

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult an independent financial adviser authorized under the Financial Services and Markets Act 2000 who specializes in advising on the acquisition of shares and other securities before you take any action. Your attention is drawn to the Risk Factors on page 10 of this document.

This document comprises a combined summary, share registration document and share securities note, including Parts II and III, and comprises a prospectus (the "Prospectus") drawn up in accordance with the requirements of the Financial Services and Markets Act 2000 and the Prospectus Rules published by the United Kingdom Financial Services Authority ("FSA"). References to the Prospectus shall be deemed to include any related supplementary prospectus approved by the United Kingdom Listing Authority.

The Prospectus has been issued by Halliburton solely in relation to the acquisition from time to time of Common Stock by eligible employees of the Group within the United Kingdom (and, pursuant to Article 17 of the Prospectus Directive, within the EEA) pursuant to the relevant Stock Plan and not for any other purpose. Only eligible employees of the Group may acquire Common Stock pursuant to the Prospectus, in accordance with the Plan Documents. The offer(s), the subject of the Prospectus, are not made to the general public or to any person other than an eligible employee of the Group.

No offer has been made and Participants will not be able to take up Common Stock under the Stock Plans until:

- in relation to the UK, the Prospectus has been approved by the FSA in relation to the participation in the relevant Stock Plan by employees of the Group in the UK; and
- in relation to the EEA, the Prospectus has thereafter been 'passported', as requested by Halliburton, pursuant to Article 17 of the Prospectus Directive, into the other relevant jurisdictions within the EEA in relation to the participation in the relevant Stock Plan by employees of Participating Employers within those jurisdictions.

All share amounts in this document are adjusted for the stock split for shareholders of record on June 23, 2006 and effected on July 14, 2006.

The maximum cap on the aggregate number of shares of Common Stock available for purchase by Participants under the Stock Plans, as at December 31, 2006, was 20 million.

The persons responsible for this document are Halliburton Company and the Directors of Halliburton Company, whose names appear at paragraph 2 of this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the Director's and the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

No Common Stock or other securities of Halliburton Company are admitted to trading on a regulated market within the EEA, and there is no intention to make application for the Common Stock, the subject of this document, to be admitted to trading on any such regulated market.

Investing in the Common Stock involves risks. See "Risk Factors" beginning on page 10.

HALLIBURTON COMPANY

(Incorporated in Delaware, United States of America, whose principal place of business is at 1401 McKinney, Suite 2400, Houston, TX 77010, USA)

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Common Stock in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, the Common Stock may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, South Africa or Japan or to any national, resident or citizen of the United States of America, Canada, Australia, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

No person has been authorized by Halliburton to give any information or to make any representation not contained in the Prospectus and, if given or made, that information or representation should not be relied upon as having been authorized by Halliburton.

The information contained in the Prospectus is correct only as at the date of this Prospectus (or as the context indicates), subject to the requirements of the Prospectus Rules and any other legal and regulatory requirements. Neither any delivery of the Prospectus nor the offering, sale or delivery of any Common Stock will, in any circumstances, create any implication that the information contained in this Prospectus (save in relation to the working capital statement as mentioned below) is true and accurate subsequent to the date hereof or (as the case may be) the date upon which the Prospectus has been most recently supplemented, or that there has been no adverse change in the financial situation of Halliburton since such date. The working capital statement at paragraph 26.1.1 of this document shall, notwithstanding the foregoing, relate to the period of 12 months from the date of this document. The Prospectus shall not incorporate by reference any information other than as expressly stated therein, nor shall it incorporate by reference any information published by Halliburton after its date. The most recent financial statements filed by Halliburton and other SEC filings made by Halliburton are available through www.halliburton.com from time to time, but information available via such website and contained in such financial statements and filings shall not be incorporated by reference in the Prospectus.

Other than the financial data and information set out in Sections 1, 3 and 4 of Part III of this Prospectus, all financial information and data contained in this Prospectus, including historical and comparative data, has for all periods presented been reclassified to take account of:

- the separation of KBR, Inc. from Halliburton in April of 2007 (as further described on page 23 in paragraph 5.1); and
- the Company's implementation in the third quarter of 2007 of new segment reporting (as further described on page 25 in paragraph 5.1).

This reclassified data has been compiled by Halliburton based upon (but not extracted from) the historical financial information set out in Section 1 of Part III and has not been audited. The financial results relating solely to KBR, Inc. for each period presented herein have been reclassified as "discontinued operations."

Halliburton's audited Annual Reports for the years 2004, 2005 and 2006 set out in Part III of this Prospectus present the corresponding historical audited financial data of the Company as reported prior to the reclassifications mentioned above.

The Prospectus should not be considered as a recommendation by Halliburton that any recipient of the Prospectus should subscribe for or purchase any Common Stock. Each recipient of the Prospectus will be taken to have made his own investigation and appraisal of the condition (financial or otherwise) of Halliburton and of the Common Stock. No assurances can be given that a liquid market for the Common Stock will exist.

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PART II INCLUDES THE FOLLOWING INFORMATION ABOUT STOCK PLANS INCLUDING APPLICATION FORMS AND DIRECTIONS FOR COMPLETION:

Halliburton Company 1993 Stock and Incentive Plan (as amended and restated February 16, 2006)

Halliburton Company 2002 Non-Qualified Stock Purchase Plan (as amended and restated May 17, 2005)

Halliburton Company 2002 Qualified Employee Stock Purchase Plan (as amended and restated September 9, 2004)

Halliburton Company UK Employee Share Purchase Plan

PART III INCLUDES THE FOLLOWING HALLIBURTON HISTORICAL FINANCIAL INFORMATION:

Section 1 of Part III contains a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2006. The information contained in this Annual Report has been audited.

Section 2 of Part III contains a reproduction in its entirety of (i) the Quarterly Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-Q for the quarterly period ended September 30, 2007 and (ii) a Current Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 8-K dated August 3, 2007. The information contained in the Quarterly Report and Current Report has not been audited.

Section 3 of Part III contains a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2005. The information contained in this Annual Report has been audited.

Section 4 of Part III also contains a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2004. The information contained in this Annual Report has been audited.

SUMMARY

This summary must be read as an introduction to the Prospectus prepared by Halliburton. Any decision to invest in the transferable securities (i.e., Common Stock) under the relevant Stock Plan should be based on the consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Words and expressions defined in the remainder of the Prospectus have the same meanings in this summary.

Other than the financial data and information set out in Sections 1, 3 and 4 of Part III of this Prospectus, all financial information and data contained in this Prospectus, including historical and comparative data, has for all periods presented been reclassified to take account of:

- *the separation of KBR, Inc. from Halliburton in April of 2007 (as further described on page 23 in paragraph 5.1); and*
- *the Company's implementation in the third quarter of 2007 of new segment reporting (as further described on page 25 in paragraph 5.1).*

This reclassified data has been compiled by Halliburton based upon (but not extracted from) the historical financial information set out in Section 1 of Part III and has not been audited. The financial results relating solely to KBR, Inc. for each period presented herein have been reclassified as "discontinued operations."

Halliburton's audited Annual Reports for the years 2004, 2005 and 2006 set out in Part III of this Prospectus present the corresponding historical audited financial data of the Company as reported prior to the reclassifications mentioned above.

Why has Halliburton produced this Prospectus?

This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") in relation to the Prospectus issued by Halliburton in relation to the acquisition from time to time of Common Stock by eligible employees of the Group within the United Kingdom (and, pursuant to Article 17 of the Prospectus Directive, within relevant jurisdictions within the EEA) pursuant to the relevant Stock Plan (as hereafter defined). The Common Stock is currently listed only on The New York Stock Exchange.

This document has been prepared in relation to the proposed issue of Common Stock pursuant to relevant stock plans and/or stock option plans implemented by Halliburton from time to time. In order to continue to operate the Stock Plans in the EEA, Halliburton has to produce a Prospectus in accordance with the requirements of the Prospectus Directive.

The Prospectus gives detailed information about Halliburton, in accordance with these regulations, and this is summarized below.

Employee Stock Plans

Halliburton operates employee stock plans in certain countries within the EEA and from time to time communicates detailed information regarding specific offers or grants under any of the Stock Plans directly to the EEA-based employees concerned.

Halliburton Stock Plans are not offered to everybody. Some are discretionary plans and are not offered to employees generally. Others may be offered to all employees who meet the eligibility criteria.

Halliburton is under no obligation to make awards under its Stock Plans; Halliburton is free to decide whether, when, where and how to operate any of its plans. It is also free to terminate any of its Stock Plans as regards future participation.

The tax consequences associated with participation in the Stock Plans can vary greatly depending on the participant's country of residence and other factors. Participants should consult their tax advisers regarding the effect on their tax position upon participating in such a plan.

The four relevant Stock Plans are:

1. The Halliburton Company 1993 Stock and Incentive Plan (as amended and restated February 16, 2006);
2. The Halliburton Company 2002 Non-Qualified Stock Purchase Plan (as amended and restated May 17, 2005);
3. The Halliburton Company 2002 Qualified Employee Stock Purchase Plan (as amended and restated May 17, 2005); and
4. The Halliburton Company UK Employee Share Purchase Plan.

RISK FACTORS

ANY INVESTMENT IN THE COMMON STOCK OF HALLIBURTON INVOLVES RISKS, AS SET OUT BELOW. We continue to face many risks and uncertainties that could materially and adversely affect our financial condition and results of operations, as summarized below:

Business Risks

- Halliburton is involved in legal matters, including investigations relating to the construction of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. Further details are set forth in paragraph 20.7.2 below.
- Halliburton derives a significant portion of revenue from non-United States operations, which exposes us to risks inherent in doing business in each of the approximately 70 other countries where we transact business. These risks, including political and economic instability, could result in a material adverse effect on our consolidated results of operations and consolidated financial condition.
- We have operations in approximately 70 countries other than the United States. Consequently, we are subject to the jurisdiction of numerous taxing authorities.
- Changes in the operating environment, including changes in tax law and currency/repatriation controls, could impact our tax liabilities for a tax year.
- A sizable portion of our consolidated revenue and consolidated operating expenses is in foreign currencies. Accordingly, we are subject to significant risks, including foreign exchange risks and limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries.
- Demand for some of our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas price and is sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies.

Risks relating to Stock Plans

- Awards made under the Stock Plans may be subject to vesting conditions and may be cancelled. Awards may be cancelled upon a termination of employment, in which case vesting and the right to exercise stock options will cease.

Market price

- The value that may be realized from any award depends on the market price of Halliburton's Common Stock, which may decline before or after an award vests or is exercised, or the shares acquired from the vesting or exercise of an award are sold.

Restrictions on transfer

- Common Stock subject to restricted or deferred stock awards may not be sold or transferred in any way (including by a pledge) until the award vests and the shares are delivered to the participant (the award is also subject to cancellation until it vests). During these times, a participant may not realize any value from an award, and the value of the shares subject to the award will increase and decrease based on changes in the market value of Common Stock.

Currency fluctuations

- Where transactions under the Stock Plans are conducted in Dollars, participants may be subject to exchange rate fluctuations between their local currency and the Dollar.

Forward-looking Statements

- Some statements in this document are forward-looking. Forward-looking information is based on projections and estimates, not historical information.
- Forward-looking information involves risk and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially. Any such information shall be updated as required by the Prospectus Rules.

Overview of Halliburton and its businesses

Halliburton, founded in 1919, provides products and services to the energy industry. With operations in approximately 70 countries, Halliburton's annual revenue totaled nearly \$13.0 billion for the year ended December 31, 2006 and \$11.1 billion for the nine months ended September 30, 2007. Halliburton had \$12.5 billion in assets and a market capitalization of approximately \$33.8 billion as of September 30, 2007.

On April 5, 2007, Halliburton completed the separation of KBR, Inc. ("KBR") and its subsidiaries from the Halliburton group of companies by way of an exchange offer to its stockholders, such that KBR, Inc. is no longer affiliated with Halliburton and the two companies are now separate and independent of each other. In the second quarter of 2007, we recorded a gain on the disposition of KBR, Inc. of approximately \$933 million (net of tax and the estimated fair value of the indemnities and guarantees provided to KBR), which amount is included in Halliburton's condensed consolidated statement of operations for the nine months ended September 30, 2007 as income from discontinued operations. For accounting purposes, we ceased including KBR's operations in our results effective March 31, 2007.

Subsequent to the KBR separation, in the third quarter of 2007, we realigned our products and services to improve operational and cost management efficiencies, better serve our customers, and become better aligned with the process of exploring for and producing from oil and natural gas wells. We now operate under two divisions, which form the basis for the two operating segments we now report: the Completion and Production segment and the Drilling and Evaluation segment. **Completion and Production** delivers cementing, stimulation, intervention, and completion services. **Drilling and Evaluation** provides field and reservoir modeling, drilling, evaluation, and precise well-bore placement solutions that enable customers to model, measure, and optimize their well construction activities.

The current Directors of Halliburton are:

Kathleen M. Bader
Alan M. Bennett
James R. Boyd
Milton Carroll
Robert L. Crandall
Kenneth T. Derr
S. Malcolm Gillis
W. R. Howell
David J. Lesar
J. Landis Martin
Jay A. Precourt
Debra L. Reed

Auditors

KPMG of Suite 3100, 700 Louisiana Street, Houston, Texas 77002, USA.

Operating and Financial Review and Prospects

The revenue growth and profitability of Halliburton can be impacted by the demand for products and services, changes in world economies, political instability overseas and changes in the prices of oil and gas.

The Group is subject to various litigation and arbitration proceedings.

Key Information

The selected statement of operations presented below is based upon (but not extracted from) our annual consolidated financial statements set out in Section 1 of Part III (amounts are in millions, except earnings per share data). Please note that the data contained herein for all periods presented is not audited and has been reclassified to reflect the separation of KBR, Inc. from Halliburton in April of 2007; financial results relating solely to KBR, Inc. for each period reported have been reclassified to "discontinued operations."

Statement of Operations Data:	Year Ended December 31,		
	2006	2005	2004
Total revenue	\$12,955	\$10,100	\$ 7,998
Operating income	3,245	2,164	1,179
Income from continuing operations	2,177	2,107	671
Income (loss) from discontinued operations, net	171	251	(1,650)
Net income (loss)	\$ 2,348	\$ 2,358	\$ (979)
Basic income (loss) per share:			
Income from continuing operations	\$ 2.15	\$ 2.09	\$ 0.77
Income (loss) from discontinued operations, net	0.16	0.25	(1.89)
Net income (loss) per share	\$ 2.31	\$ 2.34	\$(1.12)
Diluted income (loss) per share:			
Income from continuing operations	\$ 2.07	\$ 2.03	\$ 0.76
Income (loss) from discontinued operations, net	0.16	0.24	(1.87)
Net income (loss) per share	\$ 2.23	\$ 2.27	\$(1.11)

The selected statement of operations and balance sheet data presented below is extracted from our unaudited condensed consolidated financial statements, set out on Form 10-Q dated September 30, 2007 in Section 2 of Part III of this Prospectus (amounts are in millions, except earnings per share data). As was presented in Form 10-Q dated September 30, 2007, the data set out below has been reclassified to reflect the separation of KBR, Inc. from Halliburton in April of 2007.

Statement of Operations Data:	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Total revenue	\$ 11,085	\$ 9,446
Operating income	2,591	2,322
Income from continuing operations	1,850	1,550
Income from discontinued operations, net	959	140
Net income	\$ 2,809	\$ 1,690
Basic income per share:		
Income from continuing operations	\$ 2.00	\$ 1.52
Income from discontinued operations, net	1.04	0.13
Net income per share	\$ 3.04	\$ 1.65
Diluted income per share:		
Income from continuing operations	\$ 1.93	\$ 1.46
Income from discontinued operations, net	0.99	0.13
Net income per share	\$ 2.92	\$ 1.59

The reason for making the offer(s) under the Stock Plans is to encourage employee stock ownership by offering Participants Common Stock at discounted prices, without brokerage costs. This aims to attract and retain the services of employees and to incentivise them to exert maximum efforts for Halliburton's success. The proceeds of any acquisition of Common Stock, to the extent received by Halliburton or its Subsidiaries, will be used for general corporate purposes.

Major Shareholders

Save for the following persons, no shareholder holds over 5% of the issued Common Stock of the Company as of September 30, 2007:

Wellington Management Company, LLP	5.42%
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Financial Information

For the year ended December 31, 2006, the Company had total assets of \$16.9 billion and net income of \$2.3 billion.

Details of the offer(s) under the Stock Plans

Conditions and eligibility

Only certain employees may participate in an offer of Common Stock pursuant to the Stock Plans (hereinafter "eligible employees").

Maximum number of securities available under the Stock Plans

The total amount of the offer under the Stock Plans is set out in each of the Stock Plans. Up to 98,000,000 shares of Common Stock are available under the Plans, of which a maximum of 32,000,000 may be issued as Restricted Stock Awards or pursuant to performance rewards. Any individual holder may be granted rights under the Stock Plans of up to 1,000,000 shares of Common Stock in any one year, and the cash value of any performance award may not exceed \$5,000,000.

Purchase Rights

On the first day of each Offering Period (as defined in the Stock Plans), Halliburton is deemed to grant each Participant a "Purchase Right" to purchase, on the last day of the Offering Period, as many whole

shares of Common Stock as the Participant can purchase with the payroll deductions credited to the Participant's account during that period.

Accumulated payroll deductions credited to a Participant's journal account will automatically be used to purchase whole Common Stock on the last day of the Offering Period.

Pricing

The price per share at which Common Stock is purchased on the Exercise Date is currently 85% of the lesser of the Fair Market Value (as defined in the Stock Plans) of Common Stock on either the first day of the Offering Period (or the preceding trading day) or the last trading day of the Offering Period (rounded up to the nearest whole Dollar).

Reporting and admission to the New York Stock Exchange (NYSE)

After the close of each Offering Period, Halliburton will provide each Participant with a report indicating the amount of the Participant's contributions during the Offering Period, the amount of the contributions applied to the purchase of Common Stock for the Offering Period, and the purchase price per share.

Dealing in the relevant Common Stock allotted to each Participant will be possible only when such Common Stock is admitted to the NYSE, subject to approval by that body. The Common Stock issued pursuant to the Stock Plans will not be the subject of an application for admission to trading on a regulated market in the EEA.

No material dilution will take place through issues of Common Stock under the Stock Plans.

Costs, expenses and taxes

Halliburton (or the employer) will pay the costs of administering the Stock Plans and the fees of the relevant custodian, save that brokerage fees for the sale of Common Stock acquired under the Stock Plan by a Participant will be borne by the Participant. The relevant custodian may also charge a reasonable fee for withdrawal of Common Stock in the form of stock certificates.

Participants are responsible for all taxes associated with the purchase, sale and ownership of Common Stock and authorize the Participating Employer to withhold all applicable taxes due in connection with any transaction under the Stock Plans or any Common Stock acquired under it.

Termination, amendment and withdrawal

The Board may amend or terminate the terms of the Stock Plans and any Purchase Rights relating thereto at any time.

If a Participant ceases to be an employee for any reason during an Offering Period, his or her rights to participate may immediately terminate.

Participants may reduce the amounts of their payroll deductions by providing a new participation form. There are also individual limits per Participant under the Stock Plans.

Participants may withdraw from the Stock Plan by service of required notice. This includes a statutory right of withdrawal should a supplementary prospectus be published.

Rights to participate in Stock Plans are personal to employees and may not be transferred or assigned.

Summary of the rights of Common Stock

Dividends:

Subject to the rights of Preferred Stock as to the payment of preferential dividends, if any, and after compliance with the requirements for setting aside sinking or analogous funds as to any series of Preferred Stock, holders of the Common Stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of any funds of Halliburton legally available.

Distributions:

Upon liquidation, dissolution or winding up, whether voluntary or involuntary, and after the full amounts, if any, to which the holders of any outstanding Preferred Stock of each series are respectively preferentially entitled have been distributed or set apart for distribution, all the remaining assets of Halliburton available for distribution shall be distributed pro rata to the holders of Common Stock.

Voting:

Except as otherwise required by law or provided by the Certificate of Incorporation, each holder of Common Stock has one vote in respect of each share of stock held by him on all matters voted upon by stockholders.

RISK FACTORS

The risk factors that are material to the Common Stock being offered under the Stock Plans and to Halliburton, its business and the industry in which it operates are set out below. They may directly or indirectly affect the value of the Common Stock from time to time.

1.1 Relating to Stock

Stock Plan conditions

Awards made under the Stock Plans may be subject to vesting conditions and may be cancelled. Except in very limited circumstances detailed in the applicable Stock Plan, Participants must remain continuously employed by Halliburton, in order to vest in a restricted or deferred stock award or a stock option. Awards may be cancelled upon a termination of employment, in which case vesting and the right to exercise stock options will cease.

Market price

The value that may be realized from any award depends on the market price of Halliburton's Common Stock, which may decline before or after an award vests or is exercised, or the shares acquired from the vesting or exercise of an award are sold. When a restricted or deferred stock award vests or when shares acquired upon the vesting of a stock award or exercise of a stock option are sold, the market value of the shares delivered to a participant may be less than when the award was granted.

Restrictions on transfer

Common Stock subject to restricted or deferred stock awards may not be sold or transferred in any way (including by a pledge) until the award vests and the shares are delivered to the participant (the award is also subject to cancellation until it vests). Generally, the incremental shares acquired in a stock option exercise may not be sold or transferred in any way (including by a pledge) for two years following the date of exercise. During these times, a participant may not realize any value from an award, and the value of the shares subject to the award will increase and decrease based on changes in the market value of Halliburton Common Stock.

Currency fluctuations

Where transactions under the Stock Plans are conducted in Dollars, participants may be subject to fluctuations in the exchange rate between their local currency and the Dollar. For example, the cost in local currency to exercise an option using the cash purchase exercise method will increase if the value of a participant's local currency declines in relation to the Dollar. Similarly, the local-currency value of shares subject to a restricted or deferred stock award will decline if the value of a participant's local currency increases in relation to the U.S. Dollar.

1.2 Foreign Corrupt Practices Act investigations

The United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") are conducting a formal investigation into whether improper payments were made to government officials in Nigeria through the use of agents or subcontractors of TSKJ (as defined in and within further details as set out in paragraph 20.7.2). There is a risk that if violations of the FCPA are found, a person or an entity found in violation could be subject to fines, civil penalties of up to \$500,000 per violation, equitable remedies, including disgorgement (if applicable) generally of profits, including prejudgment interest on such profits, causally connected to the violation, and injunctive relief. Criminal penalties could range up to the greater of \$2 million per violation or twice the gross pecuniary gain or loss from the violation, which could be substantially greater than \$2 million per violation. It is possible that both the SEC and the DOJ could assert that there have been multiple violations, which could lead to multiple fines.

These investigations could result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages; damage to our business or reputation; loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value; or claims by directors, officers, employees, affiliates, advisers, attorneys, agents, debt holders, or other interest holders or constituents of us or our current or former subsidiaries. In addition, we could incur costs

and expenses for any monitor required by or agreed to with a governmental authority to review our continued compliance with FCPA law.

As of September 30, 2007, we are unable to estimate an amount of probable loss or a range of possible loss related to these matters as it relates to Halliburton directly. However, we provided indemnification in favor of KBR under a master separation agreement entered into prior to the time of our separation from KBR ("Master Service Agreement") for certain contingent liabilities, including for fines or other monetary penalties or direct monetary damages as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the FCPA. This indemnity would cover potential civil and criminal penalties that may be imposed as a result of the investigation being carried out by the SEC and the DOJ. We recorded the estimated fair market value of this indemnity regarding FCPA matters described above upon our separation from KBR.

1.3 **Operations in Iran**

There may be risks and liabilities to us associated with an investigation which is being carried out by the Office of Foreign Assets Control ("OFAC") of the United States Treasury Department with respect to operations in Iran by a Halliburton subsidiary incorporated in the Cayman Islands. See paragraph 20.7.5 for full details.

1.4 **Geopolitical and International Environment**

International and political events

A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the countries in which we transact business. The occurrence of any of the risks described below could have a material adverse effect on our consolidated results of operations and consolidated financial condition.

Operations in countries other than the United States are subject to various risks unique to each country, which may have a material adverse effect on Halliburton. These risks may include:

- expropriation and nationalization of our assets in that country;
- political and economic instability;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- natural disasters, including those related to earthquakes and flooding;
- inflation;
- currency fluctuations, devaluations, and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments, or limit the movement of funds;
- governmental activities that may result in the deprivation of contract rights; and
- governmental activities that may result in the inability to obtain or retain licenses required for operation.

