



HALLIBURTON

Merrill Lynch
Global Energy Conference
November 2004

The statements in this presentation 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 and potential adverse proceedings and findings by such agencies, 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 and Form 10-Q for the quarter ended June 30, 2004 for a more complete discussion of such risk factors.

Today's Agenda

I. Halliburton Priorities Update

- Asbestos
- Financial metrics
- KBR transformation

II. Production Optimization

- Market position
- Market outlook
- New technologies

Asbestos Milestones

<u>Event</u>	<u>Date</u>	
▪ Begin Solicitation/File Disclosure	9/22/03	<input checked="" type="checkbox"/>
▪ File for Prepackaged Bankruptcy	12/16/03	<input checked="" type="checkbox"/>
▪ Confirmation Hearings	5/10/04	<input checked="" type="checkbox"/>
▪ Plan of Reorganization Confirmed	7/16/04	<input checked="" type="checkbox"/>
▪ Confirmation of Reorganization Affirmed	7/26/04	<input checked="" type="checkbox"/>
▪ Finalize insurance agreements to remove appeals		<input type="checkbox"/>
▪ Funding of Trust		<input type="checkbox"/>

Strengthen Financial Position: Liquidity

Asbestos Funding



Sources of funds:

- \$3.0 billion – cash on hand (9/30/2004)
 - \$1.0 billion – financing availability
 - \$1.0 billion – asbestos receivables (current)
-

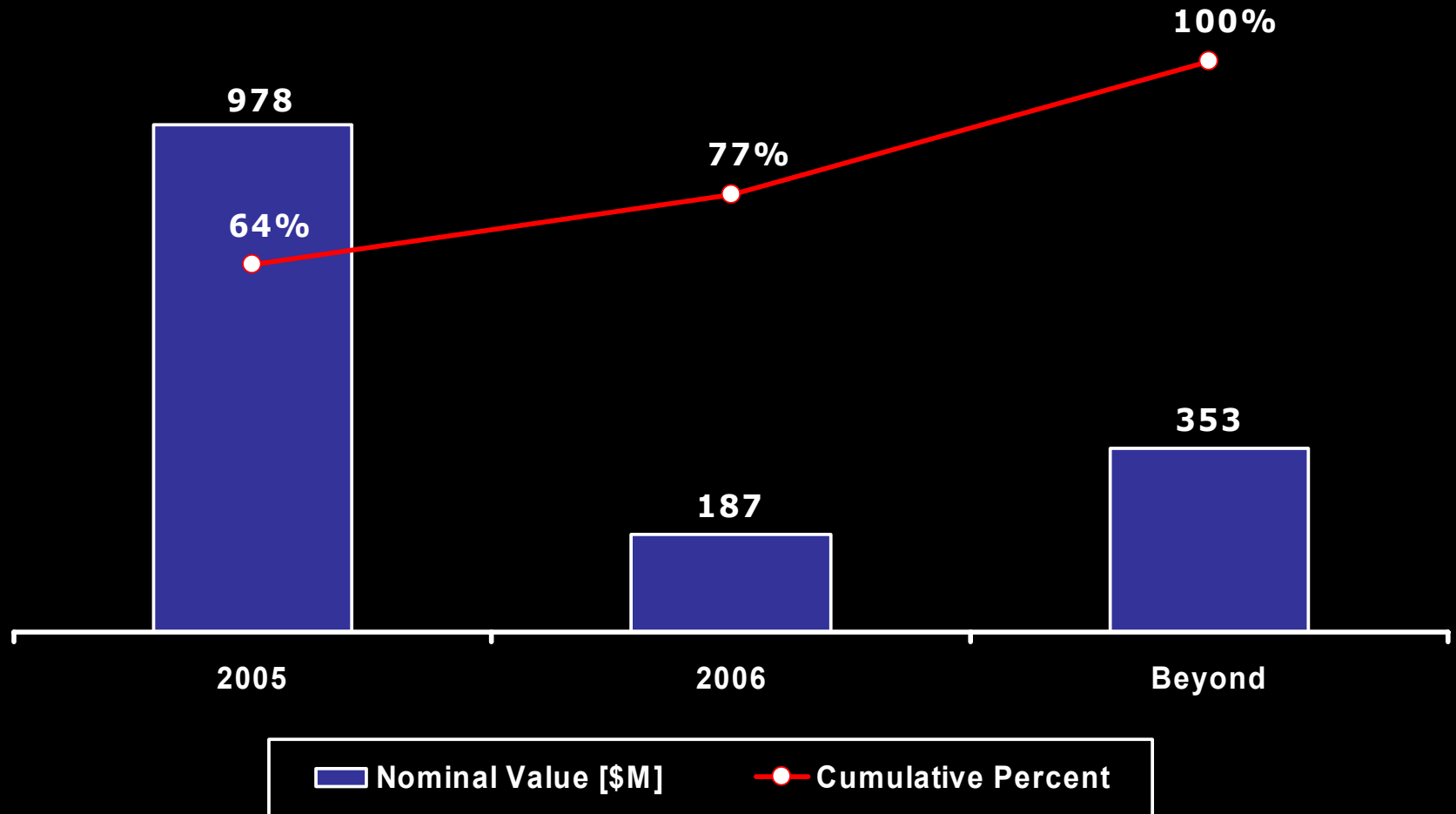
\$5.0 billion total



Uses of funds:

