion of the Company any liability that may ensue will not be material in relation to the consolidated financial position and results of operations of the Company.

Note 7. Discontinued Operations

On January 23, 1996, the Company spun-off its property and casualty insurance subsidiary, Highlands Insurance Group, Inc. (HIGI), in a tax-free distribution to holders of Halliburton Company common stock. Each common shareholder of the Company received one share of common stock of HIGI for every ten shares of Halliburton Company common stock. Approximately 11.4 million common shares of HIGI were issued in conjunction with the spin-off.

The following summarizes the results of operations of the discontinued operations:

	Three Months Ended March 31, 1995 ----- Millions of dollars
Revenues	\$ 55.9 =====
Income before income taxes	\$ 1.0
Provision for income taxes	(0.2) -----
Net income from discontinued operations	\$ 0.8 =====



Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

BUSINESS ENVIRONMENT

The Company operates in over 100 countries around the world to provide a variety of energy services and engineering and construction services. Operations in some countries may be affected by unsettled political conditions, expropriation or other governmental actions and exchange control and currency problems. Legislation is currently pending in the United States Congress seeking to impose sanctions on foreign companies and their affiliates who make certain investments in petroleum resources in Iran or Libya or sell certain products or technology which enhance the ability of those countries to develop their petroleum resources. If such pending legislation becomes enacted into law it could adversely impact the Company's ability to provide services and/or products to some of its foreign customers, including the cessation of operations and trading by certain foreign subsidiaries of the Company with customers in such countries. At the present time it is not possible to determine the exact terms of pending legislation which may become law or their impact on the Company. However, in such event it is possible that the Company may lose the ability to realize the value of equipment and other assets, including accounts receivable, associated with such business and that such loss may be material to the results of operations of the Company for some future period.

RESULTS OF OPERATIONS

Revenues

Consolidated revenues increased 30% to \$1,661.4 million in the first quarter of 1996 compared with \$1,273.9 million in the same quarter of the prior year. Approximately 53% of the Company's consolidated revenues were derived from international activities in the first quarter of 1996 compared to 52% in the first quarter of 1995. Consolidated international revenues increased 33% in the first quarter of 1996 over the first quarter of 1995. Consolidated United States revenues increased by 28% in the first quarter of 1996 compared to the first quarter of 1995.

Energy Services revenues increased by 17% compared with a 2% increase in drilling activity as measured by the worldwide rotary rig count for the same quarter of the prior year. International revenues increased by 16%, reflecting growth in all product and service lines in the Europe/Africa and Latin America markets. United States revenues increased 18% while the United States rig count remained relatively unchanged from the same quarter of the prior year.

Engineering and Construction Services revenues increased 42% to \$998.1 million compared with \$704.9 million in the same quarter of the prior year due primarily to higher activity levels in the pulp and paper, energy and chemicals industries as well as a service contract with the U.S. Department of Defense to provide technical and logistical support for military peacekeeping operations in Bosnia.

Operating income

Consolidated operating income increased 31% to \$80.8 million in the first quarter of 1996 compared with \$61.7 million in the same quarter of the prior year. Approximately 56% of the Company's consolidated operating income was derived from international activities in the first quarter of 1996 compared to 53% in the first quarter of 1995.

Energy Services operating income increased 29% to \$67.3 million in the first quarter of 1996 compared with \$52.3 million in the same quarter of the prior year. The operating margin for the first quarter of 1996 was 10.1% compared to the prior year operating margin of 9.2%. The increase in operating income in 1996 is primarily related to higher activity levels in North America, from deepwater drilling in the Gulf of Mexico; Latin America, primarily related to Brazil, Mexico, and Venezuela; and Europe/Africa, primarily related to the North Sea, Algeria and Nigeria.

Engineering and Construction Services operating income increased 42% to \$22.3 million compared to \$15.7 million in the first quarter of the prior year. Operating margins were 2.2% for both the 1996 and 1995 first quarters. The increase in operating income is primarily related to improved performance in international marine construction activities.

#### Nonoperating items

Interest expense decreased to \$4.9 million in the first quarter of 1996 compared to \$12.8 million in the same quarter of the prior year due primarily to the redemption of the zero coupon convertible subordinated debentures in September 1995, and the redemption of the \$42.0 million term loan in December 1995.

Interest income decreased in 1996 primarily due to lower levels of invested cash due mainly to the redemption of long-term debt.

Foreign currency gains were \$1.0 million for the first quarter of 1996 as compared to \$4.7 for the same quarter in 1995. The prior year quarter benefited from a \$7.7 million realized gain in Nigeria from the devaluation of the naira offset by losses primarily related to the Mexican peso.

#### Net income

Net income from continuing operations in the first quarter of 1996 increased 35% to \$51.5 million, or 45 cents per share, compared with \$38.3 million, or 33 cents per share, in the same quarter of the prior year.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company ended the first quarter of 1996 with cash and equivalents of \$99.0 million, a decrease of \$75.9 million from the end of 1995.