Due to the unsettled political conditions in many oil-producing countries and countries in which we provide governmental logistical support, our revenue and profits are subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls, and governmental actions. Countries where we operate that have significant amounts of political risk include: Algeria, Indonesia, Nigeria, Russia, Venezuela, and Yemen. In addition, military action or continued unrest in the Middle East could impact the

supply and pricing for oil and gas, disrupt our operations in the region and elsewhere, and increase our costs for security worldwide.

In addition, investigations by governmental authorities (see “Foreign Corrupt Practices Act investigations” above), as well as legal, social, economic, and political issues in Nigeria could materially and adversely affect our Nigerian business and operations.

Our facilities and our employees are under threat of attack in some countries where we operate. In addition, the risks related to loss of life of our personnel and our subcontractors in these areas continue.

We are also subject to the general operational risk that any of our employees, joint venture partners, and agents outside of the United States may fail to comply with applicable laws, that could then have an adverse effect on our financial condition.

Military action, other armed conflicts, or terrorist attacks

Military action in Iraq, military tension involving North Korea and Iran, as well as the terrorist attacks of September 11, 2001 and subsequent terrorist attacks, threats of attacks, and unrest have caused instability or uncertainty in the world’s financial and commercial markets and have significantly increased political and economic instability in some of the geographic areas in which we operate. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate, such as the Middle East and Indonesia, could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of personnel or assets.

Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas in which we operate. In addition, any possible reprisals as a consequence of the war and ongoing military action in Iraq, such as acts of terrorism in the United States or elsewhere, could materially and adversely affect us in ways we cannot predict at this time.

Income taxes

We have operations in approximately 70 countries other than the United States. Consequently, we are subject to the jurisdiction of a significant number of taxing authorities. The income earned in these various jurisdictions is taxed on differing bases, including net income actually earned, net income deemed earned, and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws, tax treaties, and related authorities in each jurisdiction, as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law and currency/repatriation controls, could impact the determination of our tax liabilities for a tax year.

Foreign exchange and currency risks

A sizable portion of our consolidated revenue and consolidated operating expenses is in foreign currencies. As a result, we are subject to significant risks, including:

- foreign exchange risks resulting from changes in foreign exchange rates and the implementation of exchange controls; and
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries.

We conduct business in countries that have nontraded or “soft” currencies which, because of their restricted or limited trading markets, may be more difficult to exchange for “hard” currency. We may accumulate cash in soft currencies, and we may be limited in our ability to convert our profits into United States dollars or to repatriate the profits from those countries.

We selectively use hedging transactions to limit our exposure to risks from doing business in foreign currencies. For those currencies that are not readily convertible, our ability to hedge our exposure is limited because financial hedge instruments for those currencies are nonexistent or limited. Our ability to hedge is also limited because pricing of hedging instruments, where they exist, is often volatile and not necessarily efficient.

In addition, the value of the derivative instruments could be impacted by:

- adverse movements in foreign exchange rates;
- interest rates;
- commodity prices; or
- the value and time period of the derivative being different than the exposures or cash flows being hedged.

1.5 Customers and Business

Exploration and production activity

Demand for our services and products depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices.

Demand for our services and products is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development, and production activity, often reflected as changes in rig counts. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies or longer-term higher material and contractor prices impacting facility costs can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our oil and natural gas well services and products, which could have a material adverse effect on our revenue and profitability. Factors affecting the prices of oil and natural gas include:

- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- global weather conditions and natural disasters;
- worldwide political, military, and economic conditions;
- the level of oil production by non-OPEC countries and the available excess production capacity within OPEC;
- economic growth in China and India;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and gas;
- potential acceleration of development of alternative fuels; and
- the level of demand for oil and natural gas, especially demand for natural gas in the United States.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile. Spending on exploration and production activities and capital expenditures for refining and distribution facilities by large oil and gas companies have a significant impact on the activity levels of our businesses. In the current environment where oil and gas demand exceeds supply, the ability to rebalance supply with demand may be constrained by the global availability of rigs. Full utilization of rigs could lead to limited growth in revenue. In addition, the extent of the growth in oilfield services may be limited by the availability of equipment and manpower.

Capital spending

The business of Halliburton is directly affected by changes in capital spending by our customers. Some of the changes that may materially and adversely affect us include:

- adverse developments in the business and operations of our customers in the oil and gas industry, including write-downs of reserves and reductions in capital spending for exploration, development and production; and
- ability of our customers to timely pay the amounts due us.

Customers

Halliburton's business depends on a limited number of significant customers. While none of these customers represented more than 10% of consolidated revenue in any period presented, the loss of one or more significant customers could have a material adverse effect on our business and our consolidated results of operations.

Acquisitions, dispositions, investments, and joint ventures

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or sales of assets, businesses, investments, or joint ventures. These transactions are intended to result in the realization of savings, the creation of efficiencies, the generation of cash or income, or the reduction of risk. Acquisition transactions may be financed by additional borrowings or by the issuance of our common stock. These transactions may also affect our consolidated results of operations.

These transactions also involve risks, and we cannot ensure that:

- any acquisitions would result in an increase in income;
- any acquisitions would be successfully integrated into our operations and internal controls;
- any disposition would not result in decreased earnings, revenue, or cash flow;
- any dispositions, investments, acquisitions, or integrations would not divert management resources; or
- any dispositions, investments, acquisitions, or integrations would not have a material adverse effect on our results of operations or financial condition.

We conduct some operations through joint ventures, where control may be shared with unaffiliated third parties. As with any joint venture arrangement, differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including any nonperformance, default, or bankruptcy of our joint venture partners. These factors could potentially materially and adversely affect the business and operations of the joint venture and, in turn, our business and operations.

Barracuda-Caratinga arbitration

We also provided indemnification in favor of KBR under the Master Separation Agreement for all out-of-pocket cash costs and expenses (except for legal fees and other expenses of the arbitration so long as KBR controls and directs it), or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after November 20, 2006 as a result of the replacement of certain subsea flowline bolts installed in connection with the Barracuda-Caratinga project, which included Petróleo Brasileiro SA ("Petrobras") as the principal counter-party. Under the Master Separation Agreement, KBR currently controls the defense, counterclaim, and settlement of the subsea flowline bolts matter. As a condition of our indemnity, for any settlement to be binding upon us, KBR must secure our prior written consent to such settlement's terms. We have the right to terminate the indemnity in the event KBR enters into any settlement without our prior written consent. See paragraph 5.1 for additional information regarding the KBR indemnification.

At Petrobras's direction, KBR replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and KBR has informed us that additional bolts have failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. The designation of the material to be used for the bolts was issued by Petrobras, and as such, we understand that KBR believes the cost resulting from the replacement of such flowline bolts is not KBR's responsibility. We understand Petrobras disagrees. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Estimates indicate that costs of these various solutions range up to \$140 million. In March 2006, Petrobras commenced arbitration against KBR claiming \$220 million plus interest for the cost of monitoring and replacing the defective bolts and all related costs,

and expenses of the arbitration, including the cost of attorneys' fees. We understand KBR intends to vigorously defend this claim and pursue recovery of its own costs incurred to date through the arbitration process and to that end has submitted a counterclaim in the arbitration seeking the recovery of \$22 million. The final arbitration hearing is expected to begin in 2008.

Impairment of Oil and Gas Properties

At December 31, 2007, we had interests in oil and gas properties totaling \$110 million, net of accumulated depletion. The majority of this amount is related to one leasehold property interest in Bangladesh, in which we have a 25% non-operating interest. These oil and gas properties are assessed for impairment whenever changes in facts and circumstances indicate that the properties' carrying amounts may not be recoverable, i.e., their realizable value. The expected future cash flows used for impairment reviews and related fair-value calculations are based on judgmental assessments of future production volumes, prices, and costs, considering all available information at the date of review.

In December 2007, we learned that the drilling program in which we were engaged on one of two prospects in Bangladesh was unsuccessful. Consequently, we recorded a \$34 million charge for the write-off of our drilling costs and impairment of the leasehold carrying value. This charge is included in our results of operations for 2007. We expect to know the results of the drilling activity on the second prospect by the end of the first quarter of 2008. Depending on the results, we could incur additional charges.

A downward trend in estimates of production volumes or prices or an upward trend in costs could result in an impairment of these oil and gas properties, which in turn could have a material and adverse effect on our overall results of operations.

Environmental requirements

Our businesses are subject to a variety of environmental laws, rules, and regulations in the United States and other countries, including those covering hazardous materials and requiring emission performance standards for facilities. For example, our well service operations routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous substances. We also store, transport, and use radioactive and explosive materials in certain of our operations. Environmental requirements include, for example, those concerning:

- the containment and disposal of hazardous substances, oilfield waste, and other waste materials;
- the importation and use of radioactive materials;
- the use of underground storage tanks; and
- the use of underground injection wells.

Environmental and other similar requirements generally are becoming increasingly strict. Sanctions for failure to comply with these requirements, many of which may be applied retroactively, may include:

- administrative, civil, and criminal penalties;
- revocation of permits to conduct business; and
- corrective action orders, including orders to investigate and/or clean up contamination.

Failure on our part to comply with applicable environmental requirements could have a material adverse effect on our consolidated financial condition. We are also exposed to costs arising from environmental compliance, including compliance with changes in or expansion of environmental requirements, which could have a material adverse effect on our business, financial condition, operating results, or cash flows.

We are exposed to claims under environmental requirements, and, from time to time, such claims have been made against us. In the United States, environmental requirements and regulations typically impose strict liability. Strict liability means that in some situations we could be exposed to liability for clean-up costs, natural resource damages, and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of prior operators or other third parties. Liability for damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our consolidated results of operations.

We are periodically notified of potential liabilities at state and federal superfund sites. These potential liabilities may arise from both historical Halliburton operations and the historical operations of companies that we have acquired. Our exposure at these sites may be materially impacted by unforeseen adverse developments both in the final remediation costs and with respect to the final allocation among the various parties involved at the sites. For any particular federal or state superfund site, since our estimated liability is typically within a range and our accrued liability may be the amount on the low end of that range, our actual liability could eventually be well in excess of the amount accrued. The relevant regulatory agency may bring suit against us for amounts in excess of what we have accrued and what we believe is our proportionate share of remediation costs at any superfund site. We also could be subject to third-party claims, including punitive damages, with respect to environmental matters for which we have been named as a potentially responsible party.

Changes in environmental requirements may negatively impact demand for our services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). A decline in exploration and production, in turn, could materially and adversely affect us.

Law and regulatory requirements

In the countries in which we conduct business, we are subject to multiple and, at times, inconsistent regulatory regimes, including those that govern our use of radioactive materials, explosives, and chemicals in the course of our operations. Various national and international regulatory regimes govern the shipment of these items. Many countries, but not all, impose special controls upon the export and import of radioactive materials, explosives, and chemicals. Our ability to do business is subject to maintaining required licenses and complying with these multiple regulatory requirements applicable to these special products. In addition, the various laws governing import and export of both products and technology apply to a wide range of services and products we offer. In turn, this can affect our employment practices of hiring people of different nationalities because these laws may prohibit or limit access to some products or technology by employees of various nationalities. Changes in, compliance with, or our failure to comply with these laws may negatively impact our ability to provide services in, make sales of equipment to, and transfer personnel or equipment among some of the countries in which we operate and could have a material adverse effect on the results of operations.

Raw materials

Raw materials essential to our business are normally readily available. However, current market conditions have triggered constraints in the supply chain of certain raw materials, such as sand, cement, and specialty metals. The majority of our risk associated with the current supply chain constraints occurs in those situations where we have a relationship with a single supplier for a particular resource.

Intellectual property rights

We rely on a variety of intellectual property rights that we use in our services and products. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented, or challenged. In addition, the laws of some foreign countries in which our services and products may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

Technology

The market for our services and products is characterized by continual technological developments to provide better and more reliable performance and services. If we are not able to design, develop, and produce commercially competitive products and to implement commercially competitive services in a timely manner in response to changes in technology, our business and revenue could be materially and adversely affected, and the value of our intellectual property may be reduced. Likewise, if our proprietary technologies, equipment and facilities, or work processes become obsolete, we may no longer be competitive, and our business and revenue could be materially and adversely affected.

Reliance on management

We depend greatly on the efforts of our executive officers and other key employees to manage our operations. The loss or unavailability of any of our executive officers or other key employees could have a material adverse effect on our business.

Technical personnel

Many of the services that we provide and the products that we sell are complex and highly engineered and often must perform or be performed in harsh conditions. We believe that our success depends upon our ability to employ and retain technical personnel with the ability to design, utilize, and enhance these services and products. In addition, our ability to expand our operations depends in part on our ability to increase our skilled labor force. The demand for skilled workers is high, and the supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. If either of these events were to occur, our cost structure could increase, our margins could decrease, and our growth potential could be impaired.

Weather

Our business could be materially and adversely affected by severe weather, particularly in the Gulf of Mexico where we have operations. Repercussions of severe weather conditions may include:

- evacuation of personnel and curtailment of services;
- weather-related damage to offshore drilling rigs resulting in suspension of operations;
- weather-related damage to our facilities and project work sites;
- inability to deliver materials to jobsites in accordance with contract schedules; and
- loss of productivity.

Because demand for natural gas in the United States drives a significant amount of our United States business, warmer-than-normal winters in the United States are detrimental to the demand for our services to gas producers.

1.6 Legal and arbitration proceedings

The litigation and arbitration proceedings in which the Group is engaged could constitute a material risk to the business of Halliburton. The material legal and arbitration proceedings involving the Group are set out in paragraph 20.7 of this document.

1.7 Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial instrument market risk from changes in foreign currency exchange rates, interest rates, and, to a limited extent, commodity prices. We selectively manage these exposures through the use of derivative instruments to mitigate our market risk from these exposures. The objective of our risk management is to protect our cash flows related to sales or purchases of goods or services from market fluctuations in currency rates. Our use of derivative instruments includes the following types of market risk:

- volatility of the currency rates;
- time horizon of the derivative instruments;
- market cycles; and
- the type of derivative instruments used.

We do not use derivative instruments for trading purposes. We do not consider any of these risk management activities to be material.

1.8 **Forward-looking Statements**

Some statements in this document are forward-looking. Forward-looking information is based on projections and estimates, not historical information.

Forward-looking information involves risk and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially. Any such information shall be updated as required by the Prospectus Rules.

DEFINITIONS AND INTERPRETATION

The following definitions apply throughout this document unless the context otherwise requires:

“Company”, “we”, “us” or “Halliburton”	Halliburton Company
“Common Stock“	common stock of Halliburton with a par value of \$2.50 per share
“Board” or “Directors”	the board of directors of Halliburton Company whose names are set out in paragraph 2.1 of this document
“Dollars” or “\$”	the lawful currency of the United States of America
“EEA”	the European Economic Area
“Group”	Halliburton Company and its Subsidiaries
“Participant(s)”	an employee of the Group who is eligible to participate and has enrolled in the relevant Stock Plan in accordance with the relevant Stock Plan
“Participating Employer”	Halliburton and its relevant Subsidiaries, being the relevant employing companies from time to time in relation to the relevant Stock Plan(s)
“Plan Documents”	The relevant subscription documents relating to a Stock Plan, including its terms and conditions
“Prospectus Rules”	the prospectus rules published by the Financial Services Authority, of the United Kingdom
“Prospectus” or “document”	this document, including the Summary appearing at the beginning of this document and Parts II and III
“Regulations”	the Prospectus Regulations 2005, of the United Kingdom
“SEC”	the United States Securities and Exchange Commission
“Stock Plans”	the stock and share plans of Halliburton, which are summarized in Part II of this document
“USA”	The United States of America
“Subsidiaries”	the subsidiaries of the Company, of which certain subsidiaries are set out in paragraph 7 of this document

In this document the financial figures of Halliburton are interpreted as follows unless the context otherwise requires:

“during 200X” or “in 200X”	the fiscal year for that year
“fiscal year for year ended”	the year from January 1 to December 31
“fourth quarter”	the period from October 1 to December 31
“third quarter”	the period from July 1 to September 30
“second quarter”	the period from April 1 to June 30
“first quarter”	the period from January 1 to March 31

2. PERSONS RESPONSIBLE

- 2.1 The persons responsible for the information given in this document are Halliburton and the Directors of Halliburton whose names are set out below. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the Directors and the Company’s knowledge, in accordance with the facts and contains no omission likely to affect its import.

Kathleen M. Bader
Alan M. Bennett
James R. Boyd
Milton Carroll
Robert L. Crandall
Kenneth T. Derr
S. Malcolm Gillis
W. R. Howell
David J. Lesar
J. Landis Martin
Jay A. Precourt
Debra L. Reed

3. STATUTORY AUDITORS

- 3.1 The statutory auditors of Halliburton are KPMG LLP of Suite 3100, 700 Louisiana Street, Houston, Texas, USA.
- 3.2 The Company’s auditors are an independent public accounting firm registered with the Public Company Accounting Oversight Board (United States).
- 3.3 The Company’s auditors have not resigned, been removed or been reappointed in the fiscal years of 2004, 2005 and 2006, and in the interim period ending September 30, 2007.

4. SELECTED FINANCIAL INFORMATION

The data contained in this paragraph 4 for all periods presented has been reclassified to reflect the separation of KBR, Inc. from Halliburton in April of 2007 and the change from four operating segments in the remaining business to two operating segments following a realignment of our products and services in the third quarter of 2007. Financial results relating solely to KBR, Inc. for all periods presented have been reclassified to discontinued operations.

The summary consolidated financial data set out below is based upon (but not extracted from) our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. This should be read in conjunction with our consolidated financial statements and the related notes in those reports, which are included in Part III of this Prospectus.

<i>(Millions of dollars)</i>	Year Ended December 31,		
	2006	2005	2004
Revenue:			
Completion and Production	\$ 7,221	\$ 5,495	\$ 4,253
Drilling and Evaluation	5,734	4,605	3,745
Total revenue	\$ 12,955	\$ 10,100	\$ 7,998
Operating income (loss):			
Completion and Production	\$ 2,140	\$ 1,524	\$ 886
Drilling and Evaluation	1,328	840	467
Corporate and other	(223)	(200)	(174)
Total operating income	\$ 3,245	\$ 2,164	\$ 1,179
Income from continuing operations before income taxes and minority interest	\$ 3,199	\$ 1,997	\$ 990
(Provision) benefit for income taxes	(1,003)	125	(322)
Minority interest in net (income) loss of subsidiaries	(19)	(15)	3
Income from continuing operations	2,177	2,107	671
Income (loss) from discontinued operations, net of tax (provision) benefit of \$(183), \$(205), and \$261	171	251	(1,650)
Net income	\$ 2,348	\$ 2,358	\$ (979)
Other financial data:			
Capital expenditures	\$ 834	\$ 575	\$ 498
Depreciation, depletion, and amortization	480	448	456

	December 31,		
	2006	2005	2004
Financial position:			
Net working capital (1)	\$ 6,456	\$ 4,959	\$ 2,898
Property, plant, and equipment	2,557	2,203	2,075
Total assets	16,860	15,073	15,883
Long-term debt, including current maturities	2,809	3,139	3,879
Shareholders' equity	7,376	6,372	3,932

(1) Calculated as current assets minus current liabilities.

The summary financial data set out in the table below is extracted from our unaudited consolidated financial statements set out in our Quarterly Report on Form 10-Q for the period ended September 30, 2007. This should be read in conjunction with our consolidated financial statements and the related notes to such report, which are included in Part III of this Prospectus .

<i>(Millions of dollars)</i>	Nine Months Ended September 30,	
	2007	2006
Revenue:		
Completion and Production	\$ 6,097	\$ 5,279
Drilling and Evaluation	4,988	4,167
Total revenue	\$ 11,085	\$ 9,446
Operating income (loss):		
Completion and Production	\$ 1,628	\$ 1,543
Drilling and Evaluation	1,082	943
Corporate and other	(119)	(164)
Total operating income	\$ 2,591	\$ 2,322
Income from continuing operations before income taxes and minority interest	\$ 2,567	\$ 2,290
Provision for income taxes	(695)	(725)
Minority interest in net income of subsidiaries	(22)	(15)
Income from continuing operations	1,850	1,550
Income from discontinued operations, net of tax provision of \$11 and \$123	959	140
Net income	\$ 2,809	\$ 1,690
Other financial data:		
Capital expenditures	\$ 1,064	\$ 569
Depreciation, depletion, and amortization	417	356
September 30,		
Financial position:		
Net working capital (1)	\$ 5,030	\$ 5,592
Property, plant, and equipment	3,337	2,403
Total assets	12,469	16,053
Long-term debt, including current maturities	2,806	2,807
Shareholders' equity	6,197	7,089

(1) Calculated as current assets minus current liabilities.

Selected Ratios

	Debt-to-Equity Ratio	Debt-to-Capitalization Ratio	Net Debt-to-Capitalization Ratio (1)
12/31/04	98.9%	49.7%	24.4%
12/31/05	49.5%	33.1%	15.3%
12/31/06	38.1%	27.6%	(1.7)% (2)
09/30/07	45.3%	31.2%	12.9%

(1) Calculated as debt minus cash and equivalents divided by total capitalization minus cash and equivalents.

(2) The negative percentage indicates that the cash balance exceeds debt.

There have been no changes to the borrowings of the Company since September 30, 2007 that are regarded by Halliburton as material.

Net indebtedness table

<i>(Millions of dollars)</i>	September 30, 2007	December 31, 2006
Cash and equivalents	\$ 735	\$ 2,918
Marketable securities	1,156	20
Liquidity	1,891	2,938
Current financial receivable	3,109	2,629
Current portion of non current debt	10	27
Other current financial debt	1	1
Current financial debt	11	28
Net current financial indebtedness	(4,989)	(5,539)
Non current bank loans	3	-
Bonds issued	2,730	2,730
Other non current loans	63	53
Non current financial indebtedness	2,796	2,783
Net financial indebtedness	<u>\$ (2,193)</u>	<u>\$ (2,756)</u>

Capitalization and indebtedness table

<i>(Millions of dollars)</i>	September 30, 2007	December 31, 2006
Current debt:		
Unguaranteed/unsecured	\$ 11	\$ 28
Total current debt	11	28
Non-current debt (excluding current portion of long-term debt):		
Secured	12	10
Unguaranteed/unsecured	2,784	2,773
Total non-current debt	2,796	2,783
Shareholders' equity:		
Share capital	6,197	7,376
Total shareholders' equity	6,197	7,376
Total	<u>\$ 9,004</u>	<u>\$ 10,187</u>

Note: Borrowing requirements of Halliburton are not seasonal.

Restricted Cash

At September 30, 2007, we had restricted cash of \$53 million, which primarily consisted of collateral for potential future insurance claim reimbursements, included in "Other assets." At December 31, 2006, we had restricted cash of \$108 million in "Other assets," which primarily consisted of similar items. The \$55 million decrease in restricted cash primarily reflects the release, due to the separation of KBR, of collateral related to potential insurance claim reimbursements.

5. INFORMATION ABOUT HALLIBURTON

5.1 History and Development of Halliburton

Halliburton was incorporated under the laws of the State of Delaware in 1924. Halliburton is a for-profit corporation and is domiciled in the USA and operates under the state and federal laws of the State of Delaware and the USA. Halliburton's I.R.S Employer Identification number is 75-2677995. The address of Halliburton's principal executive office is at 5 Houston Center, 1401 McKinney, Suite 2400, Houston, Texas 77010, USA, and its telephone number is 001 (713) 759 2600.

Halliburton, Brown & Root, Dresser Industries and M.W. Kellogg were all founded early in the 20th century and shared a dedication to technological leadership, operational excellence, innovative business relationships and a dynamic workforce.

Through the first half of the 20th century, all four entities patented technologies and products, developed new services and supported and facilitated the growth of the energy and engineering and construction industries. All enjoyed significant growth and diversification during World War II and the post-war boom. The four also effectively managed through cycles of record prosperity and serious recession, intense competition and rapid technological advancement through the second half of the century.

Halliburton grew from the risk-taking entrepreneurialism of Erle P. Halliburton, who established the New Method Oil Well Cementing Company in Oklahoma in 1919. Simultaneously, the Brown brothers, George and Herman, partnered with their brother-in-law, Dan Root, to found Brown & Root in Texas.