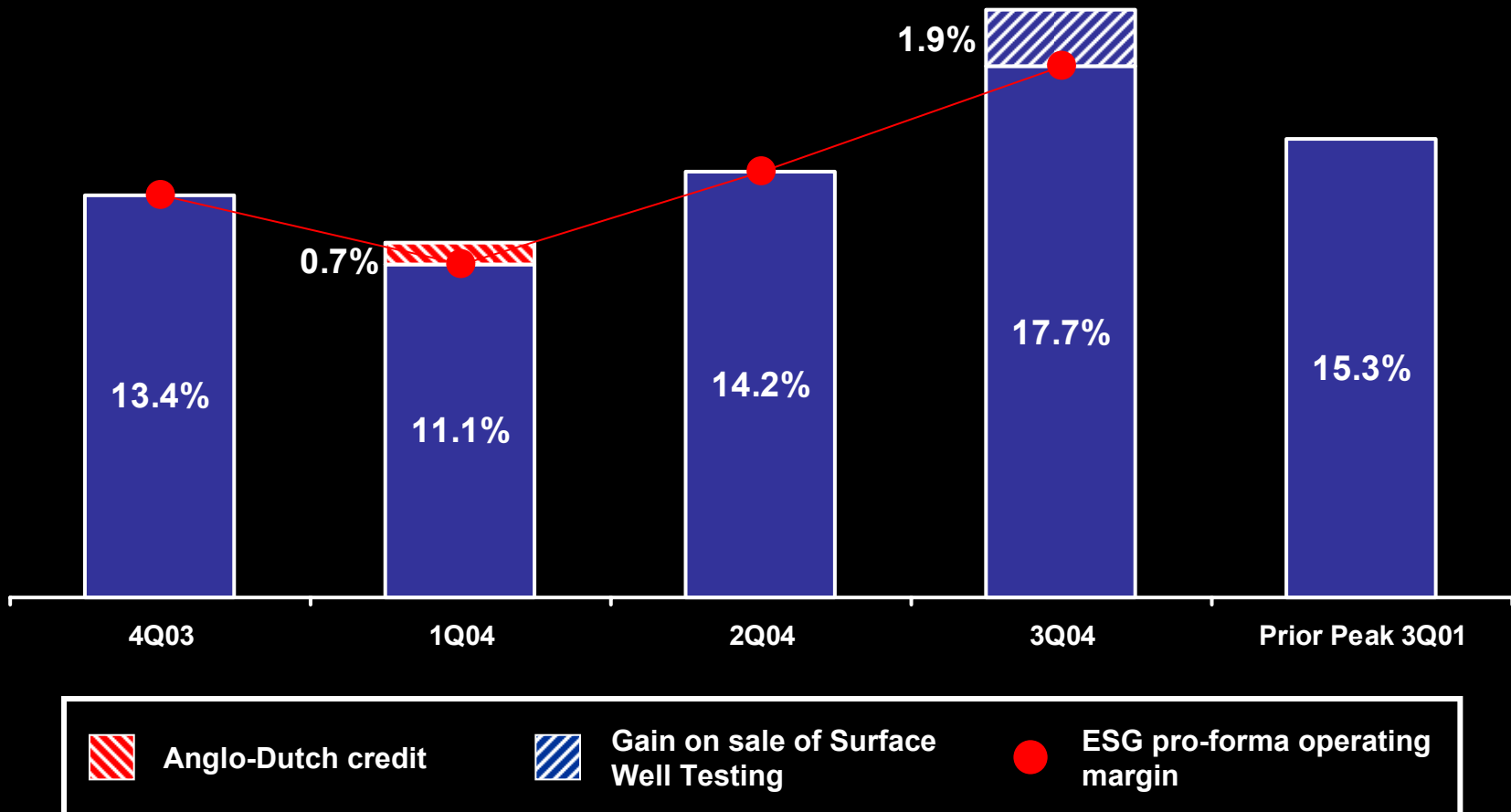
- \$2.3 billion – asbestos remaining requirement

Expected Asbestos Insurance Collections



ROCE Improvements: ESG Operating Margins

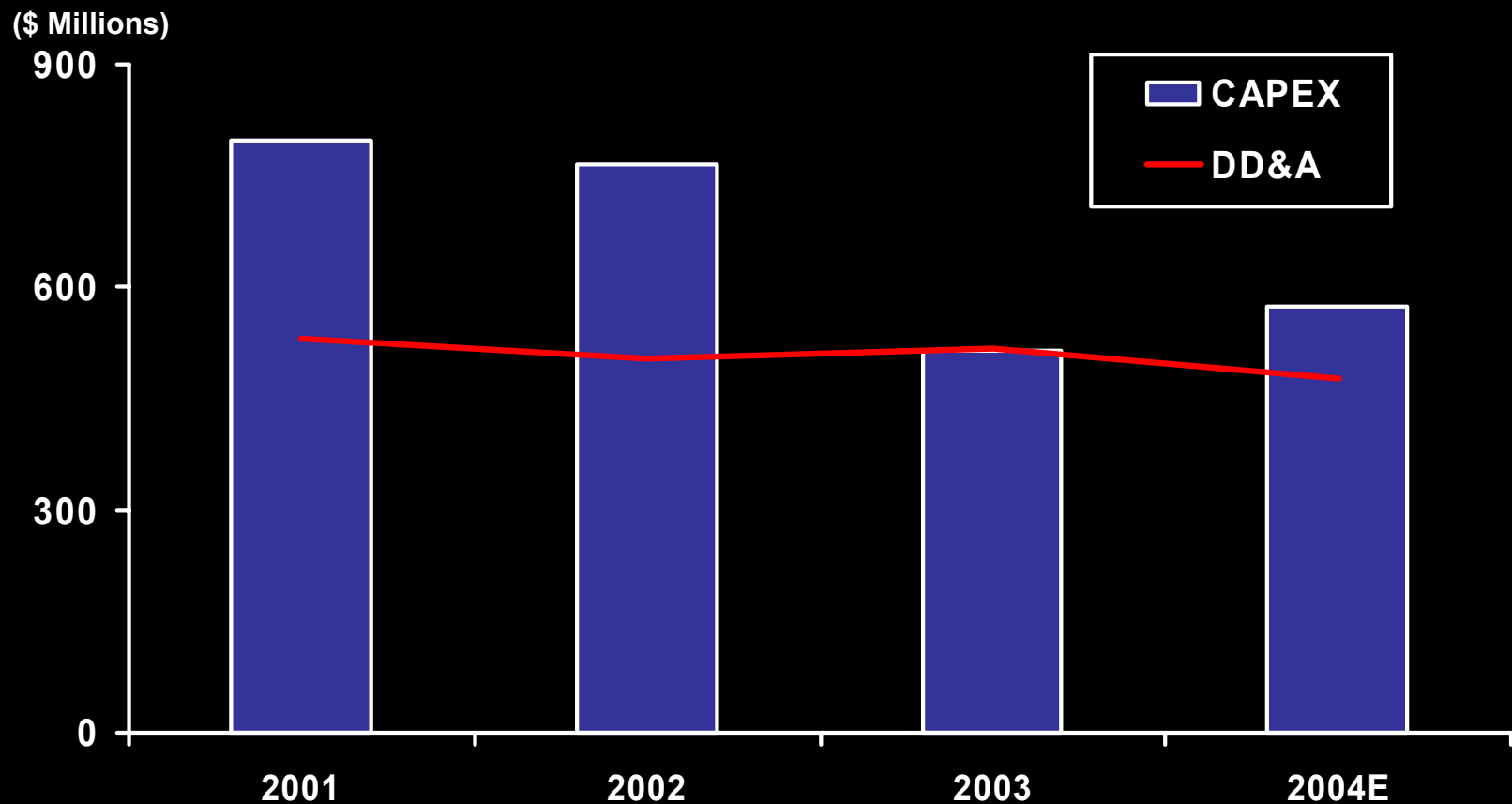
(Pro Forma)