#### Operating activities

Cash flows used in operating activities were \$164.6 million in the first three months of 1996, as compared to \$5.1 million in the first three months of 1995. The major operating activity use of cash was to fund working capital requirements related to increased revenues especially the service contract to provide technical and logistical support for military peacekeeping operations in Bosnia.

#### Financing activities

Cash flows from financing activities were \$118.7 million in the first three months of 1996 compared to use of \$44.0 million in the first three months of 1995. The Company borrowed \$140.0 million in short-term funds consisting of commercial paper in the first three months of 1996 to fund cash requirements.

The Company has the ability to borrow additional short-term and long-term funds if necessary.

#### DISCONTINUED OPERATIONS

The Company completed its exit from the insurance industry business on January 23, 1996, with distribution of the Company's property and casualty insurance subsidiary, Highlands Insurance Group, Inc., to its shareholders in a tax-free spin-off. The operations of the Insurance Services Group have been classified as discontinued operations.

#### ENVIRONMENTAL MATTERS

The Company is involved as a potentially responsible party in remedial activities to clean up various "Superfund" sites under applicable Federal law which imposes joint and several liability, if the harm is indivisible, on certain persons without regard to fault, the legality of the original disposal, or ownership of the site. Although it is very difficult to quantify the potential impact of compliance with environmental protection laws, management of the Company believes that any liability of the Company with respect to all but one of such sites will not have a material adverse effect on the results of operations of the Company. See Note 6 to the financial statements for additional information on the one site.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- (11) Statement regarding computation of earnings per share.
- (27) Financial data schedule for the quarter ended March 31, 1996 (included only in the copy of this report filed electronically with the Commission).

(b) Reports on Form 8-K

During the first quarter of 1996:

A Current Report was filed on Form 8-K dated January 24, 1996, reporting on Item 5. Other Events, regarding press releases dated January 23, 1996, announcing the completion of the spin-off of Highlands Insurance and 1995 fourth quarter results.

A Current Report was filed on Form 8-K dated February 16, 1996, reporting on Item 5. Other Events, regarding a press release dated February 15, 1996, announcing the first quarter dividend.

A Current Report was filed on Form 8-K dated March 25, 1996, reporting on Item 5. Other Events, regarding a press release dated March 25, 1996, announcing the registrant's naming of Celeste Colgan as Vice President for Human Resources.

During the second quarter of 1996 to the date hereof:

A Current Report was filed on Form 8-K dated April 10, 1996, reporting on Item 5. Other Events, regarding a press release dated April 8, 1996, announcing the alliance of BP, Brown & Root, and others to design and build the surface production facility for BP's Schiehallion Field.

A Current Report was filed on Form 8-K dated April 25, 1996, reporting on Item 5. Other Events, regarding a press release dated April 22, 1996, announcing first quarter results.

A Current Report was filed on Form 8-K dated May 7, 1996, reporting on Item 5. Other Events, regarding a press release dated May 6, 1996, announcing the installation of first multi-lateral system with full re-entry access.



HALLIBURTON COMPANY  
EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

The calculation below for earnings per share of the \$2.50 par value Common Stock of the Company on a primary and fully diluted basis for the three months ended March 31, 1996 and 1995, is submitted in accordance with Regulation S-K item 601 (b) (11).

	Three Months Ended March 31	
	----- 1996	1995 -----
	Millions of dollars except per share data	
Primary:		
Net income	\$ 51.5	\$ 39.1
Average number of common and common share equivalents outstanding	115.4	114.3
Primary net income per share	\$ 0.45	\$ 0.34
-----		
Fully Diluted:		
Net income	\$ 51.5	\$ 39.1
Add after-tax interest expense applicable to Zero Coupon Convertible Subordinated Debentures due 2006	0.0	3.4
Adjusted net income	\$ 51.5	\$ 42.5
Adjusted average number of shares outstanding	115.6	119.3
Fully diluted earnings per share	\$ 0.45	\$ 0.36

The foregoing computations do not reflect any significant potentially dilutive effect the Company's Preferred Stock Purchase Rights Plan could have in the event such Rights become exercisable and any shares of either Series A Junior Participating Preferred Stock or Common Stock of the Company are issued upon the exercise of such Rights.

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE HALLIBURTON COMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

	3-MOS DEC-31-1996	MAR-31-1996	
			99
		0	
	1,599		
		0	
		303	
	2,235		
			3,334
	2,241		
	3,818		
	1,299		
			200
			298
	0		
			0
			1,486
	3,818		
			0
	1,661		
			0
	1,545		
	0		
	0		
	5		
	80		
			29
	52		
			0
			0
			0
			52
			0.45
			0.45

Receivables are presented net of allowances.