By Erle P. Halliburton's death in 1957, the Company had 201 offices in 22 states and 20 foreign countries. Five years later, Halliburton acquired Brown & Root following Herman Brown's death. At the time, Brown & Root was renowned as a road construction company, general contractor and builder of the world's first offshore platform in 1947.

Dresser Industries also prospered during the first half of the 20th century. A patent for a cylindrical packer launched Dresser's oilfield products manufacturing business. Dresser Industries evolved over the next 100 years into a major provider of integrated services and project management for the oil and gas industry.

In 1988, Dresser Industries acquired M.W. Kellogg, a pipe fabrication business started by Morris W. Kellogg in 1900. Kellogg created technology for petroleum refining and petrochemical processing and built facilities based on those technologies. The Kellogg legacy remains an important part of KBR today.

In 1998, Halliburton merged with Dresser Industries. We have integrated Dresser's well-known and respected brands such as Sperry-Sun Drilling Services, Baroid Drilling Fluids and Security DBS, and divested the Dresser Equipment Group.

In March 2002, Halliburton announced plans to separate its business groups into two wholly-owned operating subsidiaries: Halliburton's Energy Services Group, and KBR. In July 2006, Halliburton announced its intention to completely separate KBR in a tax-free manner as expeditiously as possible.

Separation of KBR, Inc.

In November 2006, KBR, Inc. ("KBR") completed an initial public offering (IPO), in which it sold approximately 32 million shares of KBR, Inc. common stock at \$17.00 per share. The increase in the carrying amount of our investment in KBR, Inc., resulting from the IPO, was recorded in "Paid-in capital in excess of par value" on our condensed consolidated balance sheet at December 31, 2006. On April 5, 2007, we completed the separation of KBR from us by exchanging the 135.6 million shares of KBR, Inc. common stock owned by us on that date for 85.3 million shares of our Common Stock. Consequently, KBR

operations have been reclassified to discontinued operations in the condensed consolidated financial statements for all periods presented. Income from discontinued operations related to our 81% share of KBR's results in the first quarter of 2007 was \$23 million after tax or \$0.02 per share. In the second quarter of 2007, we recorded a gain on the disposition of KBR, Inc. of approximately \$933 million, net of tax and the estimated fair value of the indemnities and guarantees provided to KBR as described below, which is included in income from discontinued operations on the condensed consolidated statement of operations for the nine months ended September 30, 2007.

The following table, as extracted from our most recent Form 10-Q for the period ended September 30, 2007, as set out in Section 2 of Part III of this Prospectus, presents the financial results of KBR, Inc. The financial results of KBR, Inc. are reflected as discontinued operations in our condensed consolidated statements of operations. For accounting purposes, we ceased including KBR's operations in our results effective March 31, 2007.

<i>(Millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue	\$ –	\$ 2,439	\$ 2,250	\$ 7,114
Operating income	\$ –	\$ 96	\$ 62	\$ 118
Net income	\$ –	\$ 10	\$ 23 (a)	\$ 141

(a) Net income for the nine months ended September 30, 2007 represents our 81% share of KBR, Inc.'s results from January 1, 2007 through March 31, 2007.

We entered into various agreements relating to the separation of KBR, including, among others, a master separation agreement, a registration rights agreement, a tax-sharing agreement, transition services agreements, and an employee matters agreement. The master separation agreement provides for, among other things, KBR's responsibility for liabilities related to its business and Halliburton's responsibility for liabilities unrelated to KBR's business. Halliburton provides indemnification in favor of KBR under the master separation agreement for certain contingent liabilities, including Halliburton's indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the master separation agreement, for:

- fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the United States Foreign Corrupt Practices Act (FCPA) or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by TSKJ (as defined below) of a natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria; and
- all out-of-pocket cash costs and expenses, or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after the effective date of the master separation agreement as a result of the replacement of the subsea flowline bolts installed in connection with the Barracuda-Caratinga project. See paragraph 20.7.3 below for further discussion of these matters.

As a result of these agreements, we recorded \$190 million, as a reduction of the gain on the disposition of KBR, to reflect the estimated fair value of the above indemnities and guarantees, net of the associated estimated future tax benefit. The estimated fair value of these indemnities and guarantees are primarily included in "Other liabilities" on the condensed consolidated balance sheet for the nine months ended September 30, 2007.

TSKJ is a private limited liability company registered in Madeira, Portugal whose members are Technip SA of France, Snamprogetti Netherlands B.V. (a subsidiary of Saipem SpA of Italy), JGC Corporation of Japan, and Kellogg Brown & Root LLC (a subsidiary of KBR), each of which had an approximate 25% interest in the venture. TSKJ and other similarly owned entities entered into various contracts to build and expand the liquefied natural gas project for Nigeria LNG Limited, which is owned by the Nigerian National Petroleum Corporation, Shell Gas B.V., Cleag Limited (an affiliate of Total), and Agip International B.V. (an affiliate of ENI SpA of Italy).

Additionally, the Halliburton performance guarantees, surety bond guarantees, and letter of credit guarantees that are currently in place in favor of KBR's customers or lenders will continue until these guarantees expire at the earlier of: (1) the termination of the underlying project contract or KBR obligations thereunder or (2) the expiration of the relevant credit support instrument in accordance with its terms or release of such instrument by the customer. Further, KBR and we have agreed that, until December 31, 2009, we will issue additional guarantees, indemnification, and reimbursement commitments for KBR's benefit in connection with (a) letters of credit necessary to comply with KBR's Egypt Basic Industries Corporation ammonia plant contract, KBR's Allenby & Connaught project, and all other KBR contracts that were in place as of December 15, 2005; (b) surety bonds issued to support new task orders pursuant to the Allenby & Connaught project, two job order contracts for KBR's Government and Infrastructure segment, and all other KBR contracts that were in place as of December 15, 2005; and (c) performance guarantees in support of these contracts. KBR will compensate Halliburton for these guarantees and indemnify Halliburton if Halliburton is required to perform under any of these guarantees.

The tax sharing agreement provides for allocations of United States and certain other jurisdiction tax liabilities between us and KBR. Under the transition services agreements, we continue to provide various interim corporate support services to KBR, and KBR continues to provide various interim corporate support services to us. The fees are determined on a basis generally intended to approximate the fully allocated direct and indirect costs of providing the services, without any profit. Under an employee matters agreement, Halliburton and KBR have allocated liabilities and responsibilities related to current and former employees and their participation in certain benefit plans. Among other items, the employee matters agreement provided for the conversion, which occurred upon completion of the separation of KBR, of stock options and restricted stock awards (with restrictions that had not yet lapsed as of the final separation date) granted to KBR employees under our 1993 Stock and Incentive Plan ("1993 Plan") to options and restricted stock awards covering KBR common stock. As of April 5, 2007, these awards consisted of 1.2 million options with a weighted average exercise price per share of \$15.01 and approximately 600,000 restricted shares with a weighted average grant-date fair value per share of \$17.95 under our 1993 Plan.

Business Segments

Subsequent to the KBR separation, in the third quarter of 2007, we realigned our products and services to improve operational and cost management efficiencies, better serve our customers, and become better aligned with the process of exploring for and producing from oil and natural gas wells. We now operate under two divisions, which form the basis for the two operating segments we now report: the Completion and Production segment and the Drilling and Evaluation segment. **Completion and Production** delivers cementing, stimulation, intervention, and completion services. **Drilling and Evaluation** provides field and reservoir modeling, drilling, evaluation, and precise well-bore placement solutions that enable customers to model, measure, and optimize their well construction activities. All periods presented reflect reclassifications related to the change in operating segments and the reclassification of certain amounts between the operating segments and "Corporate and other." The two KBR segments have been reclassified to discontinued operations as a result of the separation of KBR from us.

5.2 Investments

Halliburton's principal investments are set out in paragraph 7 of this document.

Save for the information set out in this paragraph 5.2 below, Halliburton does not have any principal investments that are in progress or principal future investments on which its management has made commitments.

We conduct some of our operations through joint ventures that are in partnership, corporate, and other business forms. Financial information pertaining to these related-companies for our continuing operations is set out in the following tables. This information includes the total related-company balances and not our proportional interest in those balances.

Please note that the data set out below has been reclassified to reflect the separation of KBR, Inc. from Halliburton in April of 2007.

Combined Operating Results

<i>(Millions of dollars)</i>	<u>Year ended December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue	\$435	\$487	\$1,299
Operating income	108	100	82
Net income	\$122	\$ 89	\$ 46

Combined Financial Position

<i>(Millions of dollars)</i>	<u>December 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$195	\$187	\$540
Noncurrent assets	105	128	398
Total assets	\$300	\$315	\$938
Current liabilities	\$ 73	\$ 64	\$390
Noncurrent liabilities	31	39	165
Shareholders' equity	196	212	383
Total liabilities and shareholders' equity	\$300	\$315	\$938

6. BUSINESS OVERVIEW

6.1 Principal activities of the Business

We offer a wide range of services and products to customers for the exploration, development, and production of oil and gas, serving major, national, and independent oil and gas companies throughout the world. The following summarizes our services and products for each business segment.

6.1.1 Completion and Production

Completion and Production delivers cementing, stimulation, intervention, and completion services. This segment consists of production enhancement services, completion tools and services, and cementing services.

Production enhancement services include stimulation services, pipeline process services, sand control services, and well intervention services. Stimulation services optimize oil and gas reservoir production through a variety of pressure pumping services, nitrogen services, and chemical processes, commonly known as hydraulic fracturing and acidizing. Pipeline process services include pipeline and facility testing, commissioning, and cleaning via pressure pumping, chemical systems, specialty equipment, and nitrogen, which are provided to the midstream and downstream sectors of the energy business. Sand control services include fluid and chemical systems and pumping services for the prevention of formation sand production. Well intervention services enable live well intervention and continuous pipe deployment capabilities through the use of hydraulic workover systems and coiled tubing tools and services.

Completion tools and services include subsurface safety valves and flow control equipment, surface safety systems, packers and specialty completion equipment, intelligent completion systems, expandable liner hanger systems, sand control systems, well servicing tools, and reservoir performance services. Reservoir performance services include testing tools, real-time reservoir analysis, and data acquisition services. Additionally, completion tools and services include WellDynamics, an intelligent well completions joint venture, which we consolidate for accounting purposes.

Cementing services involve bonding the well and well casing while isolating fluid zones and maximizing wellbore stability. Our cementing service line also provides casing equipment.

6.1.2 Drilling and Evaluation

Drilling and Evaluation provides field and reservoir modeling, drilling, evaluation, and precise well-bore placement solutions that enable customers to model, measure, and optimize their well construction activities. This segment consists of Baroid Fluid Services, Sperry Drilling Services, Security DBS Drill Bits, wireline and perforating services, Landmark, and project management.

Baroid Fluid Services provides drilling fluid systems, performance additives, solids control, and waste management services for oil and gas drilling, completion, and workover operations.

Sperry Drilling Services provides drilling systems and services. These services include directional and horizontal drilling, measurement-while-drilling, logging-while-drilling, multilateral systems, underbalanced applications, and rig site information systems. Our drilling systems offer directional control while providing important measurements about the characteristics of the drill string and geological formations while drilling directional wells. Real-time operating capabilities enable the monitoring of well progress and aid decision-making processes.

Security DBS Drill Bits provides roller cone rock bits, fixed cutter bits, and related downhole tools used in drilling oil and gas wells. In addition, coring equipment and services are provided to acquire cores of the formation drilled for evaluation.

Wireline and perforating services include open-hole wireline services that provide information on formation evaluation, including resistivity, porosity, and density, rock mechanics, and fluid sampling. Also offered are cased-hole and slickline services, which provide cement bond evaluation, reservoir monitoring, pipe evaluation, pipe recovery, mechanical services, well intervention, and perforating. Perforating services include tubing-conveyed perforating services and products.

Landmark is a supplier of integrated exploration, drilling, and production software information systems, as well as consulting and data management services for the upstream oil and gas industry.

The Drilling and Evaluation segment also provides oilfield project management and integrated solutions to independent, integrated, and national oil companies. These offerings make use of all of our oilfield services, products, technologies, and project management capabilities to assist our customers in optimizing the value of their oil and gas assets.

6.2 Acquisition and Dispositions

PSL Energy Services Limited In July 2007, we acquired the entire share capital of PSL Energy Services Limited (PSLES), a leading eastern hemisphere provider of process, pipeline, and well intervention services. PSLES has operational bases in the United Kingdom, Norway, the Middle East, Azerbaijan, Algeria, and Asia Pacific. As a result of the acquisition, we are expecting to enhance our existing product offerings throughout the eastern hemisphere. We paid approximately \$320 million for PSLES, consisting of \$316 million in cash and \$4 million in debt assumed, subject to adjustment for working capital purposes, and, as of September 30, 2007, we had recorded goodwill of \$136 million and intangible assets of \$54 million on a preliminary basis pending the completion of our analysis of the fair value of assets acquired and liabilities assumed is complete. Beginning in July 2007, PSLES's results of operations are included in our Completion and Production segment.

Dresser, Ltd. Interest As a part of our sale of Dresser Equipment Group in 2001, we retained a small equity interest in Dresser Inc.'s Class A common stock. Dresser Inc. was later reorganized as Dresser, Ltd., and we exchanged our shares for shares of Dresser, Ltd. In May 2007, we sold our remaining interest in Dresser, Ltd. We received \$70 million in cash from the sale and recorded a \$49 million gain. This investment was reflected in "Other assets" on our condensed consolidated balance sheet at December 31, 2006.

Ultraline Services Corporation In January 2007, we acquired all intellectual property, current assets, and existing business associated with Calgary-based Ultraline Services Corporation (Ultraline), a division of Savanna Energy Services Corp. Ultraline is a provider of wireline services in Canada. We paid approximately \$178 million for Ultraline. As of September 30, 2007, we had recorded goodwill of \$108 million and intangible assets of \$41 million. Beginning in January 2007, Ultraline's results of operations are included in our Drilling and Evaluation segment.

Subsea 7, Inc. In January 2005, we completed the sale of our 50% interest in Subsea 7, Inc. to our joint venture partner, Siem Offshore (formerly DSND Subsea ASA), for approximately \$200 million in cash. As a

result of the transaction, we recorded a gain of approximately \$110 million during the first quarter of 2005. We accounted for our 50% ownership of Subsea 7, Inc. using the equity method in our Completion and Production segment.

Surface Well Testing In August 2004, we sold our surface well testing and subsea test tree operations within our Completion and Production segment to Power Well Service Holdings, LLC, an affiliate of First Reserve Corporation, for approximately \$129 million, of which we received \$126 million in cash. During 2004, we recorded a \$54 million gain on the sale.

6.3 Business Strategy

Our business strategy is to maintain a global leadership position in providing energy services and products. Our ability to be maintain a global leadership position depends on meeting four key goals:

- establishing and maintaining technological leadership;
- achieving and continuing operational excellence;
- creating and continuing innovative business relationships; and
- preserving a dynamic workforce.

Markets and competition We are one of the world's largest diversified energy services companies. Our services and products are sold in highly competitive markets throughout the world. Competitive factors impacting sales of our services and products include:

- price;
- service delivery (including the ability to deliver services and products on an "as needed, where needed" basis);
- health, safety, and environmental standards and practices;
- service quality;
- knowledge of the reservoir;
- product quality;
- warranty; and
- technical proficiency.

We conduct business worldwide in approximately 70 countries. Based on the location of services provided and products sold, 45% of our consolidated revenue in 2006, 43% of our consolidated revenue in 2005, and 40% of our consolidated revenue in 2004 was from the United States. No other country accounted for more than 10% of our consolidated revenue during these periods. Because the markets for our services and products are vast and cross numerous geographic lines, a meaningful estimate of the total number of competitors cannot be made. The industries we serve are highly competitive, and we have many substantial competitors. Largely all of our services and products are marketed through our servicing and sales organizations.

Operations in some countries may be adversely affected by unsettled political conditions, acts of terrorism, civil unrest, expropriation or other governmental actions, and exchange control and currency problems. We believe the geographic diversification of our business activities reduces the risk that loss of operations in any one country would be material to the conduct of our operations taken as a whole.

Information regarding our exposure to foreign currency fluctuations, risk concentration, and financial instruments used to minimize risk for the year ended December 31, 2006 is included in Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Instrument Market Risk and in Note 17 to the consolidated financial statements (both set out in Part III of this Prospectus in our 2006 Form 10-K).

Customers All of our revenue during 2007, 2006, and 2005 was derived from the sale of services and products to the energy industry. No single customer represented more than 10% of consolidated revenue in any period presented.

Raw materials Raw materials essential to our business are normally readily available. Current market conditions have triggered constraints in the supply chain of certain raw materials, such as sand, cement, and specialty metals. Given high activity levels, particularly in the United States, we are seeking ways to ensure the availability of resources, as well as manage the rising costs of raw materials. Our procurement department is using our size and buying power through several programs designed to ensure that we have access to key materials at competitive prices.

Research and development costs We maintain an active research and development program. The program improves existing products and processes, develops new products and processes, and improves engineering standards and practices that serve the changing needs of our customers. To that end, our plans are progressing for new international research and development centers with global technology and training missions. We opened one in Pune, India in the third quarter of 2007, and a second technology facility is expected to open in Singapore in 2008. Our expenditures for research and development activities were \$254 million in 2006, \$218 million in 2005, and \$229 million in 2004, of which over 97% was company-sponsored in each year. We expect our technology spending in 2007 to increase by more than 30% over 2006.

Patents We own a large number of patents and have pending a substantial number of patent applications covering various products and processes. We are also licensed to utilize patents owned by others. We do not consider any particular patent to be material to our business operations.

Seasonality On an overall basis, our operations are not generally affected by seasonality. Weather and natural phenomena can temporarily affect the performance of our services, but the widespread geographical locations of our operations serve to mitigate those effects. Examples of how weather can impact our business include:

- the severity and duration of the winter in North America can have a significant impact on gas storage levels and drilling activity for natural gas;
- the timing and duration of the spring thaw in Canada directly affects activity levels due to road restrictions;
- typhoons and hurricanes can disrupt coastal and offshore operations; and
- severe weather during the winter months normally results in reduced activity levels in the North Sea and Russia.

In addition, due to higher spending near the end of the year by customers for software, Landmark results of operations are generally stronger in the fourth quarter of the year than at the beginning of the year.

Employees At September 30, 2007, we employed approximately 49,000 people worldwide compared to 45,000 at December 31, 2006, 39,000 at December 31, 2005 and 36,000 at December 31, 2004. At December 31, 2006, approximately 10% of our employees were subject to collective bargaining agreements. Based upon the geographic diversification of these employees, we believe any risk of loss from employee strikes or other collective actions would not be material to the conduct of our operations taken as a whole.

6.4 Principal Markets

For total revenue by operating segment and geographic region for each financial year for the period covered by the historical financial information, see paragraph 9.2 of this document.

7. ORGANISATIONAL STRUCTURE

Halliburton is the ultimate parent company of a multi-national group of companies. Halliburton's significant subsidiaries, all of which are wholly owned within the Halliburton group, are as follows:

<u>Name of subsidiary</u>	<u>State or Country of Incorporation</u>
Breswater Marine Contracting B.V.	Netherlands
DII Industries, LLC	United States
Halliburton Affiliates, LLC	United States
Halliburton Canada Holdings, Inc.	United States
Halliburton de Mexico, S. de R.L. de C.V.	Mexico
Halliburton Energy Services, Inc.	United States
Halliburton Energy Cayman Islands Limited	Cayman Islands
Halliburton Group Canada Inc.	Canada
Halliburton Group Canada (Partnership)	Canada
Halliburton Group Holdings (1) Company	Canada
Halliburton Group Holdings (2) Company	Canada
Halliburton Holdings (No. 2) Limited	United Kingdom
Halliburton Holdings (No. 3)	United Kingdom
Halliburton International, Inc.	United States
Halliburton Manufacturing and Services Limited	United Kingdom
Halliburton Overseas Limited	Cayman Islands
Halliburton Partners Canada, Inc.	Canada
HES Mexico Holdings, LLC	United States
Landmark Graphics Corporation	United States
Oilfield Telecommunications, LLC.	United States

8. PROPERTY PLANT AND EQUIPMENT

8.1 Property

We own or lease numerous properties in domestic and foreign locations. The following locations represent our major facilities:

<u>Location</u>	<u>Owned/Leased</u>	<u>Description</u>
Operations		
<i>Completion and Production segment:</i>		
Carrollton, Texas	Owned	Manufacturing facility
<i>Drilling and Evaluation segment:</i>		
Alvarado, Texas	Owned/Leased	Manufacturing facility
The Woodlands, Texas	Leased	Manufacturing facility
<i>Shared facilities:</i>		
Duncan, Oklahoma	Owned	Manufacturing, technology, and campus facilities
Houston, Texas	Owned	Manufacturing and campus facilities
Houston, Texas	Owned/Leased	Campus facility
Houston, Texas	Leased	Campus facility
Corporate		
Houston, Texas	Leased	Corporate executive offices

All of our owned properties are unencumbered.

In addition, we have 140 international and 100 United States field camps from which we deliver our services and products. We also have numerous small facilities that include sales offices, project offices, and bulk storage facilities throughout the world.

We have mineral rights to proven and probable reserves of barite and bentonite. These rights include leaseholds, mining claims, and owned property. We process barite and bentonite for use in our Drilling and Evaluation segment in addition to supplying many industrial markets worldwide. Based on the number of tons of bentonite consumed in fiscal year 2006, we estimate that our 18.6 million tons of proven reserves in areas of active mining are sufficient to fulfill our internal and external needs for the next 12 years. We estimate that our 3.8 million tons of proven reserves of barite in areas of active mining equate to a 15-year supply based on current rates of production. These estimates are subject to change based on periodic updates to reserve estimates, future consumption, mining economics, and changes in environmental legislation.

We believe all properties that we currently occupy are suitable for their intended use.

8.2 Environmental regulation

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others:

- the Comprehensive Environmental Response, Compensation, and Liability Act;
- the Resources Conservation and Recovery Act;
- the Clean Air Act;
- the Federal Water Pollution Control Act; and
- the Toxic Substances Control Act

In addition to the federal laws and regulations, states and other countries where we do business often have numerous environmental, legal, and regulatory requirements by which we must abide. We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal, and regulatory requirements. On occasion, we are involved in specific environmental litigation and claims, including the remediation of properties we own or have operated, as well as efforts to meet or correct compliance-related matters. Our Health, Safety and Environment group has several programs in place to maintain environmental leadership and to prevent the occurrence of environmental contamination.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. Our accrued liabilities for environmental matters were \$75 million as of September 30, 2007 and \$39 million as of December 31, 2006. Our total liability covers numerous properties. We have subsidiaries that have been named as potentially responsible parties along with other third parties for 11 federal and state superfund sites for which we have established a liability. As of September 30, 2007, those 11 sites accounted for approximately \$11 million of our total \$75 million liability. For any particular federal or state superfund site, since our estimated liability is typically within a range and our accrued liability may be the amount on the low end of that range, our actual liability could eventually be well in excess of the amount accrued. Despite attempts to resolve these superfund matters, the relevant regulatory agency may at any time bring suit against us for amounts in excess of the amount accrued. With respect to some federal or state superfund sites, we have been named as a potentially responsible party by a regulatory agency; however, in each of those cases, we do not believe we have any material liability. We also could be subject to third-party claims with respect to environmental matters for which we have been named as a potentially responsible party.

9. OPERATING AND FINANCIAL REVIEW

9.1 Financial Condition

Please refer to the preceding paragraphs of this document, as well as Part III for the Form 10-Q for the third quarter ended September 30, 2007, for the key figures summarising the current financial condition of Halliburton.

9.2 Operating results

RESULTS OF OPERATIONS COMPARATIVE

The following summary consolidated financial data is based upon (but not extracted from) our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. This should be read in conjunction with our consolidated financial statements and the related notes in those reports, which are included in Part III of this Prospectus. Please note that this data has been reclassified to reflect the separation of KBR, Inc. from Halliburton in April of 2007 and the change from four operating segments in the remaining business to two operating segments following a realignment of our products and services in the third quarter of 2007. Financial results relating solely to KBR, Inc. for all periods presented have been reclassified to "discontinued operations."