Note: Operating margins defined as operating income divided by revenue

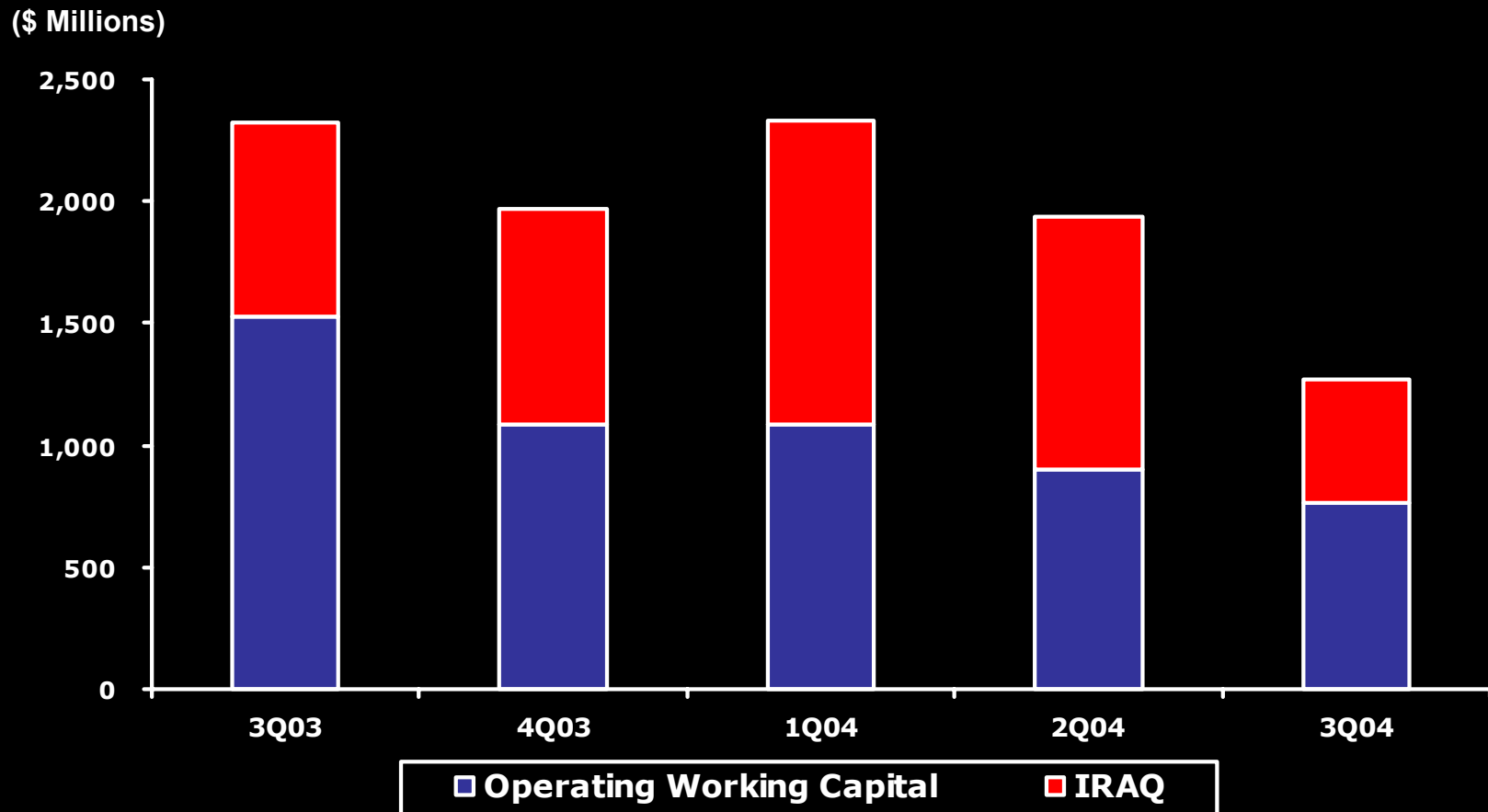
ROCE Improvements: Capital Turnover

Capital Spending Discipline



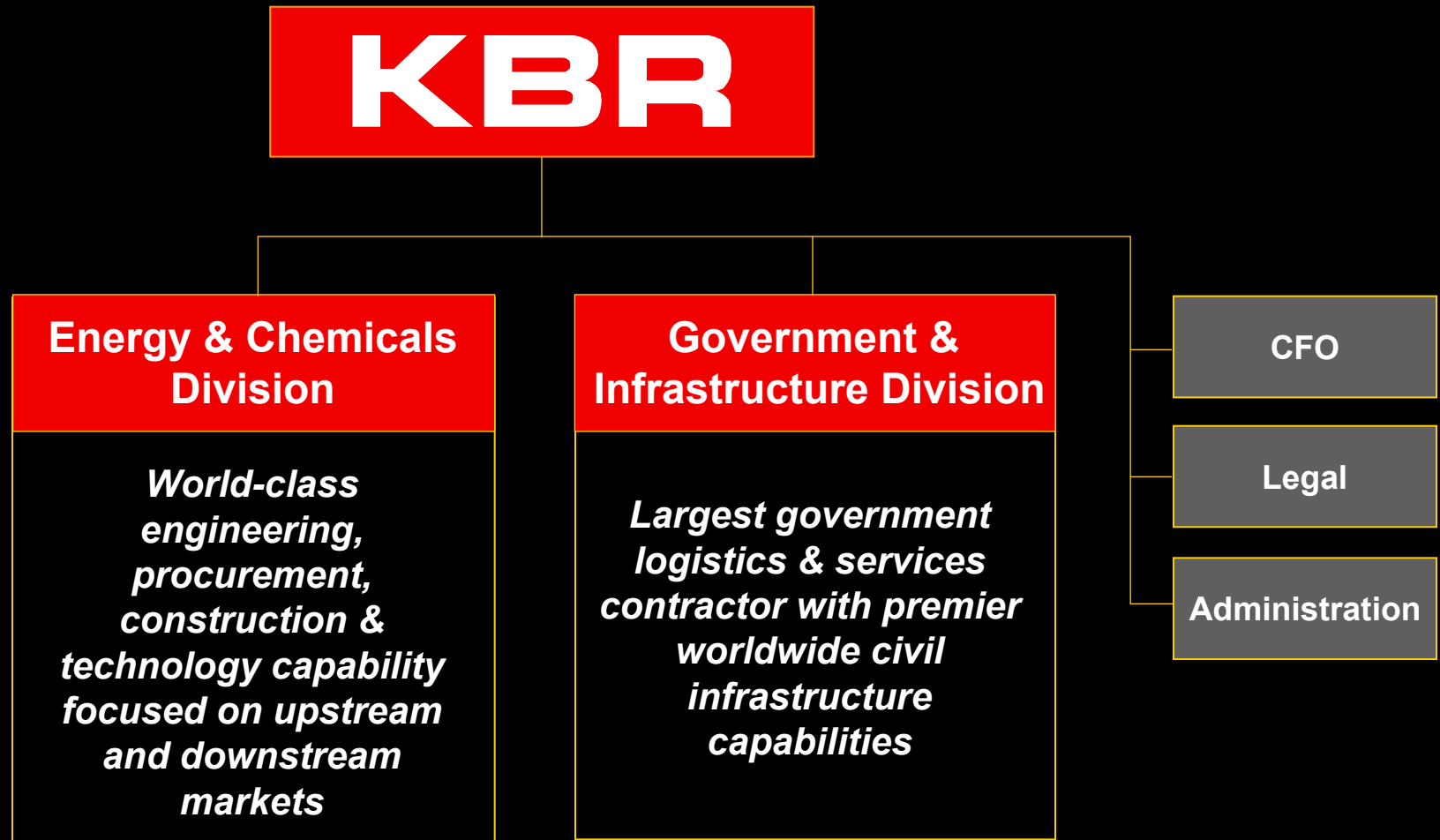
ROCE Improvements: Capital Turnover

Reduce Operating Working Capital



Excludes cash, current maturity of long-term debt and current asbestos related accounts

KBR Structure



***Two distinct divisions serving different customers
with streamlined corporate support***