RESULTS OF OPERATIONS IN 2006 COMPARED TO 2005

REVENUE: <i>(Millions of dollars)</i>	2006	2005	Increase	Percentage Change
Completion and Production	\$ 7,221	\$ 5,495	\$ 1,726	31%
Drilling and Evaluation	5,734	4,605	1,129	25
Total revenue	\$ 12,955	\$ 10,100	\$ 2,855	28%

OPERATING INCOME (LOSS): <i>(Millions of dollars)</i>	2006	2005	Increase (Decrease)	Percentage Change
Completion and Production	\$ 2,140	\$ 1,524	\$ 616	40%
Drilling and Evaluation	1,328	840	488	58
Corporate and other	(223)	(200)	(23)	(12)
Total operating income	\$ 3,245	\$ 2,164	\$ 1,081	50%

Note: All periods presented reflect the new segment structure as of the third quarter of 2007.

The increase in consolidated revenue in 2006 compared to 2005 was attributable to increased activity, higher utilization of our equipment, and increased pricing due to higher exploration and production spending by our customers. Revenue in 2005 was impacted by an estimated \$80 million in lost revenue due to Gulf of Mexico hurricanes. International revenue was 55% of consolidated revenue in 2006 and 57% of consolidated revenue in 2005.

The increase in consolidated operating income was primarily due to improved demand due to increased rig activity and improved pricing and asset utilization. Operating income for 2006 included a \$48 million gain on the sale of lift boats in west Africa and the North Sea and \$47 million of insurance proceeds for business interruptions resulting from the 2005 Gulf of Mexico hurricanes. Operating income in 2005 was adversely impacted by an estimated \$45 million due to Gulf of Mexico hurricanes.

Following is a discussion of our results of operations by reportable segment.

Completion and Production increase in revenue compared to 2005 was derived from all regions. Production enhancement services revenue grew 36%, with improvements in all regions, largely driven by United States onshore operations due to strong demand for stimulation services, coupled with improved equipment utilization and pricing. Also contributing to production enhancement services revenue growth were improved pricing and equipment utilization in Canada, increased activity in Europe, and a new contract in Oman. Revenue from sales of completion tools increased 31% compared to 2005, with improvements in all regions, benefiting from improved completions and perforating sales in the United States and recovery of Gulf of Mexico activity. Additionally impacting the increase in sales of completion tools were the addition of Easywell to the completion tool portfolio in Europe and Asia and increased

activity in Asia for WellDynamics. Sales of cementing services improved 26% due to increased activity in Russia, the North Sea, and Nigeria, improved pricing and sales in Angola, and new contract start-ups and product sales in Asia Pacific. Partially offsetting the cementing services revenue increase was decreased activity in Mexico. International revenue was 45% of total segment revenue in 2006 compared to 48% in 2005.

The Completion and Production segment operating income improvement spanned all regions. Production enhancement services operating income increased 57% largely due to improved product mix in the United States and Asia. A 37% improvement in completion tools operating income primarily resulted from increased sales in Asia and increased sand control tools activity in Brazil. Partially offsetting the improvements in completion tools was decreased activity in the Middle East for WellDynamics. Cementing services results increased 41% predominantly in the United States due to increased activity and new contracts along with increased activity in Europe. The 2006 segment operating income was positively impacted by a \$48 million gain on the sale of lift boats in west Africa and the North Sea. The Completion and Production segment received hurricane insurance proceeds of \$21 million in 2006. The 2005 segment operating income included a \$110 million gain on the sale in 2005 of our equity interest in the Subsea 7, Inc. joint venture, a \$17 million favorable insurance settlement related to a pipe fabrication and laying project in the North Sea, and was negatively impacted by hurricanes in the Gulf of Mexico by an estimated \$24 million.

Drilling and Evaluation revenue increase in 2006 compared to 2005 was derived from all four regions. The segment improvement was led by a 27% increase in drilling services revenue, particularly in the United States due to improved pricing and increased drilling activity. Increased international activity and new contract start-ups contributed to other region revenue increases, especially evident in Asia and Europe. Drill bits revenue increased 26% compared to 2005, largely benefiting from increased rig counts, improved pricing, increased sales of fixed cutter bits in the United States, and increased drilling activity in the Middle East and Asia. Wireline and perforating services revenue grew 25% primarily due to increased activity and improved pricing in the United States land, new contract awards and increased cased hole activity in Asia, improved pricing in Latin America, and new contracts in the Middle East. Lower sales of logging equipment to Asia in 2006 partially offset the wireline and perforating services revenue improvement. Fluid services revenue grew 27% with improvements which spanned all regions with increased operations in Venezuela and Russia, new contracts in Norway and Nigeria, and increased activity in Angola and Sakhalin. The expiration of a contract in Indonesia partially offset fluid services revenue increase. Landmarks revenue growth of 17% spanned all four regions, largely due to increased consulting services and software sales in Latin America and the United States. Project management revenue decreased 11% in 2006 due to the completion of two fixed-price integrated solutions projects in southern Mexico. International revenue was 67% of total segment revenue in 2006 compared to 68% in 2005.

Drilling and Evaluation operating income increase compared to 2005 spanned all geographic regions, with the United States as the predominant contributor due to improved pricing and increased rig activity. Drilling services operating income increased 63% from 2005 on increased activity and new contracts in Europe and Asia. Drill bits operating income increased 14% compared to 2005, the majority of which occurred in the Middle East and Asia. Wireline and perforating services results grew 49%, additionally benefiting from higher activity in the Middle East and Asia along with improved product mix in Latin America. Fluid services operating income grew 51% primarily from increased activity and improved pricing in the United States and increased activity in Asia. Landmark income increased 59% due to stronger software and service sales, and project management where results tripled. The 2006 segment results included operating income of \$12 million from earnings on an equity method investment. The Drilling and Evaluation segment received hurricane insurance proceeds of \$26 million in 2006. Included in 2005 segment results was \$23 million in losses on two fixed-priced integrated solutions projects in Mexico. Operating income in 2005 included a \$24 million gain related to a patent infringement case settlement, while hurricanes in the Gulf of Mexico negatively impacted segment operating income by an estimated \$21 million.

Corporate and other expenses were \$223 million in 2006 compared to \$200 million in 2005. The increase was primarily due to increased legal costs and costs incurred for the separation of KBR from Halliburton. The 2006 segment results included a gain of \$10 million from the sale of an investment accounted for under the cost method.

NONOPERATING ITEMS

Interest expense decreased \$31 million in 2006 compared to 2005, primarily due to the redemption in April 2005 of \$500 million of our floating rate senior notes, the repayment in October 2005 of \$300 million of our floating rate senior notes, and the repayment in August 2006 of \$275 million of our medium-term notes.

Interest income increased \$75 million in 2006 compared to 2005 due to higher cash investment balances.

Other, net increased \$15 million in 2006 compared to 2005. The 2005 year included costs related to our accounts receivable securitization, which had no outstanding amounts in 2006.

(Provision) benefit for income taxes from continuing operations in 2006 of \$1 billion resulted in an effective tax rate of 31%. The tax benefit for 2005 resulted from recording favorable adjustments in 2005 totaling \$805 million to our valuation allowance against the deferred tax asset related to asbestos and silica liabilities. Our strong 2005 earnings, coupled with an upward revision in our estimate of future domestic taxable income in 2006, drove these adjustments.

Minority interest in net income of subsidiaries increased \$4 million compared to 2005 primarily related to our joint ventures in Saudi Arabia.

Income from discontinued operations, net of tax in 2006 and 2005 primarily consisted of our results of KBR, Inc.

RESULTS OF OPERATIONS IN 2005 COMPARED TO 2004

REVENUE: <i>(Millions of dollars)</i>	2005	2004	Increase	Percentage Change
Completion and Production	\$ 5,495	\$ 4,253	\$ 1,242	29%
Drilling and Evaluation	4,605	3,745	860	23
Total revenue	\$ 10,100	\$ 7,998	\$ 2,102	26%

OPERATING INCOME (LOSS): <i>(Millions of dollars)</i>	2005	2004	Increase (Decrease)	Percentage Change
Completion and Production	\$ 1,524	\$ 886	\$ 638	72%
Drilling and Evaluation	840	467	373	80
Corporate and other	(200)	(174)	(26)	(15)
Total operating income	\$ 2,164	\$ 1,179	\$ 985	84%

Note: All periods presented reflect the new segment structure as of the third quarter of 2007

The increase in consolidated revenue in 2005 compared to 2004 was attributable to increased revenue predominantly from increased activity, higher utilization of our equipment, and our ability to raise prices due to higher exploration and production spending by our customers. Additionally, \$80 million in estimated revenue was lost during 2005 due to Gulf of Mexico hurricanes. International revenue was 57% of consolidated revenue in 2005 and 60% of consolidated revenue in 2004.

The increase in consolidated operating income was primarily due to stronger performance resulting from improved demand due to increased rig activity and improved pricing and asset utilization. Partially offsetting the consolidated operating income increase was an estimated \$45 million adverse impact of Gulf of Mexico hurricanes in 2005.

Following is a discussion of our results of operations by reportable segment.

Completion and Production increase in revenue compared to 2004 was derived from all regions. Production enhancement services revenue grew 37% largely driven by United States onshore operations due to strong demand for stimulation services coupled with improved equipment utilization and pricing. Higher rig activity in Canada and offshore Angola and increased equipment sales to China also contributed to production enhancement services revenue growth. Revenue from sales of completion tools increased 17% compared to 2004, benefiting from improved completions and perforating sales in Angola, the United Kingdom, and the United States, and increased perforating activity in southern Mexico. These improvements were partially offset by declines in the Caspian where completions, drill stem test, and reservoir information contracts concluded in 2004 and early 2005. WellDynamics, which is included in completion tools, revenue more than doubled in 2005 compared to 2004 due to a large contract for intelligent well completions in the Middle East. Our Subsea 7, Inc. joint venture, which was sold in January 2005, contributed \$2 million equity income in 2004. Cementing services revenue grew 24% with the largest increase in the United States due to higher onshore rig activity and higher deepwater rig activity in the Gulf

of Mexico, as well as improved utilization and pricing. Sales of cementing services also improved due to increased activity in Canada and the North Sea and new contract start-ups in Indonesia. International revenue was 48% of total segment revenue in 2005 compared to 53% in 2004.

The segment operating income improvement spanned all regions. Production enhancement services operating income increased 78% largely due to higher land rig activity and improved utilization of resources in the United States, as well as higher utilization of marine vessels offshore Angola. A 64% improvement in completion tools operating income primarily resulted from a general increase in sales and activity in the United States and higher completions and perforating activity in West Africa and the United Kingdom. WellDynamics had operating income in 2005 compared to a breakeven position in 2004, primarily due to improved manufacturing efficiencies and improved customer acceptance of its intelligent well completions technology. Subsea 7, Inc. contributed \$2 million equity income to segment results in 2004. Cementing services results increased 52% predominantly in North America due to increased activity and improved pricing and asset utilization and in all other geographic regions due to generally higher global drilling activity. The 2005 segment operating income included a \$110 million gain on the sale in 2005 of our equity interest in the Subsea 7, Inc. joint venture, a \$17 million favorable insurance settlement related to a pipe fabrication and laying project in the North Sea, and was negatively impacted by hurricanes in the Gulf of Mexico by an estimated \$24 million. 2004 operating income included a \$54 million gain on the sale of our surface well testing operations in 2004.

Drilling and Evaluation revenue increase in 2005 compared to 2004 was derived from all four regions in every product service line. The segment improvement was led by a 30% increase in drilling services revenue, particularly in North America due to improved pricing, higher rig activity, and new contract awards. Increased international activity, new contract start-ups, and expanded GeoPilot® services contributed to other region revenue increases, especially evident in the North Sea, the Middle East, and Latin America. Drill bits revenue increased 26% compared to 2004, largely benefiting from increased rig counts, improved pricing, and increased sales of fixed cutter bits in the United States. Wireline and perforating services revenue grew 19% primarily due to increased cased hole activity and improved pricing in the United States, sales of logging equipment in Asia, and new contract awards in West Africa and the Middle East. Fluid services revenue increased 21% with the largest increase in the United States due to higher onshore rig activity and higher deepwater rig activity in the Gulf of Mexico, as well as improved utilization and pricing. Fluid services further benefited from increased activity in Angola, Indonesia, and the United Kingdom. Project management services grew 40% due to increased activity in Mexico and higher commodity prices in the United States, partially offset by the winding down of projects in the Middle East and Russia. Landmark revenue increased 13% in 2005 due to data bank project growth primarily in Africa, increased consulting, and higher sales and services in Algeria, partially offset by nonrecurring sales to Asia in 2004. International revenue was 68% of total segment revenue in 2005 and 2004.

The segment operating income increase compared to 2004 spanned all geographic regions in all product service lines, with North America as the predominant contributor due to improved pricing, increased rig activity, and growth in higher margin services. Drill bits operating income in 2005 was more than four times that of 2004, the majority of which occurred in North America. Drilling services operating income more than doubled from 2004 to 2005, resulting from increased global activity, improved utilization and pricing, and continued customer acceptance of GeoPilot® and other high-margin services. Equipment sales in Africa also contributed to drilling services operating income increase. Wireline and perforating services results grew 47%, additionally benefiting from higher activity in West Africa and the Middle East and sales of logging equipment in Asia. Fluid services operating income grew 55% primarily from increased activity and improved pricing in the United States and increased activity and an improved product mix in Africa. The increase in segment operating income included a \$24 million gain related to a patent infringement case settlement. This was offset by \$23 million in losses in 2005 on two fixed-price integrated solutions projects in Mexico, reflecting increased costs to complete the projects and longer drilling times than originally anticipated, chiefly due to unfavorable geologic conditions. Hurricanes in the Gulf of Mexico in 2005 negatively impacted Drilling and Evaluation operating income by an estimated \$21 million. Operating income in 2004 included a \$13 million release of legal liability accruals in excess of the Anglo-Dutch settlement, offset by \$33 million in losses on the fixed-price integrated solutions projects in Mexico and an \$11 million charge for an intellectual property settlement.

General corporate expenses were \$200 million in 2005 compared to \$174 million in 2004. The increase was primarily due to increases to a self-insurance reserve, higher legal and other professional expenses on specific projects, and increased corporate communication costs.

NONOPERATING ITEMS

Interest expense decreased \$25 million in 2005 compared to 2004, primarily due to the amortization in 2004 of issue costs related to a master letter of credit facility that expired in the fourth quarter of 2004, the redemption in April 2005 of \$500 million of our floating rate senior notes, and interest on tax deficiencies in Indonesia in 2004.

Interest income increased \$17 million in 2005 compared to 2004 due to higher cash investment balances.

Foreign currency losses, net grew to \$13 million in 2005 from \$8 million in 2004. The increase was primarily due to losses on the British pound sterling and the euro, partially offset by gains on the Brazilian real.

Other, net decreased \$15 million in 2005 compared to 2004. The 2005 year included higher costs related to our ESG accounts receivable securitization facility. "Other, net" in 2004 included a \$6 million pretax gain on the sale of our remaining shares of National Oilwell, Inc. common stock received in the January 2003 disposition of Mono Pumps.

(Provision) benefit for income taxes from continuing operations in 2005 of \$125 million benefit resulted in a negative effective tax rate compared to an effective tax rate of 33% in 2004. Our 2005 tax rate is lower because we recorded favorable adjustments to our valuation allowance against the deferred tax asset related to asbestos and silica liabilities in 2005 totaling \$805 million. Our strong 2005 earnings, coupled with an upward revision in our estimate of future domestic taxable income in 2006 and beyond, drove these adjustments.

Minority interest in net (income) loss of subsidiaries increased \$18 million compared to 2004 primarily due to earnings growth from our WellDynamics joint venture and our joint ventures in Saudi Arabia .

Income (loss) from discontinued operations, net of tax in 2005 primarily consisted of income related to KBR. In addition to KBR results, 2004 includes a \$778 million pretax charge for the revaluation of the 119 million shares of Halliburton common stock contributed to the asbestos claimant trust, a \$698 million pretax charge related to the write-down of the asbestos and silica insurance receivable, a \$44 million accrual related to a partitioning agreement, and an \$11 million pretax charge related to a delayed-draw term facility that expired in June 2004.

OFF BALANCE SHEET RISK

Under our Energy Services Group accounts receivable securitization facility we had the ability to sell up to \$300 million in undivided ownership interest in a pool of receivables. During the fourth quarter of 2005, \$256 million in undivided ownership interest that had been sold to unaffiliated companies was collected and the balance retired. No further receivables were sold, and the facility was terminated in the first quarter of 2006.

NEW ACCOUNTING STANDARDS

Effective January 1, 2006, we adopted the provisions of Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," (SFAS No. 123(R)). SFAS No. 123(R) is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123(R)) using the modified prospective application. Accordingly, we are recognizing compensation expense for all newly granted awards and awards modified, repurchased, or cancelled after January 1, 2006. Compensation cost for the unvested portion of awards that are outstanding as of January 1, 2006 is recognized ratably over the remaining vesting period based on the fair value at date of grant as calculated for our pro forma disclosure under SFAS No. 123. Also, beginning with the January 1, 2006 purchase period, compensation costs for our employee stock purchase plan are being expensed.

Effective January 1, 2007, we adopted FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN 48, as amended May 2007 by FASB Staff Position FIN 48-1, "Definition of 'settlement' in FASB Interpretation No. 48," prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As a result of the adoption of FIN 48, we recognized a decrease of \$4 million in other liabilities to account for a decrease in unrecognized tax benefits and an increase of \$34 million for accrued interest and penalties, which were accounted for as a net reduction of \$30 million to the January 1, 2007 balance of retained earnings. Of the \$30 million reduction to retained earnings, \$10 million was attributable to KBR, which is now reported as discontinued operations in the condensed consolidated financial statements. For further information, see Note 12 to our condensed consolidated financial statements in our Form 10-Q for the period ended September 30, 2007 (set out in Part III of this Prospectus).

In June 2006, the FASB ratified the consensus reached on Emerging Issues Task Force Issue No 06-3 (EITF 06-3), "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." EITF 06-3 requires a company to disclose its policy regarding the presentation of tax receipts on the face of the income statement. The scope of this guidance includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. The provisions of EITF 06-3 are effective for periods beginning after December 15, 2006. Therefore, we adopted EITF 06-3 on January 1, 2007. We present taxes collected from customers on a net basis.

In September 2006, the FASB issued Staff Position (FSP) AUG AIR-1, "Accounting for Planned Major Maintenance Activities," which prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities. The provisions of this FSP are effective for the first fiscal year beginning after December 15, 2006. We did not elect early adoption and, therefore, adopted FSP AUG AIR-1 on January 1, 2007 without material impact to our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We will adopt the provisions of SFAS No. 157 beginning January 1, 2008 and are currently evaluating the impact of this statement on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158 (SFAS No. 158), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires an employer to:

- recognize on its balance sheet the funded status (measured as the difference between the fair value of plan assets and the benefit obligation) of pension and other postretirement benefit plans;
- recognize, through comprehensive income, certain changes in the funded status of a defined benefit and postretirement plan in the year in which the changes occur;
- measure plan assets and benefit obligations as of the end of the employer's fiscal year; and
- disclose additional information.

We adopted the requirement to recognize the funded status of a benefit plan and the additional disclosure requirements as of December 31, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for fiscal years ending after December 15, 2008, and we will adopt these requirements at that time.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 permits entities to measure eligible assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We have adopted SFAS 159 on January 1, 2008 and are currently evaluating the impact of this statement on our financial statements.

10. CAPITAL RESOURCES

We ended 2005 with cash and equivalents of \$2.0 billion, \$2.9 billion at the end of 2006 and \$735 million at the end of September 30, 2007.

Significant sources of cash

Cash flows from operations contributed \$496 million to cash in 2005, \$2.6 billion to cash in 2006 and \$1.8 billion for the first nine months of 2007. This included \$161 million in cash inflows related to discontinued operations, \$136 million in cash outflows and \$55 million in cash outflows in 2005, 2006 and the first nine months of 2007. We received approximately \$1.032 billion in asbestos- and silica-related insurance proceeds in 2005, approximately \$167 million in 2006 and approximately \$24 million in the first nine months of 2007 and expect to receive additional amounts as follows:

<i>(Millions of dollars)</i>	
October 1 through December 31, 2007	\$23
2008	67
2009	132
2010	16
Total	<u>\$238</u>

During the first quarter of 2005, we sold \$891 million in investments in marketable securities and received approximately \$200 million from the sale of our 50% interest in Subsea 7, Inc. In the fourth quarter of 2006, we received approximately \$76 million as part of two agreements to sell certain non-core assets, including several lift boats. In 2006 and January 2007, we received \$59 million in insurance proceeds related to fixed asset casualty reimbursement and business interruption from hurricanes Katrina and Rita.

In May 2007, we sold our remaining interest in Dresser, Ltd. for \$70 million in cash.

Further available sources of cash

On July 9, 2007, we entered into a new unsecured \$1.2 billion five-year revolving credit facility that replaced our then-existing unsecured \$1.2 billion five-year revolving credit facility. The purpose of the new facility is to provide commercial paper support, general working capital, and credit for other corporate purposes. There were no cash drawings under the facility as of September 30, 2007.

Our funding and treasury policies are adequate to maintain sufficient working capital and to safeguard our assets. The Company entered into agreements with banks, incurred in the normal course of business, under which approximately \$2.3 billion of letters of credit, surety bonds, or bank guarantees were outstanding as of September 30, 2007. For further information on the Company's debt position, including long-term indebtedness, please refer to Note 10 of our consolidated financial statements at page 93 on our Form 10-K for the period ended December 31, 2006, contained in Part III of this Prospectus. There have been no changes to the borrowings of the Company since September 30, 2007 that are regarded by Halliburton as material.

The majority of our cash and equivalents are held in USA and UK denominations as of September 30, 2007.

We are exposed to financial instrument market risk from changes in foreign currency exchange rates, interest rates, and, to a limited extent, commodity prices. These exposures are managed through the use of derivative instruments to mitigate market risk from these exposures. The objective of the risk management program is to protect cash flows related to sales or purchases of goods or services from market fluctuations in currency rates. Derivative instruments are not used for trading purposes.

Significant uses of cash

Capital expenditures were \$1.1 billion in the first nine months of 2007.

During the first nine months of 2007, we invested in approximately \$1.1 billion of marketable securities, consisting of auction-rate securities, variable-rate demand notes, and municipal bonds.

In January 2007, we acquired all of the intellectual property, current assets, and existing wireline services business associated with Ultraline Services Corporation, a division of Savanna Energy Services Corp., for approximately \$178 million.

In the third quarter of 2007, we purchased the entire share capital of PSL Energy Services Limited (PSLES), a leading eastern hemisphere provider of process, pipeline, and well intervention services, for \$316 million.

In July 2007, the Board of Directors declared a dividend of \$0.09 per common share for the third quarter of 2007, payable on September 25, 2007 to shareholders of record at the close of business on September 3, 2007. We paid \$235 million in dividends to our shareholders in the first nine months of 2007.

During 2007, we repurchased approximately 39 million shares of our common stock at a cost of approximately \$1.4 billion at an average price per share of \$34.93, under our share repurchase program.

During the first nine months of 2007, we invested approximately \$242 million in technology, including \$216 million for company-sponsored research and development.

Future uses of cash

Capital spending for 2007 is expected to be approximately \$1.5 billion. The capital expenditures forecast for 2007 is primarily directed toward our drilling services, wireline and perforating, production enhancement, and cementing operations. Capital spending for 2008 is expected to be approximately \$1.5 billion to \$1.7 billion.

In October 2007, the Board of Directors declared a dividend of \$0.09 per common share for the fourth quarter of 2007, payable on December 20, 2007 to shareholders of record at the close of business on December 3, 2007. Thus, we paid dividends of approximately \$79 million in the fourth quarter of 2007.

In July 2007, our Board of Directors approved an increase to our existing common share repurchase program of up to an additional \$2.0 billion, bringing the entire authorization to \$5.0 billion. This additional authorization may be used for open market share purchases or to settle the conversion premium over the face amount of our 3.125% convertible senior notes, should they be redeemed. As of December 31, 2007, \$2.3 billion remained available under this program.

Other factors affecting liquidity

Letters of credit. In the normal course of business, we have agreements with banks under which approximately \$2.3 billion of letters of credit, surety bonds, or bank guarantees were outstanding as of September 30, 2007, including \$1.3 billion that relate to KBR. These KBR letters of credit, surety bonds, or bank guarantees are being guaranteed by us in favor of KBR's customers and lenders. KBR has agreed to compensate us for these guarantees and indemnify us if we are required to perform under any of these guarantees. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Credit ratings. The credit ratings for our long-term debt are A2 with Moody's Investors Service and A with Standard and Poor's. Our Moody's rating became effective May 1, 2007, and was an upward revision from our previous Moody's rating of Baa1, which had been in effect since December 2005. Our Standard and Poor's rating became effective August 20, 2007, and was an upward revision from our previous Standard and Poor's rating of BBB+, which had been in effect since May 2006. The credit ratings on our short-term debt are P1 with Moody's Investors Service and A1 with Standard and Poor's.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Research and development costs. We maintain an active research and development program. The program improves existing products and processes, develops new products and processes, and improves engineering standards and practices that serve the changing needs of our customers. Our expenditures for research and development activities were \$254 million in 2006, \$218 million in 2005, and \$229 million in 2004, of which over 97% was company-sponsored in each year.

Patents. We own a large number of patents and have pending a substantial number of patent applications covering various products and processes. We are also licensed to utilize patents owned by others. We do not consider any particular patent to be material to our business operations.

12. TREND INFORMATION

The following trends, uncertainties, demands, commitments or events are reasonably likely to have a material effect on the prospects of Halliburton as at the date of this document.

BUSINESS ENVIRONMENT

We operate in approximately 70 countries throughout the world to provide a comprehensive range of discrete and integrated services and products to the energy industry. The majority of our consolidated revenue is derived from the sale of services and products to major, national, and independent oil and gas companies worldwide. We serve the upstream oil and gas industry throughout the lifecycle of the reservoir: from locating hydrocarbons and managing geological data, to drilling and formation evaluation, well construction and completion, and optimizing production through the life of the field. Our two business segments are the Completion and Production segment and the Drilling and Evaluation segment. The two KBR segments have been reclassified to discontinued operations as a result of the separation of KBR.

The industries we serve are highly competitive with many substantial competitors in each segment. In the first nine months of 2007, based upon the location of the services provided and products sold, 45% of our consolidated revenue was from the United States. In 2006, based upon the location of the services provided and products sold, 45% of our consolidated revenue was from the United States. In 2005, 43% of our consolidated revenue was from the United States. In 2004, 40% of our consolidated revenue was from the United States. No other country accounted for more than 10% of our revenue during these periods.

Operations in some countries may be adversely affected by unsettled political conditions, acts of terrorism, civil unrest, force majeure, war or other armed conflict, expropriation or other governmental actions, inflation, exchange controls, or currency devaluation. We believe the geographic diversification of our business activities reduces the risk that loss of operations in any one country would be material to our consolidated results of operations.

Halliburton Company

Activity levels within our business segments are significantly impacted by spending on upstream exploration, development, and production programs by major, national, and independent oil and gas companies. Also impacting our activity is the status of the global economy, which impacts oil and gas consumption.

Some of the more significant barometers of current and future spending levels of oil and gas companies are oil and gas prices, the world economy, and global stability, which together drive worldwide drilling activity. Our financial performance is significantly affected by oil and gas prices and worldwide rig activity, which are summarized in the following tables.

This table shows the average oil and gas prices for West Texas Intermediate (WTI) and United Kingdom Brent crude oils, and Henry Hub natural gas:

	Three Months Ended		Year Ended
	September 30,		December 31,
Average Oil Prices (dollars per barrel)	2007	2006	2006
West Texas Intermediate	\$ 75.16	\$ 70.80	\$ 66.17
United Kingdom Brent	74.62	70.03	65.35
Average United States Gas Prices (dollars per million British thermal units, or mmBtu)			
Henry Hub	\$ 6.00	\$ 6.35	\$ 6.81

The quarterly and year-to-date average rig counts based on the Baker Hughes Incorporated rig count information were as follows:

Land vs. Offshore	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
United States:				
Land	1,716	1,624	1,682	1,533
Offshore	72	95	78	91
Total	1,788	1,719	1,760	1,624
Canada:				
Land	346	490	337	477
Offshore	2	4	3	3
Total	348	494	340	480
International (excluding Canada):				
Land	733	671	714	648
Offshore	287	270	287	269
Total	1,020	941	1,001	917
Worldwide total	3,156	3,154	3,101	3,021
Land total	2,795	2,785	2,733	2,658
Offshore total	361	369	368	363

Oil vs. Gas	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
United States:				
Oil	298	306	285	269
Gas	1,490	1,413	1,475	1,355
Total	1,788	1,719	1,760	1,624
Canada:				
Oil	122	122	127	104
Gas	226	372	213	376
Total	348	494	340	480
International (excluding Canada):				
Oil	798	720	780	703
Gas	222	221	221	214
Total	1,020	941	1,001	917
Worldwide total	3,156	3,154	3,101	3,021
Oil total	1,218	1,148	1,192	1,076
Gas total	1,938	2,006	1,909	1,945

Our customers' cash flows, in many instances, depend upon the revenue they generate from the sale of oil and gas. Higher oil and gas prices usually translate into higher exploration and production budgets. Higher prices also improve the economic attractiveness of marginal exploration areas. This promotes additional investment by our customers in the sector. The opposite is true for lower oil and gas prices.

After declining from record highs during the third and fourth quarters of 2006, WTI oil spot prices were expected to average \$68.84 per barrel in 2007 and \$73.50 per barrel in 2008 per the Energy Information Administration (EIA). Between mid-December 2006 and mid-January 2007, the WTI crude oil price fell about \$12 per barrel to a low of \$50.51 per barrel, as warm weather reduced demand for heating fuels throughout most of the United States. However, the WTI price recovered to over \$66 per barrel by the end of March 2007, as the weather turned colder than normal and geopolitical tensions intensified. Crude oil prices have continued to rise to record levels over the \$80 per barrel mark throughout the second and third quarters of 2007 due to a tight world oil supply and demand balance. We expect that oil prices will remain at these historically high levels due to a combination of the following factors:

- continued growth in worldwide petroleum demand, despite high oil prices;
- projected production growth in non-Organization of Petroleum Exporting Countries (non-OPEC) supplies is not expected to accommodate worldwide demand growth;
- OPEC's commitment to control production;

- modest increases in OPEC's current and forecasted production capacity; and
- geopolitical tensions in major oil-exporting nations.

According to the International Energy Agency's (IEA) October 2007 "Oil Market Report," the outlook for world oil demand remains strong, with China, the Middle East, and North America accounting for approximately 84% of the expected demand growth in 2007. Excess oil production capacity is expected to remain constrained and that, along with increased demand, is expected to keep supplies tight. Thus, any unexpected supply disruption or change in demand could lead to fluctuating prices. The IEA forecasts world petroleum demand growth in 2007 to increase 2% over 2006.

Volatility in natural gas prices has the potential to impact our customers' drilling and production activities, particularly in the United States. In the first quarter of 2007, we experienced lower than anticipated customer activity in North America, particularly the pressure pumping market in Canada and the United States Rockies. Some of this activity decline was attributable to poor weather, including an early spring break-up season in Canada and severe weather early in 2007 in the United States Rockies and mid-continent regions. In addition, the unusually warm start to the United States 2006/2007 winter caused concern about natural gas storage levels, which negatively impacted the price of natural gas. This uncertainty made many of our customers more cautious about their drilling and production plans in the early part of 2007. The second and third quarters of 2007 were characterized by increased activity for our United States customers and growth in the eastern hemisphere. Despite recovery from a traditionally slow second quarter spring break-up season, Canada has experienced a significant decline in activity as compared to 2006. Beginning in late 2006, we began moving equipment and personnel from Canada to the United States and Latin America to address the anticipated slowdown. In October 2007, the EIA projected that the Henry Hub spot price will average \$7.21 per thousand cubic feet (mcf) in 2007 and \$7.86 per mcf in 2008.

It is common practice in the United States oilfield services industry to sell services and products based on a price book and then apply discounts to the price book based upon a variety of factors. The discounts applied typically increase to partially offset price book increases. We are currently experiencing increased pricing pressure from our customers in the North American market, particularly in Canada and in our United States well stimulation operations. We have also begun to experience some pricing pressures in the United States in several other product lines, including cementing, fluid services, drill bits, and wireline and perforating.

Focus on international growth. Consistent with our strategy to grow our international operations, we expect to continue to invest capital and increase manufacturing capacity to bring new tools online to serve the high demand for our services. Following is a brief discussion of some of our recent initiatives:

- we have opened a corporate office in Dubai, United Arab Emirates, allowing us to focus more attention on customer relationships in that part of the world, particularly with national oil companies;
- in order to continue to supply our customers with leading-edge services and products, we have increased our technology spending during 2007 as compared to the prior year. Our plans are progressing for new international research and development centers with global technology and training missions. We opened one in Pune, India in the third quarter of 2007, and a second facility, which will be in Singapore, is expected to open by year-end;
- we are expanding our manufacturing capability and capacity during 2007 to meet the increasing demands for our services and products. In the first nine months of 2007, we opened manufacturing plants in Mexico, Brazil, and Malaysia, and we plan to open an additional plant in Singapore by year-end. Having manufacturing facilities closer to our worksites will allow us to more efficiently deploy equipment to our field operations, as well as increase our use of local people and materials;
- as our workforce becomes more global, the need for regional training centers increases. To meet the increasing need for technical training, we opened a new training center in Tyumen, Russia during the first quarter of 2007. We have also recently expanded training centers in Malaysia, Egypt, and Mexico; and
- part of our growth strategy includes select acquisitions that will enhance or augment our current portfolio of products and services, including those with unique technologies or distribution networks in areas where we do not already have large operations;

- in January 2007, we acquired Ultraline Services Company, a provider of wireline services in Canada. Prior to this acquisition, we did not have meaningful wireline and perforating operations in Canada;
- in May 2007, we acquired the intellectual property, assets, and existing business associated with Vector Magnetics LLC's active ranging technology for steam-assisted gravity drainage applications;
- in July 2007, we acquired PSL Energy Services Limited, a leading eastern hemisphere provider of process, pipeline, and well intervention services. This acquisition will increase our eastern hemisphere production enhancement operations significantly, putting us in a strong position in pipeline processing services both in the eastern hemisphere and globally;
- in November 2007, we acquired the entire share capital of OOO Burservice, a leading provider of directional drilling services in Russia; and
- in September 2007, we acquired the intellectual property and substantially all of the assets and existing business of GeoSmith Consulting Group, LLC, a leading developer of software components for 3-D interpretation and geometric modeling applications.

Recent contract wins are positioning us to grow our international operations over the coming years. Examples include:

- a contract to provide hydraulic fracturing services on the Right Bank of the Priobskye field in Siberia. The scope of work includes providing services for 327 wells;
- a multiservices contract for work in the Tyumen region of Russia. We will be providing drilling fluids, waste management, cementing, drill bits, directional drilling, and logging-while-drilling services;
- a contract to provide acidizing, acid fracturing, water control, and nitrogen stimulation services for a customer in the Bay of Campeche, Mexico;
- a contract to provide deepwater sand control completion technology in two offshore fields of India;
- a contract to provide completion products and services to a group of energy companies for operations throughout Malaysia for a term of five years;
- a contract to provide exploration and development testing services in high pressure, high temperature environments in Latin America;
- a five-year contract for sand control completions for over 200 wells in offshore China;
- a three-year contract to provide a full range of subsurface services, including drilling and formation evaluation, slickline, fluids, cementing services and production enhancement in Papua New Guinea;
- a contract to provide completion products and services in Indonesia; and
- a contract to manage the drilling and completion of 58 land wells in the southern region of Mexico.

13. PROFIT FORECASTS OR ESTIMATES

There are no profit forecasts or estimates contained in this document or any prospectus issued in accordance with the Prospectus Directive which has been previously published by Halliburton and which are still outstanding at the date of this document.

14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 Members of the Board of Directors

The following persons are the Directors of Halliburton:

Kathleen M. Bader, Retired Chairman, President and Chief Executive Officer, Nature Works LLC (formerly known as Cargill Dow) (a maker of fibers and packaging from renewable resources); Chairman, President and Chief Executive Officer, Nature Works LLC, 2004-2006; Business Group President, Styrenics & Engineered Products, Dow Chemical Company, 2000-2004; Corporate Vice President, Quality & Business Excellence, Dow Chemical Company, 1999-2004; Global Vice President, Polystyrene Business, Dow Chemical Company, 1995-1999; Vice President, Fabricated Products, North America, Dow Chemical Company, 1993-1995; joined Halliburton Company Board in 2007; member of the Audit Committee and the Health, Safety and Environment Committee; Director of Textron, Inc. and on the International Board of Directors of Habitat for Humanity.

Alan M. Bennett, Interim Chief Executive Officer, H&R Block (a tax and financial services provider) since 2007; Senior Vice President and Chief Financial Officer, Aetna, Inc. (a leading provider of health, dental, group life, disability and long-term care benefits), 2001-2007; Vice President and Corporate Controller, 1998-2001; Vice President and Director of Internal Audit, 1997-1998; Chief Financial Officer, Aetna Business Resources, 1995-1997; joined Halliburton Company Board in 2006; member of the Audit Committee and the Nominating and Corporate Governance Committee; Director of TJX Companies, Inc.

James R. Boyd, Retired Chairman of the Board, Arch Coal, Inc. (second-largest U.S. coal producer); Chairman of the Board, Arch Coal, Inc., 1998-2006; Senior Vice President and Group Operating Officer, Ashland, Inc., 1989-2002; joined Halliburton Company Board in 2006; member of the Compensation Committee and the Health, Safety and Environment Committee; Director of Arch Coal, Inc. and Farmers Bancorp Inc.

Milton Carroll, Chairman of the Board, CenterPoint Energy, Inc. (a public utility holding company) since 2002 and Chairman of Instrument Products, Inc., a private oil-tool manufacturing company; joined Halliburton Company Board in 2006; member of the Health, Safety and Environment Committee and the Compensation Committee; Director of Health Care Service Corporation.

Robert L. Crandall, Chairman Emeritus, AMR Corporation/American Airlines, Inc. (engaged primarily in the air transportation business); President, American Airlines, Inc., 1980-1995; Chairman, President and Chief Executive Officer, AMR Corporation/American Airlines, 1985-1995; and Chairman and Chief Executive Officer, AMR Corporation/American Airlines, 1985-1998; joined Halliburton Company Board in 1986; Chairman of the Audit Committee and member of the Compensation Committee and the Nominating and Corporate Governance Committee; Director of Air Cell, Inc., Anixter International, Celestica Inc., and serves on the Federal Aviation Administration Management Advisory Committee.

Kenneth T. Derr, Retired Chairman of the Board, Chevron Corporation (an international oil company); Chairman and Chief Executive Officer, Chevron Corporation, 1989-1999; joined Halliburton Company Board in 2001; Chairman of the Compensation Committee and member of the Health, Safety and Environment Committee; Chairman of the Board and Director of Calpine Corporation and Director of Citigroup Inc.

S. Malcolm Gillis, University Professor, Rice University since 2004; President, Rice University, 1993-2004; Ervin Kenneth Zingler Professor of Economics, Rice University, 1996-2004; Professor of Economics, Rice University, 1993-2004; joined Halliburton Company Board in 2005; member of the Health, Safety and Environment Committee and the Nominating and Corporate Governance Committee; Director of Service Corporation International, Electronic Data Systems Corporation, Introgen Therapeutics, Inc., and AECOM Technology and the Vietnam Education Foundation.

W. R. Howell, Chairman Emeritus, J.C. Penney Company, Inc. (a major retailer); Chairman of the Board, J.C. Penney Company, Inc., 1983-1996; Chief Executive Officer, J.C. Penney Company, Inc., 1983-1995; joined Halliburton Company Board in 1991; Lead Director and member of the Compensation Committee and the Nominating and Corporate Governance Committee; Director of American Electric Power Company, Exxon-Mobil Corporation, Pfizer Inc. and the Williams Company. He is also a Director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, non-public wholly owned subsidiaries of Deutsche Bank AG.

David J. Lesar, Chairman of the Board, President and Chief Executive Officer of the Company since 2000; President of the Company, 1997-2000; Executive Vice President and Chief Financial Officer, 1995-1997; joined Halliburton Company Board in 2000.

J. Landis Martin, Founder and Managing Director, Platte River Ventures, L.L.C. (a private equity investment company) since 2005; Chairman (1989-2005) and Chief Executive Officer (1995-2005), Titanium Metals Corporation; President and Chief Executive Officer, NL Industries, Inc., 1987-2003; Chairman of the Board and Chief Executive Officer, Baroid Corporation (and its predecessor), acquired by Dresser Industries, Inc. in 1994, 1990-1994; joined Halliburton Company Board in 1998; Chairman of the Nominating and Corporate Governance Committee and member of the Audit Committee; Director of Apartment Investment and Management Corporation and Crown Castle International Corporation.

Jay A. Precourt, Chairman of the Board, Hermes Consolidated, Inc. (a gatherer, transporter and refiner of crude oil and refined products) since 1999; Chairman of the Board and Chief Executive Officer, Scissor Tail Energy, LLC, 2000-2005; Vice Chairman and Chief Executive Officer, Tejas Gas Corporation, 1986-1999; President, Tejas Gas Corporation, 1996-1998; joined Halliburton Company Board in 1998; Chairman of the Health, Safety and Environment Committee and member of the Audit Committee.

Debra L. Reed, President and Chief Executive Officer, Southern California Gas Company and San Diego Gas & Electric Company (regulated utility companies) since 2006; President and Chief Operating Officer, Southern California Gas Company and San Diego Gas & Electric Company, 2004-2006; President and Chief Financial Officer, Southern California Gas Company and San Diego Gas & Electric Company, 2002-2004; President of San Diego Gas & Electric Company, 2000-2001; President, Energy Distribution Services, Southern California Gas Company, 1998-2001; Senior Vice President, Southern California Gas Company, 1995-1998; joined Halliburton Company Board in 2001; member of the Compensation Committee and the Nominating and Corporate Governance Committee; Director of Genentech, Inc.

14.2 Executive Officers

Halliburton's current executive officers, who serve at the discretion of the Board, are as follows:

Evelyn M. Angelle, Vice President, Corporate Controller and Principal Accounting Officer of Halliburton Company since January 2008; Vice President, Operations Finance of Halliburton Company, December 2007 to January 2008; Vice President, Investor Relations of Halliburton Company, April 2005 to November 2007; Assistant Controller of Halliburton Company, April 2003 to March 2005.

Peter C. Bernard, Senior Vice President, Business Development and Marketing of Halliburton Company since June 2006; Senior Vice President Digital and Consulting Solutions of Halliburton Company, December 2004 to May 2006; President of Landmark Graphics Corporation, May 2004 to December 2004; Vice President Marketing and Managed Accounts of Landmark Graphics Corporation, May 2003 to May 2004; and Vice President, Strategic Account Business Development, January 2002 to May 2003.

James S. Brown, President, Western Hemisphere of Halliburton Company since January 2008; Senior Vice President Western Hemisphere of Halliburton Company, June 2006 to December 2007; Senior Vice President Western Area, December 2003 to May 2006; Vice President Western Area, November 2003; Vice President Development Manager, October 2001 to October 2003; Director Business Development Manager, August 2000 to October 2001.

Albert O. Cornelison, Jr., Executive Vice President and General Counsel of Halliburton Company since December 2002; Vice President and General Counsel of Halliburton Company, May 2002 to December 2002; Vice President and Associate General Counsel of Halliburton Company, October 1998 to May 2002.

C. Christopher Gaut, President, Drilling and Evaluation Division of Halliburton Company since January 2008; Executive Vice President and Chief Financial Officer of Halliburton Company, March 2003 to December 2007; Senior Vice President, Chief Financial Officer and Member - Office of the President and Chief Operating Officer of ENSCO International Incorporated, January 2002 to February 2003; Senior Vice President and Chief Financial Officer of ENSCO International Incorporated, December 1987 to December 2001.

David S. King, President Completion and Production Division of Halliburton Company since January 2008; Senior Vice President Completion and Production Division of Halliburton Company, July 2007 to December 2007; Senior Vice President Production Optimization of Halliburton Company, January 2007 to July 2007; and Senior Vice President Eastern Hemisphere of Halliburton Energy Services Group, July 2006 to December 2006. Senior Vice President, Global Operations, July 2004 to July 2006; Vice President,

Production Optimization, May 2003 to July 2004; and Vice President, Production Enhancement, January 2000 to May 2003.

David J. Lesar, Chairman of the Board, President and Chief Executive Officer of Halliburton Company since August 2000; President of Halliburton Company, June 1997 to August 2000; Executive Vice President and Chief Financial Officer of Halliburton Company, August 1995 to June 1997; joined Halliburton Board in August 2000.

Ahmed H. M. Lotfy, President, Eastern Hemisphere of Halliburton Company since January 2008; Senior Vice President Eastern Hemisphere of Halliburton Company, January 2007 to December 2007; Vice President Africa Region of Halliburton Company, January 2005 to December 2006; Vice President North Africa of Halliburton Company, 2002 to December 2004; and Country Vice President Egypt of Halliburton Company, 2001 to 2002.

Mark A. McCollum, Executive Vice President and Chief Financial Officer of Halliburton Company since January 2008; Senior Vice President and Chief Accounting Officer of Halliburton Company, August 2003 to December 2007; Senior Vice President and Chief Financial Officer, Tenneco Automotive, Inc., November 1999 to August 2003. He is also a Director of Exterran Partners, L.P.

Craig W. Nunez, Senior Vice President and Treasurer of Halliburton Company since January 2007; Vice President and Treasurer of Halliburton Company, February 2006 to January 2007; Treasurer of Colonial Pipeline Company, November 1999 to January 2006.

Lawrence J. Pope, Executive Vice President, Human Resources & Administration of Halliburton Company since January 2008; Vice President, Human Resources & Administration of Halliburton Company, January 2006 to January 2008; Senior Vice President, Administration of Kellogg Brown & Root, Inc., August 2004 to January 2006; Director, Finance and Administration for Drilling and Formation Evaluation Division of Halliburton Energy Services Group, July 2003 to August 2004; Division Vice President, Human Resources for Halliburton Energy Services Group, May 2001 to July 2003; Director, Human Resources for Halliburton Energy Services Group, May 1999 to May 2001.

Timothy J. Probert, Executive Vice President, Strategy & Corporate Development since January 2008; Senior Vice President, Drilling & Evaluation, July 2007 to December 2007; Senior Vice President, Drilling Evaluation & Digital Solutions, May 2006 to July 2007; Vice President Drilling & Formation Evaluation, January 2003 to May 2006.

14.3 **Business address**

The Halliburton business address of the above directors and executive officers is 5 Houston Center, 1401 McKinney, Suite 2400, Houston, Texas 77010, USA.

14.4 Other directorships and partnerships

Set out below is information relating to each Director and the executive officers listed in paragraph 14.2 above, relating to directorships which they have held and partnerships in which they have been a partner, in each case over the previous five years preceding the date of this document, and other than in Halliburton and its subsidiary companies.

Director/Executive Officer	Current directorships and partnerships	Directorships and partnerships of the last 5 years
Evelyn M. Angelle	-	-
Kathleen M. Bader	Textron, Inc. Habitat for Humanity	-
Alan M. Bennett	TJX Companies, Inc.	Bausch & Lomb
Peter C. Bernard	-	-
James R. Boyd	Arch Coal, Inc. Farmers Bancorp Inc.	-
James S. Brown	-	-
Milton Carroll	CenterPoint Energy, Inc. Health Care Service Corporation	EGL, Inc.
Albert O. Cornelison, Jr.	-	KBR, Inc.
Robert L. Crandall	Air Cell, Inc. Anixter International Celestica Inc.	i2 Technologies, Inc.
Kenneth T. Derr	Calpine Corporation Citigroup Inc.	AT&T Corp. Chevron Corporation
C. Christopher Gaut	-	KBR, Inc.
S. Malcolm Gillis	AECOM Technology Electronic Data Systems Corporation Introgen Therapeutics, Inc. Service Corporation International Vietnam Education Foundation	-
W. R. Howell	American Electric Power Company Deutsche Bank Trust Company Americas Deutsche Bank Trust Corporation Exxon-Mobil Corporation Pfizer Inc. Williams Company	-
David S. King	-	-
David J. Lesar	-	Lyondell Chemical Company Mirant Corporation

Director/Executive Officer	Current directorships and partnerships	Directorships and partnerships of the last 5 years
Ahmed H. M. Lotfy	-	-
J. Landis Martin	Apartment Investment and Management Corporation Crown Castle International Corporation Platte River Ventures, L.L.C.	NL Industries, Inc. Titanium Metals Corporation
Mark A. McCollum	Exterran Partners, L.P.	KBR, Inc.
Craig W. Nunez	-	-
Lawrence J. Pope	-	-
Timothy J. Probert	-	-
Jay A. Precourt	Hermes Consolidated, Inc.	Apache Corp. Scissor Tail Energy, LLC Tejas Gas Corporation The Timken Company
Debra L. Reed	Genentech, Inc. San Diego Gas & Electric Company Southern California Gas Company	-

14.5 Except as described below, no Director or any of the executive officers listed in paragraph 14.2 has:

- (i) any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) been declared bankrupt or been a director or member of the administrative, management or supervisory body of a company (or a senior manager of a company) at the time of any receivership, compulsory liquidation or creditors' voluntary liquidation for at least the previous five years or;
- (iii) been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies), nor has any such person been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the five years up to the date of this document.