KBR Focus

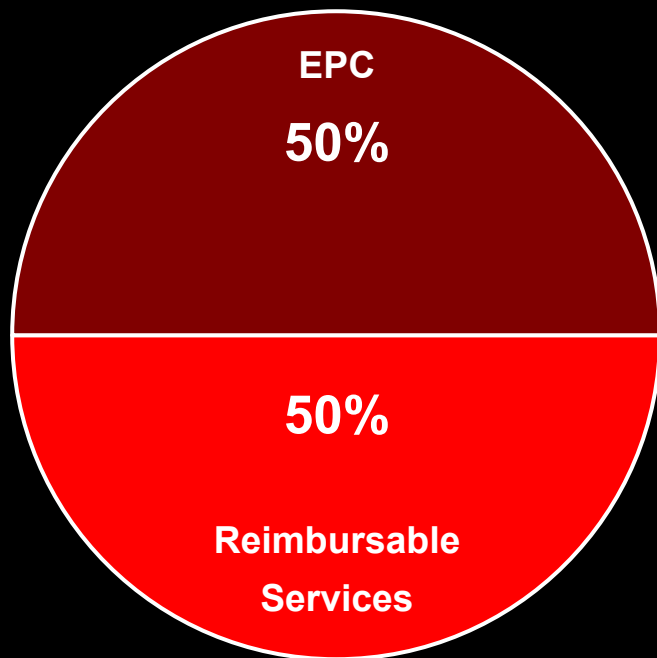
- Rebalance our portfolio
- Offshore - EPCM
- Government Services
- Onshore - LNG



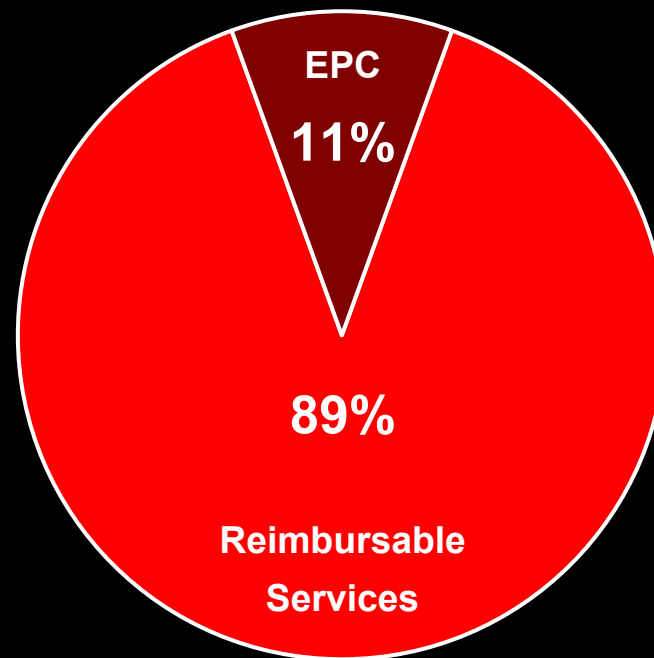
Rebalancing Our Portfolio

KBR Revenue Mix

2002



Sept. 2004 YTD



Barracuda & Caratinga

- **2nd contract amendment in final approval stage**
- **Revised schedule**
 - Barracuda sail-away: October 13, 2004
 - Caratinga sail-away: December 2004