Mr. Derr is a member of the board of directors of Calpine Corporation, which, along with various subsidiaries, on December 20, 2005, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court. On January 31, 2008, Calpine announced that it had met all statutory requirements of its Sixth Amended Joint Plan of Reorganization, which was confirmed by the U.S. Bankruptcy Court in an order entered on December 19, 2007. Mr. Derr continues to serve as a member of the board of directors.

Mr. Lesar previously served as a member of the board of directors of Mirant Corporation, which, on July 14, 2003, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court. Most of the claims filed against Mirant have been resolved under a plan that became effective on January 30, 2006. Mr. Lesar is no longer a member of the board of directors of Mirant.

14.6 Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests

There are no potential conflicts of interests between any duties of Halliburton and of the persons listed in paragraphs 14.1 or 14.2 of this document, their private interests and/or other duties.

There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person listed in paragraphs 14.1 and 14.2 was selected as a member of the administrative, management or supervisory bodies or member of senior management.

Other than pursuant to the terms of restricted stock awards described below, there are no restrictions agreed to by the persons referred to in paragraphs 14.1 and 14.2 on the disposal within a certain period of time of their holdings in Halliburton's securities.

15. REMUNERATION AND BENEFITS

The information included in this paragraph 15 is provided as of the most recent practicable date. Any further information relevant to this paragraph following such date shall be disclosed in a supplementary prospectus to this document in accordance with the Prospectus Rules. Please note that as of May 15, 2007, Ray Hunt is no longer a member of the Board of Directors.

Halliburton seeks to enhance the Company's value by providing a broad spectrum of high quality services and related products. The Compensation Committee believes that Halliburton's total compensation package for executives should emphasize compensation plans that are linked to measures of both absolute and relative performance.

The primary function of the Compensation Committee is to ensure that our compensation program is effective in attracting, retaining and motivating key employees, that it reinforces business strategies and objectives for enhanced stockholder value and that the program is administered in a fair and equitable manner consistent with established policies and guidelines.

15.1 Directors' Compensation

Directors' Fees and Deferred Compensation Plan

All non-employee Directors receive an annual retainer of \$50,000 and an attendance fee of \$2,000 for each meeting of the Board of Directors and for each committee meeting attended. The Chairman of each committee also receives an additional retainer annually for chairing a committee as follows: Audit — \$20,000; Compensation — \$15,000; Health, Safety and Environment — \$10,000; and Nominating and Corporate Governance — \$10,000.

Under the Directors' Deferred Compensation Plan, Directors are permitted to defer their fees, or a portion of their fees. A participant may elect, on a prospective basis, to have his or her deferred compensation account either credited quarterly with interest at the prime rate of Citibank, N.A. or translated on a quarterly basis into Halliburton common stock equivalents. Distributions after retirement as a Director will be made either in a lump sum or in annual installments over a 5- or 10-year period, as determined in the discretion of the committee appointed to administer the plan. Distributions of common stock equivalents are made in shares of common stock, while distributions of deferred compensation credited with interest are made in cash. Messrs. Bennett, Boyd, Carroll, Crandall, Derr, Gillis, Hunt, and Precourt and Mss. Bader and Reed have elected to participate in the plan.

Directors' Restricted Stock Awards

Each non-employee Director participating in the Directors' Retirement Plan receives an annual award of restricted shares of common stock each August with a market value of \$75,000 on the date of the grant. Each non-employee Director not participating in the plan (Messrs. Bennett, Boyd, Carroll, Derr, Gillis, Hunt, Martin, and Precourt and Mss. Bader and Reed) receives an annual award of restricted shares of common stock each August with a market value of \$100,000 on the date of the award.

Restricted shares may not be sold, assigned, pledged or otherwise transferred or encumbered until the restrictions are removed. Restrictions lapse following termination of Board service under specified circumstances, which include, among others, death or disability, retirement under the Director mandatory retirement policy, or early retirement after at least four years of service. During the restriction period, Directors have the right to vote, and to receive dividends on, the restricted shares. Any shares that under the plan's provisions remain restricted following termination of service are forfeited.

Directors' Retirement Plan

The Directors' Retirement Plan is closed to new Directors elected after May 16, 2000. Under the Directors' Retirement Plan, each participant will receive an annual benefit upon the benefit commencement date. The benefit commencement date is the later of a participant's termination date or attainment of age 65. The benefit will be equal to the last annual retainer for the participant for a period of years equal to the participant's years of service on his or her termination date. Upon the death of a participant, benefit payments will be made to the surviving spouse, if any, over the remainder of the retirement benefit payment period. Distributions after retirement as a Director will be made either in a lump sum or in annual installment over a 5- or 10-year period, as elected by the Director and approved by the committee appointed to administer the plan. Years of service for each Director participant under the plan are: Mr. Crandall — 22, and Mr. Howell — 16. Assets are transferred to State Street Bank and Trust Company, as Trustee, to be held under an irrevocable grantor trust to aid Halliburton in meeting its obligations under the Directors' Retirement Plan. The principal and income of the trust are treated as assets and income of Halliburton for federal income tax purposes and are subject to the claims of general creditors of Halliburton to the extent provided in the plan.

Charitable Contributions

Matching Gift Programs. To further Halliburton's support for charities, non-employee Directors may participate in the Halliburton Foundation's ("Foundation") matching gift programs for educational institutions, not-for-profit hospitals, and medical foundations. For each eligible contribution, the Foundation makes a contribution of two times the amount contributed, subject to approval by the Foundation Trustees and providing the contribution meets certain criteria. The maximum aggregate of all contributions each calendar year by a Director, eligible for matching by the Foundation, is \$50,000, resulting in a maximum aggregate amount contributed annually by the Foundation in the form of matching gifts of \$100,000 for any Director who participates in the programs. Neither the Foundation nor Halliburton has made a charitable contribution to any charitable organization in which a Director serves as an executive officer, within the preceding three years, that exceeds in any single year the greater of \$1 million or 2% of such charitable organization's consolidated gross revenues.

Other Benefits

Accidental Death and Disability ("AD&D"). Certain Directors have chosen to participate in the Company provided AD&D program. Messrs. Crandall, Derr, Gillis, Howell, Martin and Precourt have elected coverage for the standard principal amount of \$250,000 each. We paid a total of \$954 in premiums for these Directors. These premiums are included in the "All Other Compensation" column for those who participate. The other Directors declined coverage in 2006.

15.2 Overall Compensation Objectives, Philosophy and Strategy

Executive Compensation Program Objectives

The primary objectives of our integrated and comprehensive Executive Compensation Program are to:

- Provide a clear and direct relationship between executive pay and our performance on both a short- and long-term basis;
- Emphasize operating performance drivers;
- Link executive pay to measures that drive stockholder value; and
- Support our business strategies and management processes in order to motivate our executives and maximize return on our human resource investment.

These objectives serve to assure our long-term success and are built on our underlying Compensation Philosophy and Strategy which encompasses the following principles:

- Our Executive Compensation Program is managed from a total compensation perspective in addition to giving consideration to each component of the total package in order to provide Senior Executives and Executives with competitive, market-driven compensation opportunities.
- All elements of compensation are compared or benchmarked against a comparator group of companies that reflect the markets in which we compete for business and people.

- The determination of the comparator group is based on size in terms of market capitalization, revenue and number of employees; scope in terms of global impact and reach; and industry affiliation including companies that are logically related to Halliburton or have a heavy manufacturing industry focus.
 - The 2006 Comparator Group was composed of specific peer companies within the energy services and engineering and construction industries as well as selected companies representing general industry and includes: Amerada Hess Corporation, Anadarko Petroleum Corporation, Baker-Hughes Incorporated, Fluor Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation, Schlumberger Ltd., Sunoco Incorporated, Unocal Corporation, Valero Energy Corporation, 3M Company, Alcoa Incorporated, Caterpillar Incorporated, Dow Chemical, Eastman Kodak Company, Emerson Electric Company, Georgia-Pacific Corporation, Honeywell International Incorporated, Johnson Controls Incorporated, Raytheon Company, Textron Incorporated, and United Technologies Corporation.
 - Variances in size among the companies comprising the comparator group necessitate the use of regression analysis to adjust the compensation data. This adjusted value is used as the basis of comparison of compensation between our executives and those of the Comparator Group.
 - Current market levels of total compensation are targeted at providing opportunity near the 50th percentile for good performance and between the 50th and 75th percentile competitive level for outstanding performance.
 - A consistent pre-tax, present value methodology is used in assessing stock-based and other long-term incentive awards, including the Black-Scholes model used to value stock option grants.
- The focus and mix of executive compensation elements and opportunities is tailored by individual position to reflect an appropriate balance among fixed and variable pay, short- and long-term focus, and individual, business/organization unit or corporate accountability.
 - Target compensation opportunities are market driven and competitive in order to attract and retain high caliber employees; however, actual compensation will vary significantly year to year based on the level of achievement of specified goals and returns to stockholders.
 - Individual compensation levels are determined in an equitable manner taking into account skills, responsibilities, competencies and contribution to the company.
 - Compensation programs are designed and administered within a common framework, but are flexible to accommodate the varied business needs existing among our operations.

Executive Compensation Procedures

Our Executive Compensation Program procedures are guided by policy, process and practice. Our policy sets the parameters around those positions that require approval by the Committee and those where delegation to the CEO is authorized.

Each of the Compensation Committee's responsibilities (see paragraph 16.2.2 below) is supported by an internal process which guides and details the actions to be taken by the Committee, the CEO, our Senior Executive management and staff. These processes coincide with the Committee's annual calendar, which details the timing of compensation events and associated Committee actions.

Our internal stock nomination process has been in place since we began granting stock options to employees approximately 10 years ago and has been refined regularly to ensure adequate controls. The process clearly states that all award grant dates are to be prospective and not retrospective. Our 1993 Stock and Incentive Plan, as amended and restated effective February 16, 2006 ("1993 Plan"), provides that the CEO must approve all stock awards for employees not under purview of the Committee. The grant date is always the later of the effective date of the action or the date the CEO physically approves the award, thereby ensuring no retrospective or back-dated awards. Exercise prices are set at the closing stock price, on the date of grant.

For Senior Executives, the grant date is set on the day the Committee meets to determine annual compensation actions, generally in December of each year.

Our Executive Compensation Program is designed and regularly reviewed to ensure that we are able to attract and retain the best people for the job and that our compensation plans support our strategies, focus efforts, help achieve business success and align with our stockholders' interests.

Role of the CEO and other members of Executive Management

The role of management in establishing executive compensation is clearly specified in the Committee's process documents under the Executive Compensation Program. The role of the CEO is to make recommendations to the Committee based on our pay Philosophy and Strategy as well as current business conditions and to provide guidance to executive management in setting compensation levels based on such approved recommendations. The CEO also:

- Identifies positions that require specific approval and in-depth review by the Committee as consistent with policy;
- Reviews competitive market data and sets compensation for those Executives not under Committee purview;
- Recommends to the Committee the performance measures, target goals and award schedules for short-term incentives made under the Halliburton Annual Performance Pay Plan with performance targets being set relative to the projected business cycle and business plan;
- Approves all long-term incentive awards made under the 1993 Plan and any retention of such shares upon early retirement for Executives and non-executive employees;
- Reviews rationale and guidelines for annual stock awards and recommends changes to the grant structure, when appropriate, for review, discussion and approval by the Committee; and
- Develops and provides specific recommendations to the Committee on the number and types of shares to be awarded to Executives under his purview and other selected employees in aggregate number and types of shares to be awarded annually.

The primary Senior Executives, other than the CEO, who determine compensation actions and set compensation direction for their respective organizations include: the COO, the CFO and the General Counsel. Executives may attend meetings of the Committee at the request of the CEO or the Committee Chairman, but do not attend executive sessions.

Use of Independent Consultants and Advisers

The Committee engages Hewitt Associates ("Hewitt") as its independent compensation consultant. The contract for services is between Hewitt and the Committee. The consultant coordinates and consults with our internal executive compensation resources regarding executive compensation matters but operates solely at the Committee's direction.

The primary duties of the consultant are to:

- Provide the Committee with independent and objective market data;
- Conduct compensation analysis;
- Recommend plan design changes; and
- Review and advise on pay programs and pay level changes applicable to Senior Executives.

These duties may be performed annually and as requested from time to time throughout the year by the Committee.

Hewitt also performs benefit administration services for us under a separate contract. The management of the Halliburton/Hewitt relationship with respect to benefits administration is the responsibility of Halliburton's internal benefits department, which has no contact with the Committee's consultant.

Integration of Compensation Components, Plan Design and Decision-Making Factors

Each December, the Committee thoroughly reviews all elements of the executive compensation package for each Senior Executive. Management provides to the Committee historical and prospective breakdowns of the total compensation components for each Senior Executive as follows:

- Individual five-year compensation history;
- Income realized from prior stock and option awards;
- Stock wealth accumulation charts based on total stock holdings;
- Total company-awarded stock position including vested and unvested awards; and
- Detailed discretionary supplemental retirement award calculations.

For each NEO and Senior Executive, a competitive analysis comparing each individual component of compensation as well as total compensation to that of the Comparator Group is also provided by the Committee's independent consultant.

In making compensation decisions, each of the following core components of our Executive Compensation Program is reviewed independently and collectively:

- Base salary;
- Short-term (Annual) incentives;
- Long-term incentives;
- Supplemental Executive retirement benefits;
- Other Executive benefits; and
- Perquisites.

Of these elements, all but base salary and certain health and welfare benefits are performance-based and at risk of forfeiture. Therefore, anywhere from 50% to 80% of a Senior Executive's pay is at risk.

15.3 Base Salary

The Committee believes that base salary provides the foundation for the Executive's total compensation package since it drives other elements of compensation such as short- and long-term incentives and retirement benefits. Therefore, it is imperative that base salary be properly and competitively established. It is the Committee's intent to set and maintain base salary at the median of the Comparator Group in an effort to control fixed costs and reward for performance in excess of the median through the variable components of pay. To accomplish this, executive salaries are referenced to market data for comparable positions within the Comparator Group. In addition to considering market comparisons in making salary decisions, the Committee exercises discretion and judgment based on the following factors:

- Level of responsibility;
- Experience in current role and equitable compensation relationships among all of our Executives;
- Performance and leadership; and
- External factors involving competitive positioning, general economic conditions and marketplace compensation trends.

No specific formula is applied to determine the weight of each factor. Salary reviews are conducted annually to evaluate each Executive; however, individual salaries are not necessarily adjusted each year.

15.4 Short-Term (Annual) Incentives

In 1995, the Committee established the Annual Performance Pay Plan. It serves to reward Executives and other key members of management for improving financial results that drive the creation of value for stockholders of the Company and to provide a means to connect individual cash compensation directly to our performance, as measured by cash value added, or CVA. CVA measures the difference between after-tax cash income and a capital charge (based upon our weighted average cost of capital) to determine the amount of value, in terms of cash flow, added to our business. The formula is: $CVA = \text{Net Operating Profit After-Tax} - \text{Capital Charge}$. The primary drivers of CVA are operating income and gross invested capital.

At the beginning of each plan year, we establish an incentive reward schedule that equates given levels of CVA performance beyond a threshold, or minimum, level with varying reward opportunities paid in cash. Incentive award opportunities are established at target and maximum performance levels as a percentage of base salary at the beginning of the plan year. The maximum amount any participant can receive under the Plan is limited to two times the target opportunity level. The level of achievement of annual CVA performance determines the dollar amount of incentive compensation payable to participants following completion of the plan year.

The Committee set the 2006 performance goals for the NEOs based on Halliburton Company consolidated CVA results and set their individual target and maximum levels of opportunity as a percentage of January 1, 2006 annual base salary under the Plan as follows: Mr. Lesar 110% at target and 220% at maximum, Messrs. Cornelison and Gaut each had target levels of 65% and maximum levels of 130%. Mr. McCollum's target and maximum were 50% and 100%, respectively.

15.5 Long-Term Incentive Plans

We use long-term incentives to achieve the following objectives:

- Reward consistent achievement of value creation and operating performance goals;
- Align management with stockholder interests; and
- Encourage long-term perspectives and commitment.

Long-term incentives represent the largest component of total executive compensation opportunity for our Senior Executives. We believe this is appropriate given our principle that executive pay should be closely tied to stockholder interests.

Our 1993 Plan provides for a variety of cash and stock-based awards, including nonqualified and incentive stock options, restricted stock/units, performance shares/units, stock appreciation rights, and stock value equivalents, also known as phantom stock. Under the 1993 Plan, we may, in our discretion, select from among these types of awards to establish individual long-term incentive awards.

In 2006 we continued our strategy of using a combination of vehicles to meet our long-term incentive objectives. These included restricted stock and performance units as well as nonqualified stock options. The appropriate mix was determined based on impact level within the organization. At the Senior Executive and Executive level, we placed particular emphasis on operations-based incentives, such as performance units. Forty percent of a Senior Executive's long-term incentive value is delivered in the form of performance units with 20% delivered through stock options and the remaining 40% delivered through restricted stock, with the only exception being the long-term incentive mix for Mr. Lesar. In order to more closely correlate Mr. Lesar's compensation opportunity to appreciation in the price of our common stock, he received approximately 40% of his long-term incentive opportunity in the form of performance units, 40% in the form of stock options and 20% in the form of restricted stock.

Granting a mix of incentives allows us to provide a diversified yet balanced long-term incentive program that effectively addresses volatility in our industry and in the stock market as well as maintaining an incentive to meet performance goals. Stock options and restricted stock/units are directly tied to our stock price performance and, therefore, directly to stockholder value. Additionally, restricted stock/units provide a significant incentive for Senior Executives and Executives to remain employed by us, while performance units shift the focus to improving long-term returns on capital employed.

The Performance Unit Program measures Halliburton Company consolidated Return on Capital Employed ("ROCE") compared to both absolute goals and relative goals, as measured by the results achieved by our

Comparator Group companies. Individual incentive opportunities are established based on market references. The Program allows for rewards to be paid in cash, stock or a combination of cash and stock.

Our determination of the size of long-term incentive awards to Senior Executives and Executives is based on market references to long-term incentive compensation for comparable positions within the Comparator Group and on our subjective assessment of organizational roles and internal job relationships.

For the 2006 Cycle, Mr. Lesar's maximum opportunity is \$5,000,000, which is the maximum cash award allowed under the 1993 Plan. Mr. Gaut was provided a maximum opportunity level of 240% of his January 1, 2006 annual base pay. Maximum opportunity levels for Messrs. Cornelison and McCollum were 220% and 100% of their January 1, 2006 annual base pay, respectively.

15.6 Supplemental Executive Retirement Plan

The Supplemental Executive Retirement Plan (SERP) was established to provide competitive retirement benefits to key Executives. Determinations as to who will receive an allocation for a particular plan year and the amount of the allocation are made in the Committee's sole discretion. However, in making such determinations, the Committee considers guidelines that include references to:

- Retirement benefits, both qualified and nonqualified, provided from other company programs;
- Incumbent compensation and performance;
- Length of service; and
- Years of service to normal retirement.

Contributions are allocated with a goal of achieving a 75% base pay replacement assuming retirement at age 65 with 25 or more years of service. In 2005, a vesting provision was added to the Plan requiring five consecutive years of Plan participation in order for awards made in and after 2005 to be fully vested. This vesting provision was put in place to encourage participant retention.

In 2006, the Committee authorized retirement allocations under the Plan to Messrs. Lesar, Cornelison, Gaut and McCollum as listed in the Nonqualified Deferred Compensation Table. The total account balances for Messrs. Lesar and Cornelison are fully vested. The total account balances for Messrs. Gaut and McCollum are partially vested because their employment with us and participation in the Plan began in 2003.

15.7 Other Executive Benefits and Perquisites

Senior Executives also participate in the Halliburton Retirement and Savings Plan, which is the defined contribution benefit plan available to all eligible U.S. employees.

Senior Executives may also participate in the Halliburton Elective Deferral Plan, which was established in 1995 to provide highly compensated employees with an opportunity to defer earned base salary and incentive compensation in order to help meet retirement and other future income needs. The Plan is a nonqualified deferred compensation plan and participation is completely voluntary. Pre-tax deferrals of up to 75% of base salary and/or incentive compensation are allowed each calendar year. Interest is credited based upon the participant's election from among four (4) benchmark investment choices. In 2006, Mr. Gaut participated in the Plan by deferring a percentage of his incentive compensation. No other NEOs participated in the Plan in 2006. Mr. Lesar has an account balance from participation in prior years, which continues to accrue interest. Messrs. Cornelison and McCollum do not currently participate in the Plan, nor do they have prior participation.

The Halliburton Company Benefit Restoration Plan exists to provide a vehicle to restore qualified plan benefits which are reduced as a result of limitations imposed under the Internal Revenue Code or due to participation in other company-sponsored plans. It also serves to defer compensation that would otherwise be treated as excessive employee remuneration within the meaning of Section 162(m) of the Internal Revenue Code. The Plan is a nonqualified deferred compensation plan that earns interest at the rate of 10% per annum. In 2006, the NEOs received awards under the Plan in the amounts included in the Summary Compensation Table.

With the exception of Mr. Cornelison, who participated for just over one year in the Dresser Industries Consolidated Retirement Plan prior to the merger, no other NEOs participate in any defined benefit pension

plans as we no longer offer such plans to our U.S. employees; nor are they participants in any previously offered pension plans which are now frozen.

Our use of perquisites for Executives is limited in both scope and value. Our Executives do not have company cars or car allowances and their health care and insurance coverage is the same as that provided to all active employees. Club memberships are limited and provided on an as-needed basis for business purposes only. Of the NEOs, only Messrs. Cornelison and Gaut have company-provided club memberships.

A taxable benefit for executive financial planning is provided and ranges from \$5,000 to a maximum of \$15,000 per year. This benefit does not include tax return preparation. It is paid, only if used by the Executive, on a reimbursable basis. Because we value the health and welfare of all of our Executives, a physical examination is provided to eligible executives annually.

We also provide for adequate security assessments and measures at the personal residences of Mr. Lesar.

Mr. Lesar uses company aircraft for all travel. Other Senior Executives who have access to company aircraft for business purposes only are Messrs. Cornelison and Gaut. Other than Mr. Lesar, no other NEO used company aircraft for personal use in 2006. Spouses are allowed to travel on selected business trips. To allow for maximum efficiency and productive use of time, a company-leased car and part-time driver are provided for Mr. Lesar for the primary purpose of commuting to and from work.