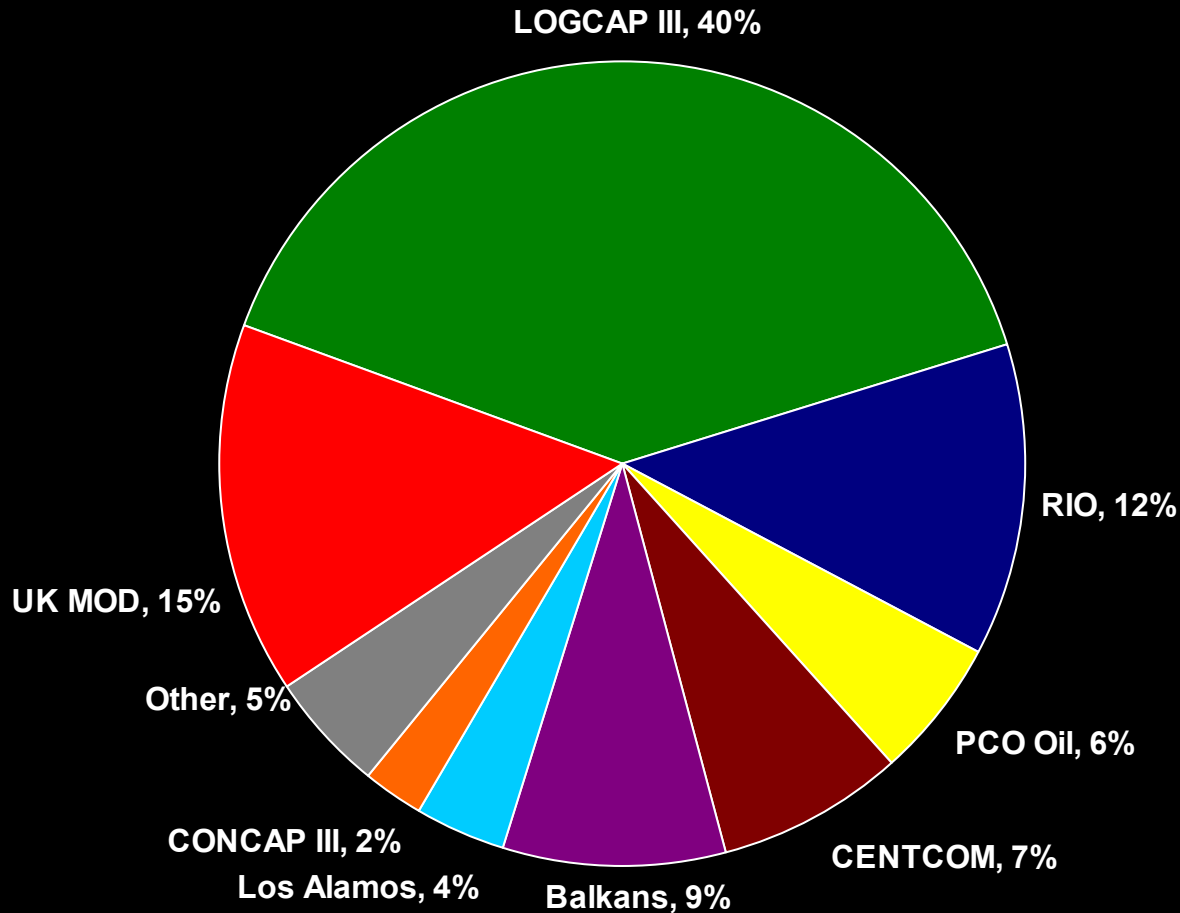
Offshore - EPCM

- Kashigan
- Greater Plutonio
- ACG in S. Caspian



KBR Government Services Contracts

Total Value ~\$21 billion



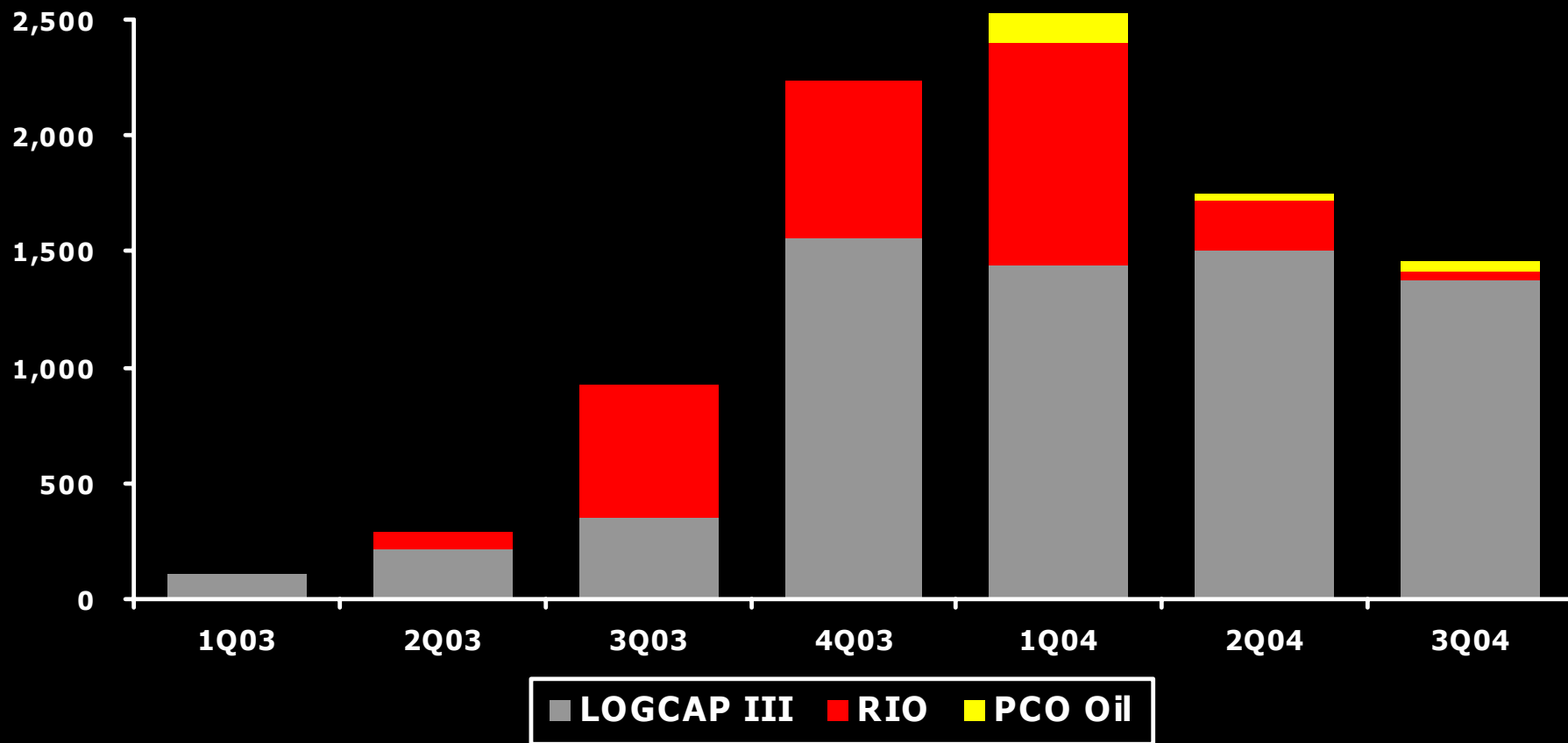
Notes:

1) Reflects total contract value

2) UK MOD includes DML, CONLOG, and Heavy Equipment Transport

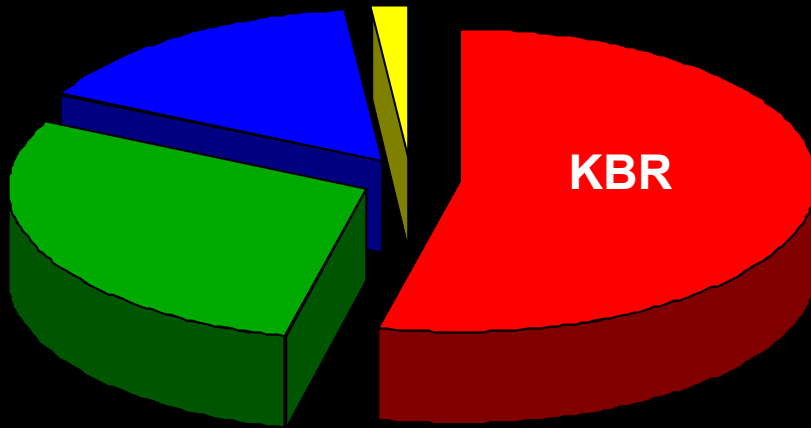
Iraq Revenue Stream

(\$ Millions)