15.8 Compensation for Executive Officers

The following table is extracted from Halliburton's 2007 Proxy Statement and sets forth information regarding the Chief Executive Officer, Chief Financial Officer and other highly compensated executive officers of Halliburton. Please note that as of the date of this Prospectus: C. Christopher Gaut is no longer Executive Vice President and Chief Financial Officer, but is President, Drilling and Evaluation Division and remains an Executive Officer; Mark A. McCollum is no longer Senior Vice President and Chief Accounting Officer, but is Executive Vice President and Chief Financial Officer and remains an Executive Officer; and Andrew Lane has retired and is no longer an Executive Officer.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-stock Incentive Plan Compensation (\$)	Change in Pension and NODC Earnings \$(2)	All Other Compensation (\$)	Total (\$)
David J. Lesar Chairman of the Board, President and Chief Executive Officer	2006	1,300,000	0	3,736,474	2,618,324	6,640,000	53,249(3)	947,740(9,10)	15,295,787
Albert O. Cornelson, Jr. Executive Vice President and General Counsel	2006	525,000	0	531,877	370,629	1,432,500	12,041(4)	383,042(11)	3,255,089
C. Christopher Gaut Executive Vice President and Chief Financial Officer	2006	575,000	0	627,510	493,839	1,535,000	31,413(5)	231,797(12)	3,494,559
Andrew R. Lane Executive Vice President and Chief Operating Officer	2006	650,000	0	924,168	367,526	1,085,000	3,233(6)	285,871(13)	3,315,798
Mark A. McCollum Senior Vice President and Chief Accounting Officer	2006	395,000	0	263,178	116,493	675,000	1,018(7)	146,780(14)	1,597,469
Weldon J. Mire Retired, Vice President of Human Resources	2006	26,136	0	1,213,320	320,473	452,778	8,899(8)	1,473,211(15)	3,494,817

- (1) FASB Statement 123R requires the fair value of equity awards to be recognized in the financial statements over the period the employee is required to provide service in exchange for the award, i.e., the vesting period. We calculate the fair value of restricted stock awards by multiplying the number of restricted shares granted by the closing stock price as of the award's grant date. The fair value of stock options is estimated using the Black-Scholes option pricing model. For a discussion of the assumptions made in these valuations, refer to the Halliburton Company Form 10-K for the fiscal year ended December 31, 2006.
- (2) The methodology for determining what constitutes above-market earnings is the difference between the interest rate as stated in the applicable plan document and the Internal Revenue Service's Long-Term 120% AFR rate as of December 31, 2006.
- (3) Mr. Lesar earned \$12,188 in above-market interest on deferrals made in past years to the Halliburton Elective Deferral Plan and \$41,061 in above-market interest on his Halliburton Benefit Restoration Plan balance.
- (4) Mr. Cornelson earned \$130 and \$5,355 in above-market interest for balances in the ERISA Excess Benefit Plan for Dresser Industries, Inc. and ERISA Excess Compensation Limit Benefit Plan for Dresser Industries, Inc., respectively, and \$6,556 in above-market interest on his Halliburton Benefit Restoration Plan balance.
- (5) Mr. Gaut earned \$28,707 in above-market interest on deferrals made in 2006 and past years to the Halliburton Elective Deferral Plan and \$2,706 in above-market interest on his Halliburton Benefit Restoration Plan balance.
- (6) Mr. Lane earned \$3,233 in above-market interest on his Halliburton Benefit Restoration Plan balance.
- (7) Mr. McCollum earned \$1,018 in above-market interest on his Halliburton Benefit Restoration Plan balance.
- (8) Mr. Mire earned \$2,687 in above-market interest on deferrals made in past years to the Halliburton Elective Deferral Plan, \$385 above-market interest on his Halliburton Benefit Restoration Plan balance and \$5,827 above-market interest on his Halliburton Supplemental Executive Retirement Plan balance.
- (9) Mr. Lesar's "All Other Compensation" is composed of: \$1,153 incremental cost for company-provided reserved parking, \$206,989 incremental cost for personal use of the Halliburton Company plane, \$6,078 for home security, \$11,092 for car and driver to transport Mr. Lesar to and from work, \$8,800 contribution to the Halliburton Retirement and Savings Plan for 2006 Halliburton Basic Contribution, \$8,687 contribution to the Halliburton Retirement and Savings Plan for 2006 employer match, \$314,749 restricted stock dividends, \$96,400 for 2006 award attributable to the Halliburton Restoration Plan (also shown in the Non-Qualified Deferred Compensation Table), \$251,000 for 2006 award attributable to the Halliburton Supplemental Executives Retirement Plan (also shown in the Non-Qualified Deferred Compensation Table), and \$52,812 incremental amount of matching contributions by the Halliburton Foundation.
- (10) Mr. Lesar uses Company aircraft for all travel. Other executives who have access to company aircraft for business purposes only are Messrs. Cornelson, Gaut and Lane. Other than Mr. Lesar, no other NEO used the Company aircraft for personal use in 2006. Spouses are allowed to travel on selected business trips. For total compensation purposes, in 2006, we valued the incremental cost of the personal use of Company aircraft using a method that takes into account: landing, parking, hangar fees and flight planning services; crew travel expenses; supplies and catering; aircraft fuel and oil expenses per hour of flight; any customs, foreign permit and similar fees; and passenger ground transportation.
- (11) Mr. Cornelson's "All Other Compensation" is composed of: \$1,153 incremental cost for company-provided reserved parking, \$8,800 contribution to the Halliburton Retirement and Savings Plan for the Halliburton Basic Contribution in 2006, \$6,125 contribution for the Halliburton Retirement and Savings Plan for employer match made in 2006, \$4,598 for club membership dues, \$1,386 for participation in the executive physical program, \$9,500 for financial planning services, \$40,538 for restricted stock dividends, \$24,400 for 2006 award attributable to the Halliburton Restoration Plan (also shown in the Non-Qualified Deferred Compensation Table), \$132,000 for 2006 award attributable to the Halliburton Supplemental Executives Retirement Plan (also shown in the Non-Qualified Deferred Compensation Table), and \$98,289 payout for the Halliburton Pension Equalizer and \$56,253 for its corresponding tax gross-up for the payment. The Pension Equalizer is attributable to a Plan Halliburton is required to maintain as a result of the merger with Dresser Industries, Inc.
- (12) Mr. Gaut's "All Other Compensation" is composed of: \$1,153 incremental cost for company-provided reserved parking, \$9,026 for club membership fees, \$8,800 for contribution made to the Halliburton Retirement and Savings Plan for the Halliburton Basic Contribution, \$8,800 contribution to the Halliburton Retirement and Savings Plan for employer match in 2006, \$43,618 for restricted stock dividends, \$28,400 for 2006 award attributable to the Halliburton Restoration Plan (also shown in the Non-Qualified Deferred Compensation Table), and \$132,000 for 2006 award attributable to the Halliburton Supplemental Executives Retirement Plan (also shown in the Non-Qualified Deferred Compensation Table).
- (13) Mr. Lane's "All Other Compensation" is composed of: \$1,153 incremental cost for company-provided reserved parking, \$8,800 contribution made to the Halliburton Retirement and Savings Plan for the Halliburton Basic Contribution in 2006, \$8,667 contribution made to the Halliburton Retirement and Savings Plan for employer match in 2006, \$55,851 for restricted stock dividends, \$34,400 for 2006 award attributable to the Halliburton Restoration Plan (also shown in the Non-Qualified Deferred Compensation Table), and \$177,000 for 2006 award attributable to the Halliburton Supplemental Executives Retirement Plan (also shown in the Non-Qualified Deferred Compensation Table).
- (14) Mr. McCollum's "All Other Compensation" is composed of: \$8,800 contribution made to the Halliburton Retirement and Savings Plan for the Halliburton Basic Contribution; \$8,800 contribution to the Halliburton Retirement and Savings Plan for employer match in 2006, \$1,500 for financial planning services, \$13,680 for restricted stock dividends, \$14,000 for 2006 award attributable to the Halliburton Restoration Plan (also shown in the Non-Qualified Deferred Compensation Table), and \$100,000 for 2006 award attributable to the Halliburton Supplemental Executives Retirement Plan (also shown in the Non-Qualified Deferred Compensation Table).
- (15) Mr. Mire received approval for early retirement from the Board of Directors on December 7, 2005 to be effective February 1, 2006. Therefore, his "All Other Compensation" is composed of: \$1,045 contribution to the Halliburton Retirement and Savings Plan for the Halliburton Basic Contribution in 2006, \$1,000 contribution to the Halliburton Retirement and Savings Plan for employer match in 2006, \$600,000 severance payment, \$31,149 unused vacation payout, \$293,736 payment attributable to his deferred compensation in the Halliburton Elective Deferral Plan (also included on the Non-Qualified Deferred Compensation table), \$26,473 for his payment attributable to the Halliburton Restoration Plan, \$489,808 for his payment attributable to the Halliburton Supplemental Executives Retirement Plan, and \$30,000 under a one-year consulting agreement between Mr. Mire and Halliburton, which began on July 1, 2006, which pays him \$5,000 per month for twenty hours of service per month, plus reimbursement for reasonable and customary business expenses. Hours worked in excess of twenty hours per month are compensated at \$250 per hour.

15.9 Employment Contracts and Change-in-Control Arrangements

Members of the Board of Directors do not have service and/or employment contracts.

Employment Contracts

Mr. Lesar. Mr. Lesar entered into an employment agreement with Halliburton as of August 1, 1995, which provides for his employment as Executive Vice President and Chief Financial Officer of Halliburton. The agreement also provides that while Mr. Lesar is employed by Halliburton, management will recommend to the Compensation Committee:

- Annual supplemental retirement benefit allocations under the Supplemental Executive Retirement Plan; and
- Annual grants of stock options under Halliburton's 1993 Stock and Incentive Plan, or 1993 Plan.

These recommendations are to be consistent with the criteria utilized by the Compensation Committee for similarly situated executives.

Under the terms of his employment agreement, in the event Mr. Lesar is involuntarily terminated by Halliburton for any reason other than termination for cause (as defined in the agreement), Halliburton is obligated to pay Mr. Lesar a severance payment equal to:

- The value of any restricted shares that are forfeited because of termination; and
- Five times his annual base salary.

Mr. Cornelison. Mr. Cornelison entered into an employment agreement with Halliburton on May 15, 2002, which provides for his employment as Vice President and General Counsel. Mr. Cornelison's employment agreement also provides for an annual salary of not less than \$332,000 and participation in Halliburton's Annual Performance Pay Plan.

Mr. Gaut. Mr. Gaut entered into an employment agreement with Halliburton on March 3, 2003, which provides for his employment as Executive Vice President. Mr. Gaut's employment agreement also provided for his subsequent appointment as Chief Financial Officer, an annual salary of not less than \$500,000 and participation in Halliburton's Annual Performance Pay Plan. In addition, Mr. Gaut was granted 60,000 restricted shares and 200,000 stock options under the 1993 Plan. These amounts have been adjusted to reflect the stock split effected in July 2006.

Mr. McCollum. Mr. McCollum entered into an employment agreement with Halliburton on August 25, 2003, which provides for his employment as Senior Vice President and Chief Accounting Officer. Mr. McCollum's employment agreement also provides for an annual salary of not less than \$350,000 and participation in Halliburton's Annual Performance Pay Plan. In addition, Mr. McCollum was granted 20,000 restricted shares and 40,000 stock options under the 1993 Plan. These amounts have been adjusted to reflect the stock split effected in July 2006.

Under the terms of the employment agreements with Messrs. Cornelison, Gaut and McCollum, if any of these executives are terminated for any reason other than voluntary termination (as defined in the agreements), death, retirement (either at age 65 or voluntarily prior to age 65), permanent disability, or termination by Halliburton for cause (as defined in the agreements), the executive is entitled to severance payments equal to:

- The value of any restricted shares that are forfeited because of termination;
- Two years' base salary;
- Any unpaid bonus earned in prior years; and
- Any bonus payable for the year in which his employment is terminated determined as if he had remained employed for the full year.

Change-In-Control Arrangements

The Company does not maintain individual Change-In-Control agreements or provide for tax gross-ups on any payments associated with Change-In-Control.

Under the 1993 Plan, in the event of a Corporate Change, unless an Award Document otherwise provides, as of the Corporate Change Effective Date, the following will occur automatically:

- any outstanding Options and Stock Appreciation Rights shall become immediately vested and fully exercisable;
- any restrictions on Restricted Stock Awards shall immediately lapse;
- all performance measures upon which an outstanding Performance Award is contingent shall be deemed achieved and the Holder shall receive a payment equal to the maximum amount of the Award he or she would have been entitled to receive, prorated to the Corporate Change Effective Date; and
- any outstanding cash Awards including, but not limited to, Stock Value Equivalent Awards, shall immediately vest and be paid based on the vested value of the award.

Under the Annual Performance Pay Plan:

- in the event of a change-in-control during a plan year, a participant will be entitled to an immediate cash payment equal to the maximum dollar amount he or she would have been entitled to for the year, prorated through the date of the change-in-control; and
- in the event of a change-in-control after the end of a plan year but before the payment date, a participant will be entitled to an immediate cash payment equal to the incentive earned for the plan year.

Under the Performance Unit Program:

- in the event of a change-in-control during a performance cycle, a participant will be entitled to an immediate cash payment equal to the maximum amount he or she would have been entitled to receive for the performance cycle, prorated to the date of the change-in-control; and
- in the event of a change-in-control after the end of a performance cycle but before the payment date, a participant will be entitled to an immediate cash payment equal to the incentive earned for that performance cycle.

Under the Employee Stock Purchase Plan, in the event of a change-in-control, unless the successor corporation assumes or substitutes new stock purchase rights:

- the purchase date for the outstanding stock purchase rights will be accelerated to a date fixed by the Compensation Committee prior to the effective date of the change-in-control, and
- upon such effective date, any unexercised stock purchase rights will expire and Halliburton will refund to each participant the amount of his or her payroll deductions under the Plan, which has not yet been used to purchase stock.

16. **BOARD PRACTICES**

16.1 **Corporate Governance**

Except as otherwise provided by statute, the Company's By-laws provide that all members of the Board of Directors are elected annually at the annual meeting of stockholders by the vote of the majority of votes cast (unless the number of nominees exceeds the number of Directors to be elected, in which event the Directors are elected by the vote a plurality of the shares represented in person or by proxy at the meeting and entitled to vote on the election of Directors) and shall hold office until the next annual meeting and until their successors are duly elected and qualified. A majority of the votes casts means that the number of shares voted "for" a Director must exceed the number of votes cast "against" that Director; abstentions will be ignored.

The Nominating and Corporate Governance Committee, in consultation with the Chief Executive Officer, review each Director's continuation on the Board annually in making its recommendation to the Board concerning his or her nomination for election or reelection as a Director.

The Corporate Governance Guidelines of the Company provide that each incumbent Director nominee prior to being nominated for election or reelection will have signed and delivered to the Board an irrevocable letter of resignation that is deemed tendered as of the date of the certification of the election results for any Director who fails to achieve a majority of the votes cast at an election of Directors. The letter of resignation will be limited to and conditioned on that Director failing to achieve a majority of the votes cast at an election of Directors and such resignation shall only be effective upon acceptance by the Board of Directors.

If an incumbent Director fails to achieve a majority of the votes cast, the Nominating and Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Corporate Governance Committee's recommendation considering all factors that the Board believes to be relevant and will publicly disclose its decision within 90 days from the date of the certification of the election results. The resignation, if accepted by the Board, will be effective at the time of the Board of Director's determination to accept the resignation.

In 1997, our Board of Directors adopted a formal statement of its responsibilities and corporate governance guidelines to ensure effective governance in all areas of its responsibilities. Since 1997, our corporate governance guidelines have been reviewed periodically and revised as appropriate to reflect the dynamic and evolving processes relating to corporate governance, including the operation of the Board. Our Board's corporate governance guidelines, as revised in July 2007, can also be found on the Corporate Governance page of our website at www.halliburton.com (and which such information is not incorporated by reference herein).

Our Board also wants our stockholders to understand how the Board conducts its affairs in all areas of its responsibility. The full text of our Audit; Compensation; Health, Safety and Environment; and Nominating and Corporate Governance Committees' charters are available on our website.

We have posted on our website our Code of Business Conduct, which applies to all of our employees and Directors and serves as a code of ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. If you do not have access to our website you can request a hard copy of the Code of Business Conduct, our corporate governance guidelines and the charters of the Board's committees by contacting the Vice President and Secretary at 5 Houston Center, 1401 McKinney Street, Suite 2400, Houston, Texas 77010. Any waivers to our code of ethics for our executive officers can only be made by our Audit Committee. There were no waivers of the code of ethics in 2006.

16.2 The Board of Directors and Standing Committees Of Directors

The Board of Directors has standing Audit; Compensation; Health, Safety and Environment; and Nominating and Corporate Governance Committees. Each of the standing committees is comprised of non-employee Directors, and the Audit; Compensation; and Nominating and Corporate Governance Committees, are comprised in the business judgment of the Board entirely of independent, non-employee Directors. The Board has made the determination that each of the non-employee Directors is independent because they each meet the independence standards set forth in our corporate governance guidelines. The Board of Directors has determined that Mr. Crandall's service on the audit committees of more than three public companies does not impair his ability to serve on Halliburton's Audit Committee. Our corporate governance guidelines provide that all Directors should attend our Annual Meeting, and all of our Directors attended the 2006 Meeting.

To foster better communication with our stockholders, we have established a process for stockholders to communicate with the Audit Committee and the Board of Directors. The process has been approved by both the Audit Committee and the Board, and meets the requirements of the New York Stock Exchange, or NYSE, and the Securities and Exchange Commission, or SEC. The methods of communication with the Board include mail, a dedicated telephone number and an e-mail address.

Halliburton's Director of Business Conduct, a Halliburton employee, reviews all stockholder communications directed to the Audit Committee and the Board of Directors. The Chairman of the Audit Committee is promptly notified of any significant communication involving accounting, internal accounting controls, or auditing matters. The Lead Director is promptly notified of any other significant stockholder communications, and communications addressed to a named Director are promptly sent to the Director. A report summarizing all communications is sent to each Director quarterly and copies of communications are available for review by any Director. Information regarding these methods of communication is also posted

on our website, www.halliburton.com, under “Corporate Governance” (and which such information is not incorporated by reference herein).

Members of the Committees of the Board of Directors				
Director	Audit Committee	Compensation Committee	Health, Safety and Environment	Nominating and Corporate Governance Committee
Kathleen M. Bader	X		X	
Alan M. Bennett	X			X
James R. Boyd		X	X	
Milton Carroll		X	X	
Robert L. Crandall	X*	X		X
Kenneth T. Derr		X*	X	
S. Malcolm Gillis			X	X
W. R. Howell**		X		X
J. Landis Martin	X			X*
Jay A. Precourt	X		X*	
Debra L. Reed		X		X

* Chairman

** Lead Director

16.2.1 **Audit Committee**

The Audit Committee’s role is one of oversight, while Halliburton’s management is responsible for preparing financial statements. The independent accounting firm appointed to audit our financial statements (the “principal independent accountants”) is responsible for auditing those financial statements. The Audit Committee is not providing any expert or special assurance as to Halliburton’s financial statements or any professional certification as to the principal independent accountants’ work. The following functions are the key responsibilities of the Audit Committee in carrying out its oversight:

- Recommending the appointment of the principal independent public accountants to the Board of Directors, and together with the Board of Directors being responsible for the appointment, compensation, retention and oversight of the work of the principal independent public accountants;
- Reviewing the scope of the principal independent public accountants’ examination and the scope of activities of the internal audit department;
- Reviewing Halliburton’s financial policies and accounting systems and controls;
- Reviewing audited financial statements and interim financial statements;
- Preparing a report for inclusion in Halliburton’s proxy statement regarding the Audit Committee’s review of audited financial statements for the last fiscal year which includes a statement on whether it recommends that the Board include those financial statements in the Annual Report on Form 10-K;
- Approving the services to be performed by the principal independent public accountants; and
- Reviewing and assessing the adequacy of the Audit Committee’s Charter annually and recommending revisions to the Board.

The Audit Committee also reviews Halliburton’s compliance with its Code of Business Conduct, which was formally adopted by the Board in 1992. The Audit Committee meets separately with the principal independent public accountants, internal auditors and management to discuss matters of concern, to receive recommendations or suggestions for change and to exchange relevant views and information.

16.2.2 Compensation Committee

The primary function of the Compensation Committee is to ensure that our compensation program is effective in attracting, retaining and motivating key employees, that it reinforces business strategies and objectives for enhanced stockholder value and that the program is administered in a fair and equitable manner consistent with established policies and guidelines.

The Compensation Committee's responsibilities include, but are not limited to:

- Developing and approving an overall executive compensation philosophy, strategy and framework consistent with corporate objectives and stockholder interests;
- Reviewing and discussing the annual Compensation Discussion and Analysis disclosure with executive management and determining whether to recommend to the Board of Directors that the Compensation Discussion and Analysis be included in our annual proxy statement or Annual Report on Form 10-K;
- Reviewing the evaluation of the Chief Executive Officer's (CEO) performance by the Management Oversight Committee and then, based upon such evaluation, making a recommendation to the non-employee members of the Board of Directors regarding the CEO's compensation for the next year;
- Specifically reviewing and approving all actions relating to compensation, promotion and employment-related arrangements (including severance arrangements) for specified officers of Halliburton, its subsidiaries and affiliates;
- Establishing annual performance criteria and reward schedules under our Annual Performance Pay Plan (or any other similar or successor plans) and certifying the performance level achieved and reward payments at the end of each plan year;
- Establishing performance criteria and award schedules under our Performance Unit Program (or any other similar or successor plans) and certifying the performance level achieved and award payments at the end of each performance cycle;
- Approving any other incentive or bonus plans applicable to specified officers of Halliburton, its subsidiaries and affiliates;
- Administering awards under our 1993 Stock and Incentive Plan and our Supplemental Executive Retirement Plan (or any other similar or successor plans);
- Selecting an appropriate peer group or peer groups against which to measure our total executive compensation program;
- Reviewing and approving or recommending to the Board of Directors, as appropriate, major changes to, and taking administrative actions associated with, any other forms of non-salary compensation under its purview;
- Reviewing and approving the stock allocation budget among all employee groups of Halliburton, its subsidiaries and affiliates;
- Periodically monitoring and reviewing overall compensation program design and practice to ensure continued competitiveness, appropriateness and alignment with established philosophies, strategies and guidelines;
- Reviewing and approving appointments to the Administrative Committee which oversees the day-to-day administration of some of our non-qualified executive compensation plans;
- Retaining persons having special competence (including consultants and other third-party service providers) as necessary to assist the Committee in fulfilling its responsibilities and maintaining the sole authority to retain or terminate these persons, including the authority to approve fees and other retention terms; and
- Performing such other duties and functions as the Board of Directors may from time to time delegate.

16.2.3 **Health, Safety and Environment Committee**

The Health, Safety and Environment Committee's responsibilities include, but are not limited to:

- Reviewing and assessing Halliburton's health, safety and environmental policies and practices and proposing modifications or additions as needed;
- Overseeing the communication and implementation of these policies throughout Halliburton;
- Reviewing annually the health, safety and environmental performance of Halliburton's operating units and their compliance with applicable policies and legal requirements; and
- Identifying, analyzing and advising the Board on health, safety and environmental trends and related emerging issues.

16.2.4 **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee's responsibilities include, but are not limited to:

- Reviewing periodically the corporate governance guidelines adopted by the Board of Directors and recommending revisions to the guidelines as appropriate;
- Developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees. The Committee shall oversee the annual self-evaluations;
- Reviewing and periodically updating the criteria for Board membership and evaluating the qualifications of each Director candidate against the criteria;
- Assessing the appropriate mix of skills and characteristics required of Board members;
- Identifying and screening candidates for Board membership;
- Establishing procedures for stockholders to recommend individuals for consideration by the Committee as possible candidates for election to the Board;
- Reviewing annually each Director's continuation on the Board and recommending to the Board a slate of Director nominees for election at the Annual Meeting of Stockholders;
- Recommending candidates to fill vacancies on the Board;
- Reviewing periodically the status of each Director to assure compliance with the Board's policy that at least two-thirds of Directors meet the definition of independent Director;
- Reviewing the Board's committee structure, and recommending to the Board for its approval Directors to serve as members and as Chairs of each committee;
- Reviewing annually any stockholder proposals submitted for inclusion in Halliburton's proxy statement and recommending to the Board any Halliburton statements in response; and
- Reviewing periodically Halliburton's Director compensation practices, conducting studies and recommending changes, if any, to the Board.

Stockholder Nominations of Directors. Nominations by stockholders may be made at an Annual Meeting of Stockholders in the manner provided in our By-laws. The By-laws provide that a stockholder entitled to vote for the election of Directors may make nominations of persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Nominations shall be made pursuant to written notice to the Vice President and Secretary at 5 Houston Center, 1401 McKinney Street, Suite 2400, Houston, Texas 77010 and must be received at our principal executive offices not less than ninety (90) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders. The notice shall set forth:

- as to each person the stockholder proposes to nominate for election or reelection as a Director:
 - the name, age, business address and residence address of the person;

- the principal occupation or employment of the person;
 - the class and number of shares of Halliburton common stock that are beneficially owned by the person; and
 - all other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and
- as to the stockholder giving the notice:
 - the name and record address of the stockholder; and
 - the class and number of shares of Halliburton common stock that are beneficially owned by the stockholder.