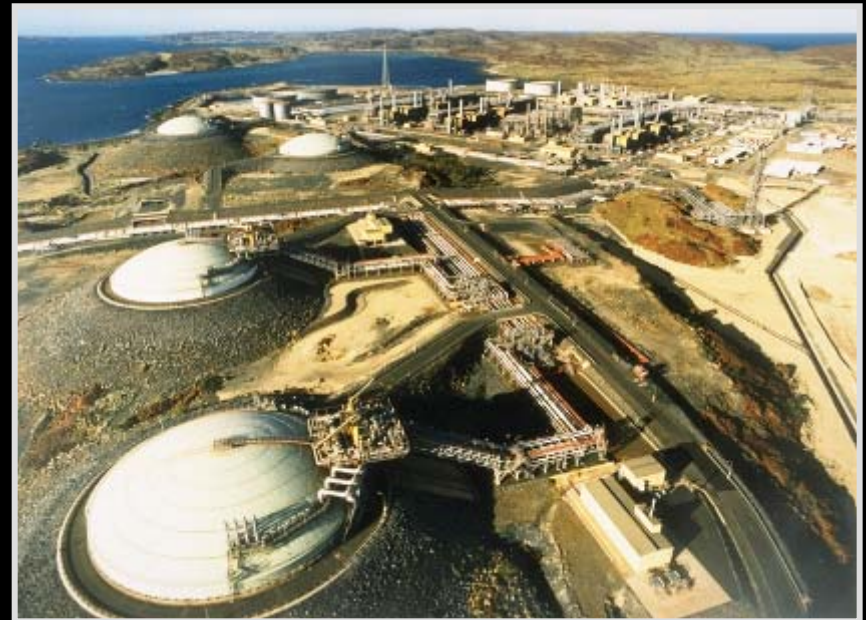


LNG Liquefaction - Differentiated EPC

LNG Liquefaction Trains Awarded
(1976 - 2003)



■ KBR Participation	■ Competitor 1
■ Competitor 2	■ Competitor 3



Summary

- **Asbestos Settlement: funding in early 2005**
- **ROCE improvements**
 - Improved operating margins
 - Higher capital turnover
- **Strong financial position**
 - Liquidity improvement
 - Capital discipline
 - Reduced working capital
- **KBR turnaround**
 - New structure and management
 - Improved portfolio mix

The Halliburton logo is displayed in a bold, red, sans-serif font. The letters are thick and closely spaced, with a slight shadow effect. The background is black, and the top of the slide features a red, abstract, wavy pattern.

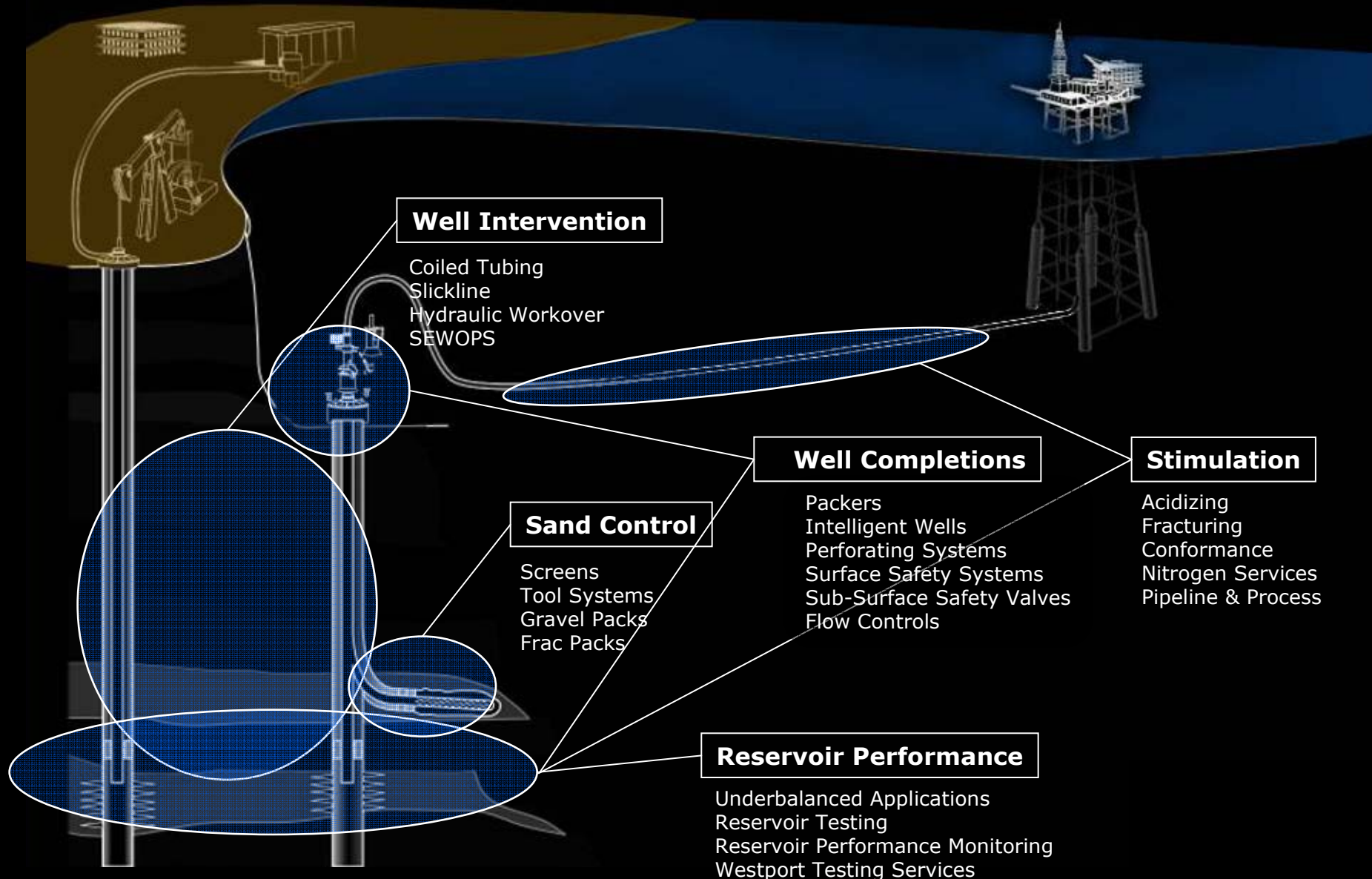
HALLIBURTON

Jim Renfroe

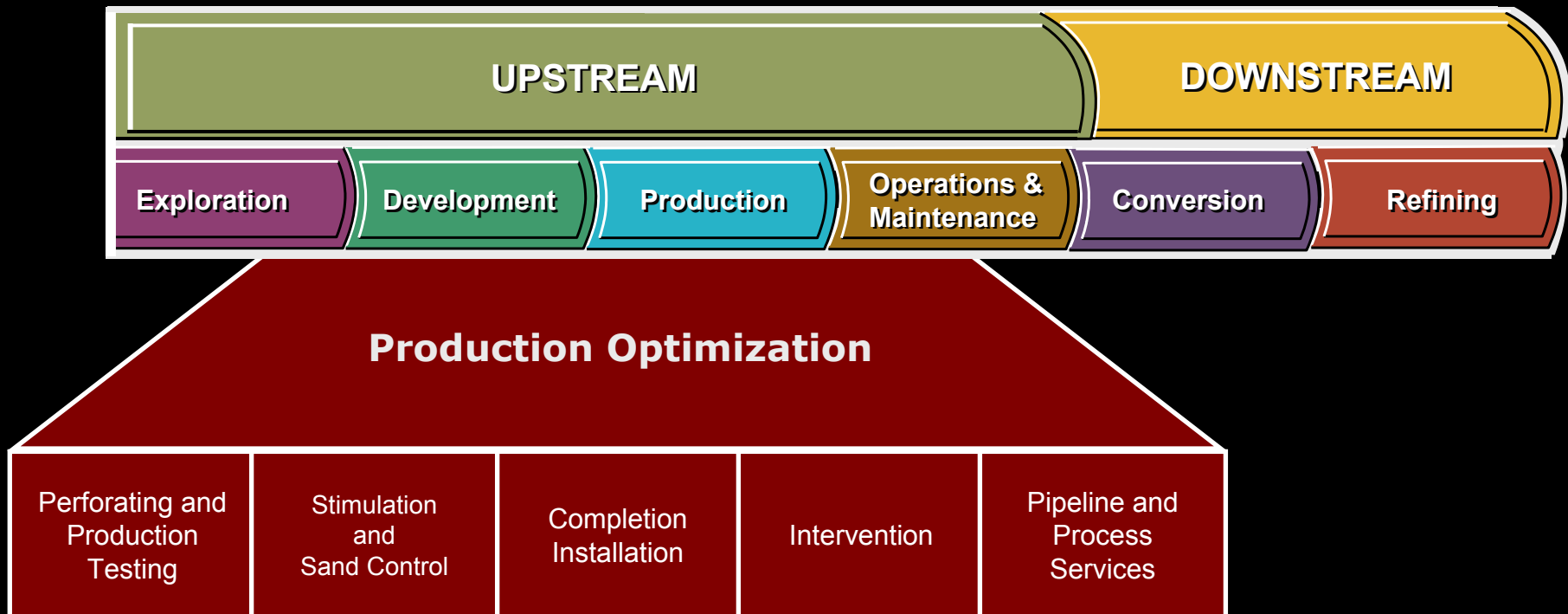
Sr. VP – Production Optimization

Energy Services Group

Production Optimization Portfolio

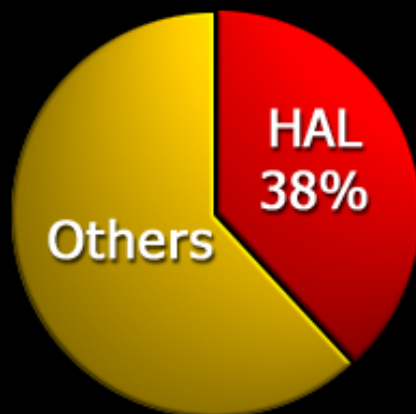


E & P Lifecycle

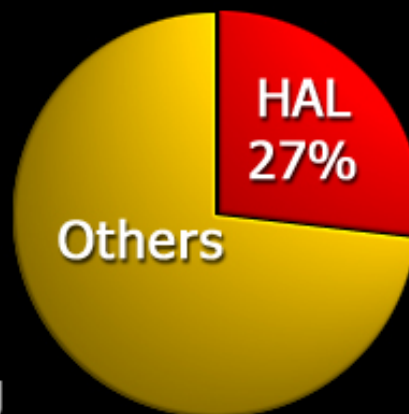


95% of Production Optimization Revenue is in No. 1 or No. 2 Market Share

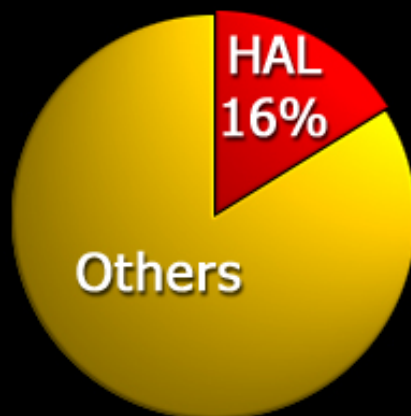
U.S. Stimulation



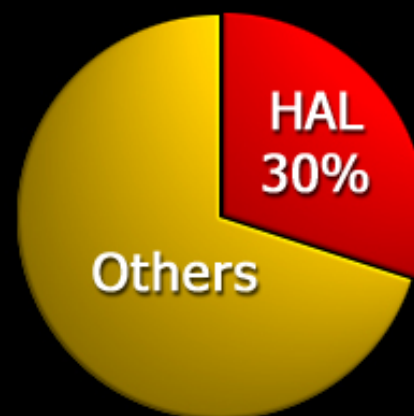
Completion Equipment



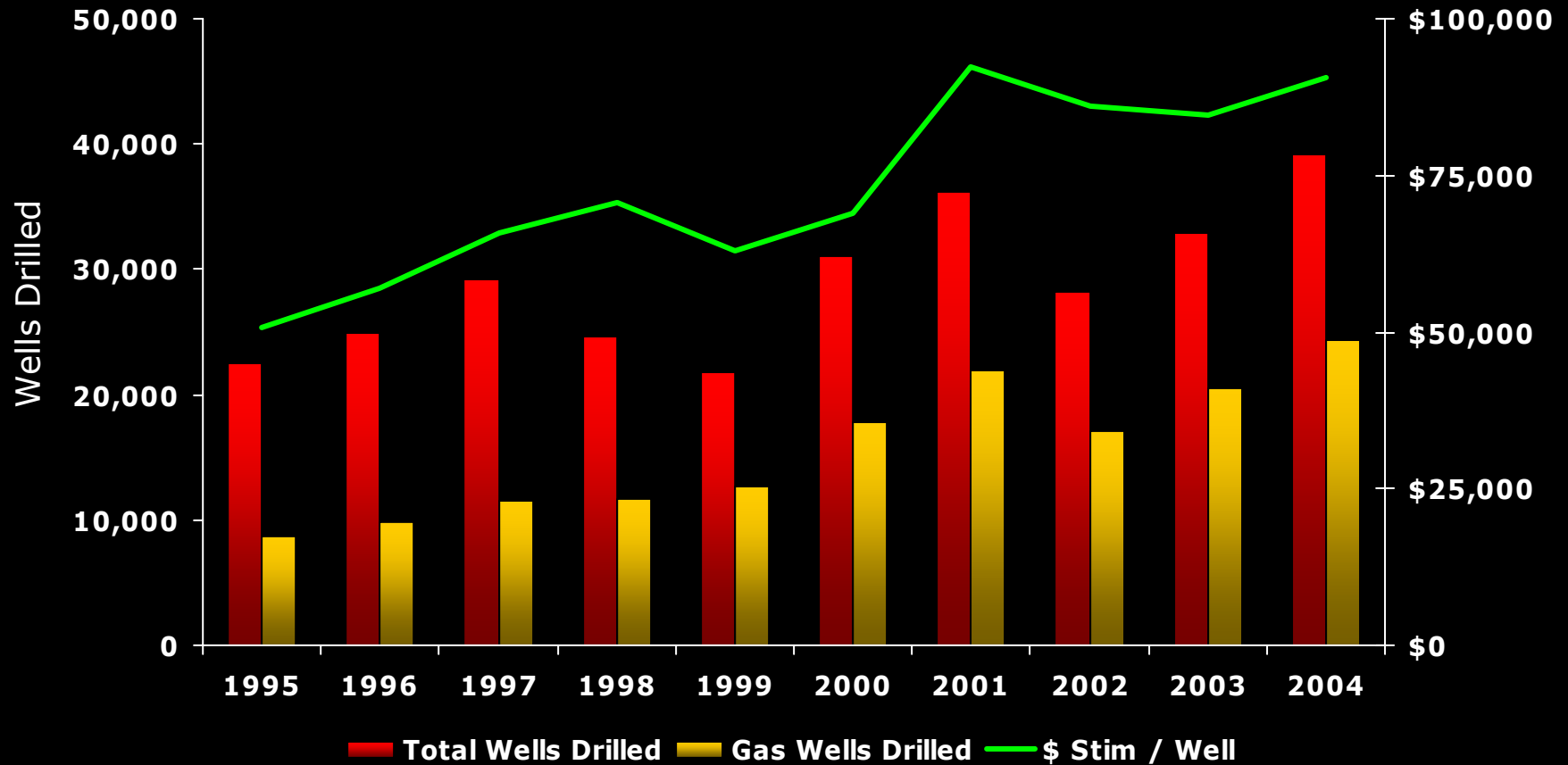
Coiled Tubing



Sand Control

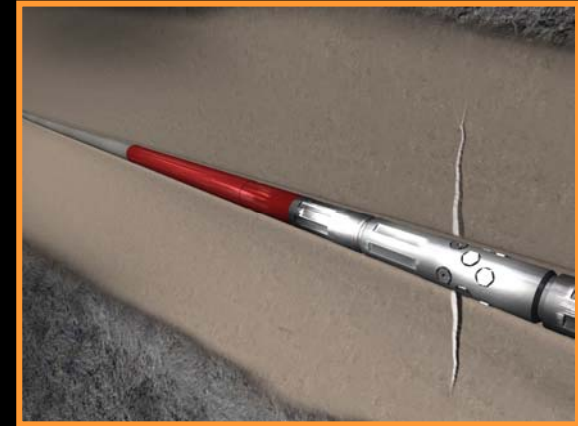


U.S. – Increasing Demand for Stimulation



Pinpoint Stimulation for Challenging Reservoirs

- Precise control
- Better stimulation
- Improves production
- One-trip treatment
- Saves time
- Reduces overall costs



Sand Control Leadership

- Completion Reliability
- Production Sustainability
- Uniquely Capable
 - Screens
 - Fluid Systems
 - Tools
 - People
 - Equipment



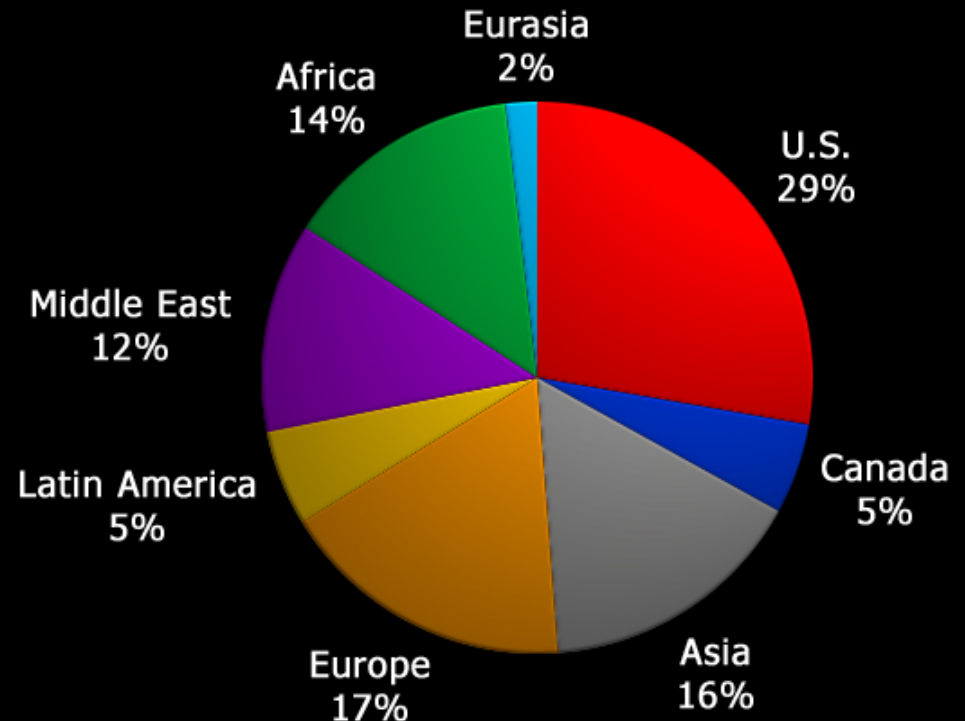
Well Completions

Globally Diversified

No. 1 or No. 2 in key product offerings

- Intelligent Completions
- Packers
- Tubing Conveyed Perforating
- Surface Safety Systems
- Subsurface Safety Systems
- Flow Controls
- Service Tools

HAL Well Completions
Revenue



Peak[®] Completions for High-Rate Gas

- Higher production rates
- Large bore top to bottom
- Requires fewer wells
- Reduces overall field development costs
- Reliability
- Flexibility for remediation



Summary

- No. 1 or No. 2 market position in 95% of our business
- Leadership and a strong global position in
 - Stimulation
 - Sand Control
 - High value well completions

Production Optimization's portfolio mix in current market differentiates Halliburton's ability to deliver earnings growth.



HALLIBURTON