The proposed nominee may be required to furnish other information as Halliburton may reasonably require to determine the eligibility of the proposed nominee to serve as a Director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

Qualifications of Directors. Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

- Personal characteristics:
 - highest personal and professional ethics, integrity and values;
 - an inquiring and independent mind; and
 - practical wisdom and mature judgment;
- Broad training and experience at the policy-making level in business, government, education or technology;
- Expertise that is useful to Halliburton and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained;
- Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;
- Commitment to serve on the Board for several years to develop knowledge about Halliburton's principal operations;
- Willingness to represent the best interests of all stockholders and objectively appraise management performance; and
- Involvement only in activities or interests that do not create a conflict with the Director's responsibilities to Halliburton and its stockholders.

The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the needs of the Board at a given point in time and shall periodically review and update the criteria. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

Process for the Selection of New Directors. The Board is responsible for filling vacancies on the Board. The Board has delegated to the Nominating and Corporate Governance Committee the duty of selecting and recommending prospective nominees to the Board for approval. The Nominating and Corporate Governance Committee considers suggestions of candidates for Board membership made by current Committee and Board members, Halliburton management, and stockholders. The Committee may retain an independent executive search firm to identify candidates for consideration. The Committee retained the

executive search firm Korn/Ferry International to assist its search in identifying and evaluating Director nominees, and this search firm identified both Mr. Carroll and Ms. Bader as potential Director candidates. A stockholder who wishes to recommend a prospective candidate should notify Halliburton's Vice President and Secretary, as described in this proxy statement.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, the Committee determines whether it will carry out a full evaluation of the candidate. This determination is based on the information provided to the Committee by the person recommending the prospective candidate, and the Committee's knowledge of the candidate. This information may be supplemented by inquiries to the person who made the recommendation or to others. The preliminary determination is based on the need for additional Board members to fill vacancies or to expand the size of the Board, and the likelihood that the candidate will meet the Board membership criteria listed above. The Committee will determine, after discussion with the Chairman of the Board and other Board members, whether a candidate should continue to be considered as a potential nominee. If a candidate warrants additional consideration, the Committee may request an independent executive search firm to gather additional information about the candidate's background, experience and reputation and to report its findings to the Committee. The Committee then evaluates the candidate and determines whether to interview the candidate. Such an interview would be carried out by one or more members of the Committee and others as appropriate. Once the evaluation and interview are completed, the Committee recommends to the Board which candidates should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee's report.

16.3 Compliance

Halliburton is in compliance with the corporate governance regime of the USA.

17. EMPLOYEES

The information included in this paragraph 17 is provided as of the most recent practicable date. Any information regarding Mr. Lane, who at the date of this Prospectus is no longer an Executive Officer of and is not employed by Halliburton, shall be disregarded.

17.1 Employees

At September 30, 2007, we employed approximately 49,000 people worldwide compared to 45,000 at December 31, 2006, 39,000 at December 31, 2005 and 36,000 at December 31, 2004. At December 31, 2006, approximately 10% of our employees were subject to collective bargaining agreements. Based upon the geographic diversification of these employees, we believe any risk of loss from employee strikes or other collective actions would not be material to the conduct of our operations taken as a whole.

The following table provides the percentage of employees affiliated with our geographic regions.

	September 30, 2007	December 31,		
		2006	2005	2004
North America	32%	33%	32%	30%
Latin America	14	13	14	15
Europe/Africa/CIS	21	20	21	21
Middle East/Asia	15	15	14	14
Other non-country (1)	18	19	19	20

(1) Includes global functions and other employees who are not assigned to countries, such as those within the supply chain function.

17.2 Options and Common Stock held by Directors and all executive officers

The following table sets forth, as of March 1, 2007, the amount of our common stock owned beneficially by each Director, each Director Nominee, each of the executive officers named in the Summary Compensation Table and all Directors, Director Nominees and executive officers as a group. Please note that Ms. Bader did not become a member of the Board of Directors until May 15, 2007; please also note that, as of May 15, 2007, Mr. Hunt is no longer a member of the Board of Directors.

Name of Beneficial Owner or Number of Persons in Group	Amount and Nature of Beneficial Ownership		
	Sole Voting and Investment Power ⁽¹⁾	Shared Voting Or Investment Power ⁽²⁾	Percent of Class
Kathleen M. Bader	0		*
Alan M. Bennett	8,965		*
James R. Boyd	10,965		*
Milton Carroll	2,000		*
Albert O. Cornelison, Jr.	207,406		*
Robert L. Crandall	26,468		*
Kenneth T. Derr	35,291		*
C. Christopher Gaut	518,455		*
S. Malcolm Gillis	10,491		*
W. R. Howell	24,268		*
Ray L. Hunt	179,785	139,424 (3)	*
Andrew R. Lane	288,484		*
David J. Lesar	1,694,619	40,000 (3)	*
J. Landis Martin	78,493		*
Mark A. McCollum	85,771		*
Jay A. Precourt	61,771		*
Debra L. Reed	29,291	500 (3)	*
Shares owned by all current Directors, Director Nominees and executive officers as a group (21 persons)	3,661,709		*

* Less than 1% of shares outstanding.

- (1) Included in the table are shares of common stock eligible for purchase pursuant to outstanding stock options within 60 days of March 1, 2007 for the following: Mr. Cornelison – 40,227; Mr. Crandall – 6,000; Mr. Derr – 14,000; Mr. Gaut – 301,214; Mr. Howell – 6,000; Mr. Hunt – 23,000; Mr. Lane – 31,280; Mr. Lesar – 352,000; Mr. Martin – 23,000; Mr. McCollum – 21,666; Mr. Precourt – 23,000; Ms. Reed – 14,000 and four unnamed executive officers – 198,309. Until the options are exercised, these individuals will neither have voting nor investment power over the underlying shares of common stock but only have the right to acquire beneficial ownership of the shares through exercise of their respective options.
- (2) The Halliburton Stock Fund is an investment fund established under the Halliburton Company Employee Benefit Master Trust to hold Halliburton common stock for some of Halliburton's profit sharing, retirement and savings plans. The Fund held 10,603,829 shares of common stock at February 27, 2007. One executive officer not named in the above table has beneficial interests in the Fund. Shares held in the Fund are not allocated to any individual's account. The shares of common stock which might be deemed to be beneficially owned as of March 1, 2007 by the unnamed executive officer total 863.36. The Trustee, State Street Bank and Trust Company, votes shares held in the Halliburton Stock Fund in accordance with voting instructions from the participants. Under the terms of the plans, a participant has the right to determine whether up to 15% of his account balance in a plan is invested in the Halliburton Stock Fund. The Trustee, however, determines when sales or purchases are to be made. On January 1, 2007, the Halliburton Stock Fund stopped accepting contributions, transfers or loan repayments. A three-year sunset period for the fund has begun and any balance remaining in the fund at the end of the period will be redirected to an alternate investment fund.
- (3) Mr. Hunt holds 139,424 shares as the trustee of trusts established for the benefit of his children. Mr. Lesar holds 40,000 shares in a family partnership. Ms. Reed has shared voting and investment power over 500 shares held in her husband's Individual Retirement Account.

All options granted under the 1993 Plan are granted at the fair market value of the common stock on the grant date and generally expire ten years from the grant date. During employment, options vest over a three-year period, with one-third of the shares becoming exercisable on each of the first, second and third anniversaries of the grant date. The options granted to designated executives are transferable by gift to individuals and entities related to the optionee, subject to compliance with guidelines adopted by the Compensation Committee.

Grants of Plan-Based Awards in Fiscal 2006

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)				
David J. Lesar	01/01/2006 12/06/2006	1,250,000	2,500,000	5,000,000	84,374	348,699	33.17	7,525,998
Albert O. Cornelison, Jr.	01/01/2006 12/06/2006	288,750	577,500	1,155,000	30,200	31,200	33.17	1,424,712
C. Christopher Gaut	01/01/2006 12/06/2006	345,000	690,000	1,380,000	45,400	46,900	33.17	2,141,741
Andrew R. Lane	01/01/2006 05/16/2006 12/06/2006	390,000	780,000	1,560,000	20,000 53,700	55,500	33.17	750,100 2,533,643
Mark A. McCollum	01/01/2006 12/06/2006	98,750	197,500	395,000	13,000	13,400	33.17	612,874
Weldon J. Mire (1)	N/A	0	0	0	0	0	0	1,083,101

(1) Mr. Mire received approval for early retirement from the Board of Directors on December 7, 2005. This approval also included the retention of his outstanding stock awards at termination, which was considered a material modification to the original awards. The modification of Mr. Mire's outstanding stock awards was effective on his February 1, 2006 retirement date. The incremental fair value of the outstanding awards was calculated as of the modification date, and the required compensation expense was recognized at the retirement date.

Note: "Estimated Future Payouts Under Equity Incentive Plan" columns are intentionally excluded as the non-equity incentive payout awards are not paid in shares.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2006

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock Not Vested (#)	Market Value of Shares or Units of Stock Not Vested (\$)(7)
David J. Lesar (1).....	06/01/1997					20,000	621,000
	09/29/1998					20,000	621,000
	12/06/2000					28,000	869,400
	10/01/2001					154,408	4,794,368
	01/02/2002					185,290	5,753,255
	04/01/2002					185,284	5,753,068
	01/02/2004	0	66,666	13.02	01/02/2014	120,000	3,726,000
	12/02/2004	92,000	46,000	19.31	12/02/2014	87,600	2,719,980
	03/03/2005	66,667	133,333	22.04	03/03/2015		
	12/07/2005	60,000	120,000	32.39	12/07/2015	128,000	3,974,400
	12/06/2006	0	348,699	33.17	12/06/2016	84,374	2,619,813
Total		218,667	714,698			1,012,956	31,452,284
Albert O. Cornelison, Jr. (2) ...	10/01/2001					7,875	244,519
	01/02/2002					9,450	293,423
	04/01/2002					9,450	293,423
	09/11/2002					18,000	558,900
	01/02/2004	0	21,960	13.02	01/02/2014	37,932	1,177,789
	12/02/2004	8,000	8,000	19.31	12/02/2014	15,000	465,750
	12/07/2005	10,267	20,533	32.39	12/07/2015	22,560	700,488
	12/06/2006	0	31,200	33.17	12/06/2016	30,200	937,710
Total		18,267	81,693			150,467	4,672,002
C. Christopher Gaut (3).....	03/03/2003	200,000	0	10.25	03/03/2013	42,000	1,304,100
	01/02/2004	43,920	21,960	13.02	01/02/2014	37,932	1,177,789
	12/02/2004	22,000	11,000	19.31	12/02/2014	20,520	637,146
	12/07/2005	13,334	26,666	32.39	12/07/2015	29,280	909,144
	12/06/2006	0	46,900	33.17	12/06/2016	45,400	1,409,670
Total		279,254	106,526			175,132	5,437,849
Andrew R. Lane (4).....	03/09/1998					160	4,968
	06/02/1998					2,000	62,100
	07/29/1999					1,500	46,575
	10/01/2001					5,175	160,684
	01/02/2002					6,210	192,821
	04/01/2002					6,210	192,821
	05/14/2002					6,000	186,300
	05/23/2002					1,200	37,260
	03/16/2004	0	5,346	14.43	03/16/2014	9,240	286,902
	07/23/2004					24,000	745,200
	12/02/2004	12,600	12,600	19.31	12/02/2014	22,800	707,940
	02/15/2005					40,000	1,242,000
	12/07/2005	13,334	26,666	32.39	12/07/2015	29,280	909,144
	05/16/2006					20,000	621,000
	12/06/2006	0	55,500	33.17	12/06/2016	53,700	1,667,385
Total		25,934	100,112			227,475	7,063,100
Mark A. McCollum (5).....	09/10/2003	13,332	0	12.17	09/10/2013	8,000	248,400
	12/02/2004	6,000	3,000	19.31	12/02/2014	6,000	186,300
	12/07/2005	2,334	4,666	32.39	12/07/2015	16,000	496,800
	12/07/2005					5,280	163,944
	12/06/2006	0	13,400	33.17	12/06/2016	13,000	403,650
Total		21,666	21,066			48,280	1,499,094
Weldon J. Mire (6).....	07/19/2001	1,612	0	15.78	07/19/2011		
	01/02/2004	4,540	4,540	13.02	01/02/2014		
	12/02/2004	6,000	3,000	19.31	12/02/2014		
Total		12,152	7,540				

- (1) Mr. Lesar's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules. His remaining restricted stock awards will continue to lapse (vest) in equal amounts over each grant's ten-year vesting schedule, except for the January 2, 2004, December 2, 2004 and December 7, 2005 awards, which will lapse in equal amounts over five years.
- (2) Mr. Cornelison's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules. His remaining restricted stock awards will continue to lapse (vest) in equal amounts over each grant's ten-year vesting schedule, except for the January 2, 2004, December 2, 2004 and December 7, 2005 awards, which will lapse in equal amounts over five years.
- (3) Mr. Gaut's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules. His remaining restricted stock awards will continue to lapse (vest) in equal amounts over each grant's five-year vesting schedule, except for the March 3, 2003 and December 6, 2006 awards, which will lapse in equal amounts over ten years.
- (4) Mr. Lane's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules. His remaining restricted stock awards will continue to lapse (vest) in equal amounts over each grant's ten-year vesting schedule, except for the March 16, 2004, July 23, 2004, December 2, 2004, February 15, 2005, December 7, 2005 and May 16, 2006 awards, which will lapse in equal amounts over five years.
- (5) Mr. McCollum's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules. His remaining restricted stock awards will continue to lapse (vest) in equal amounts over each grant's five-year vesting schedule, except for the December 6, 2006 award, which will lapse in equal amounts over ten years.

(6) Mr. Mire's remaining stock option awards will continue to vest annually in equal amounts over three-year vesting schedules.

(7) All values are calculated using Halliburton's closing price on December 29, 2006 of \$31.05.

Note: "Equity Incentive Plan Awards" columns are intentionally excluded as this type of award is not utilized.

2006 OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
David J. Lesar	923,682	13,613,728	238,844	7,776,763
Albert O. Cornelison, Jr.	33,896	611,744	31,011	985,097
C. Christopher Gaut	0	0	32,804	1,075,438
Andrew R. Lane	20,532	373,561	43,087	1,432,571
Mark A. McCollum	0	0	11,320	365,341
Weldon J. Mire	0	0	41,606	1,614,686

(1) The value realized for exercised stock option awards was determined by multiplying the spread (difference between the market price of the underlying stock on the date of exercise and the exercise price of the options) by the number of options exercised for each exercise. The value listed represents the total value of options exercised in 2006.

(2) The value realized for lapsed restricted stock awards was determined by multiplying the fair market value (closing market price of Halliburton common stock on the date of lapse) of the shares as of lapse date by the number of shares that lapsed. These shares lapsed on various dates throughout the year.

17.3 Share ownership by employees

Details on share ownership by employees is as follows:

Under the terms of the 1993 Plan, 98 million shares of common stock have been reserved for issuance to employees and non-employee directors. The plan specifies that no more than 32 million shares can be awarded as restricted stock. At December 31, 2006, approximately 20 million shares were available for future grants under the 1993 Plan, of which approximately 11 million shares remained available for restricted stock awards. The stock to be offered pursuant to the grant of an award under the 1993 Plan may be authorized but unissued common shares or treasury shares.

In addition to the provisions of the 1993 Plan, we also have stock-based compensation provisions under our Restricted Stock Plan for Non-Employee Directors and our ESPP.

Each of the active stock-based compensation arrangements is discussed below.

Stock options

All stock options under the 1993 Plan are granted at the fair market value of our common stock at the grant date. Employee stock options vest ratably over a three- or four-year period and generally expire 10 years from the grant date. Stock options granted to non-employee directors vest after six months. Compensation expense for stock options is generally recognized on a straight line basis over the entire vesting period. No further stock option grants are being made under the stock plans of acquired companies.

The following table represents our stock options activity during 2006, and includes exercised, forfeited, and expired shares from our acquired companies' stock plans.

Stock Options	Number of Shares (in millions)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2006	22.4	\$ 16.81		
Granted	1.9	34.32		
Exercised	(6.3)	17.35		
Forfeited	(0.3)	19.78		
Expired	(0.1)	15.45		
Outstanding at December 31, 2006	17.6	\$ 18.55	5.79	\$ 227
Exercisable at December 31, 2006	12.7	\$ 15.66	4.73	\$ 196

The total intrinsic value of options exercised was \$123 million in 2006, \$194 million in 2005, and \$19 million in 2004. As of December 31, 2006, there was \$37 million of unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 1.8 years.

Cash received from option exercises was \$159 million during 2006, \$342 million during 2005, and \$63 million during 2004. The tax benefit realized from the exercise of stock options was \$42 million in 2006.

Restricted stock

Restricted shares issued under the 1993 Plan are restricted as to sale or disposition. These restrictions lapse periodically over an extended period of time not exceeding 10 years. Restrictions may also lapse for early retirement and other conditions in accordance with our established policies. Upon termination of employment, shares on which restrictions have not lapsed must be returned to us, resulting in restricted stock forfeitures. The fair market value of the stock on the date of grant is amortized and charged to income on a straight-line basis over the requisite service period for the entire award.

Our Restricted Stock Plan for Non-Employee Directors (Directors Plan) allows for each non-employee director to receive an annual award of 800 restricted shares of common stock as a part of compensation. These awards have a minimum restriction period of six months and the restrictions lapse upon termination of Board service. The fair market value of the stock on the date of grant is amortized. We reserved 200,000 shares of common stock for issuance to non-employee directors, which may be authorized but unissued common shares or treasury shares. At December 31, 2006, 106,400 shares had been issued to non-employee directors under this plan. There were 8,000 shares, 6,400 shares, and 8,000 shares of restricted stock awarded under the Directors Plan in 2006, 2005, and 2004. In addition, during 2006, our non-employee directors were awarded 30,168 shares of restricted stock under the 1993 Plan, which are included in the table below.

The following table represents our 1993 Plan and Directors Plan restricted stock awards and restricted stock units granted, vested, and forfeited during 2006.

Restricted Stock	Number of Shares (in millions)	Weighted Average Grant-Date Fair Value per Share
Nonvested shares at January 1, 2006	7.5	\$ 17.07
Granted	2.5	34.39
Vested	(1.8)	17.04
Forfeited	(0.3)	20.70
Nonvested shares at December 31, 2006	7.9	\$ 22.50

The weighted average grant-date fair value of shares granted during 2005 was \$24.28 and during 2004 was \$14.86. The total fair value of shares vested during 2006 was \$64 million, during 2005 was \$49 million, and during 2004 was \$24 million. As of December 31, 2006, there was \$139 million of

unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock, which is expected to be recognized over a weighted average period of 4.3 years.

2002 Employee Stock Purchase Plan

Under the ESPP, eligible employees may have up to 10% of their earnings withheld, subject to some limitations, to be used to purchase shares of our common stock. Unless the Board of Directors shall determine otherwise, each six-month offering period commences on January 1 and July 1 of each year. The price at which common stock may be purchased under the ESPP is equal to 85% of the lower of the fair market value of the common stock on the commencement date or last trading day of each offering period. Under this plan, 24 million shares of common stock have been reserved for issuance. They may be authorized but unissued shares or treasury shares. As of December 31, 2006, 11.7 million shares have been sold through the ESPP.

18. MAJOR SHAREHOLDERS

The major shareholders do not have different voting rights attaching to their Common Stock. To the extent known to Halliburton it is not directly or indirectly owned or controlled. The following persons hold over five percent (5%) of the issued Common Stock of the Company as of September 30, 2007:

<u>Name and Address of Beneficial Owner</u>	<u>Amount of Beneficial Ownership</u>	<u>Percent of Class</u>
Wellington Management Company, LLP 75 State Street, Boston, MA 02109 USA	47,795,991	5.42

19. RELATED PARTY TRANSACTIONS

The Company sells and purchases products and services from companies associated with certain officers or directors of the Company none of which, singularly or in aggregate, is material to Halliburton. The related party transactions represented 2% of the turnover of Halliburton for the financial year ended December 31, 2006.

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 **Audited financial information for the year ended December 31, 2006 is contained in Section 1 of Part III of this document, in the Form 10-K.**

20.2 **Unaudited financial information for the third quarter of 2007 is contained in Section 2 of Part III of this document, in the Form 10-Q.**

20.3 **Audited financial information for the year ended December 31, 2005 is contained in Section 3 of Part III of this document, in the Form 10-K.**

20.4 **Audited financial information for the year ended December 31, 2004 is contained in Section 4 of Part III of this document, in the Form 10-K.**

20.5 **Dividend policy**

Cash dividends on common stock in the amount of \$0.075 for 2006 and \$0.0625 for 2005 were paid in March, June, September, and December. Our Board of Directors intends to consider the payment of quarterly dividends on the outstanding shares of our common stock in the future. The declaration and payment of future dividends, however, will be at the discretion of the Board of Directors and will depend upon, among other things, future earnings, general financial condition and liquidity, success in business activities, capital requirements, and general business conditions. The Board of Directors approved a \$0.015 increase to the dividend in May 2007.

20.6 Share repurchase program

In February 2006, our Board of Directors approved a share repurchase program of up to \$1.0 billion. In September 2006, our Board of Directors approved an increase to our existing common share repurchase program of up to an additional \$2.0 billion. In July 2007, our Board of Directors approved an additional increase to our existing common share repurchase program of up to \$2.0 billion, bringing the entire authorization to \$5.0 billion.

20.7 Legal and arbitration proceedings

The following is a summary of governmental, legal or arbitration proceedings (including pending or threatened proceedings of which Halliburton is aware) during the period commencing 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

20.7.1 KBR, Inc. Separation

We entered into various agreements relating to the separation of KBR, including, among others, a master separation agreement, a registration rights agreement, a tax-sharing agreement, transition services agreements, and an employee matters agreement. The master separation agreement provides for, among other things, KBR's responsibility for liabilities related to its business and Halliburton's responsibility for liabilities unrelated to KBR's business. Halliburton provides indemnification in favor of KBR under the master separation agreement for certain contingent liabilities, including Halliburton's indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the master separation agreement, for:

- fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the United States Foreign Corrupt Practices Act (FCPA) or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by TSKJ of a natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria; and
- all out-of-pocket cash costs and expenses, or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after the effective date of the master separation agreement as a result of the replacement of the subsea flowline bolts installed in connection with the Barracuda-Caratinga project. For further discussion of these matters, please refer to paragraph 20.7.4 below and to Note 10 of our condensed consolidated financial statements in our Form 10-Q for the period ended September 30, 2007 (set out in Part III of this Prospectus).

As a result of these agreements, we recorded the amount of \$190 million, as a reduction of the gain on the disposition of KBR, to reflect our estimated fair value of the above indemnities and guarantees, net of the associated estimated future tax benefit. The estimated fair value of these indemnities and guarantees is primarily included in "Other liabilities" on the condensed consolidated balance sheet in our Form 10-Q for the period ended September 30, 2007 (set out in Part III of this Prospectus).

20.7.2 Asbestos and Silica Obligations and Insurance Recoveries

Several of our subsidiaries, particularly DII Industries and Kellogg Brown & Root, had been named as defendants in a large number of asbestos- and silica-related lawsuits. Effective December 31, 2004, we resolved all open and future claims in the prepackaged Chapter 11 proceedings of DII Industries, Kellogg Brown & Root, and our other affected subsidiaries (which were filed on December 16, 2003) when the plan of reorganization became final and nonappealable.

During 2004, we settled insurance disputes with substantially all the insurance companies for asbestos- and silica-related claims and all other claims under the applicable insurance policies and terminated all the applicable insurance policies. Under the terms of our insurance settlements, we would receive cash proceeds with a nominal amount of approximately \$1.5 billion which carried a then-present value of approximately \$1.4 billion for our asbestos- and silica-related insurance receivables. Such present-value was determined by discounting the expected future cash payments with a discount rate implicit in the settlements, which ranged from 4.0% to 5.5%. This discount is being accreted as interest income

(classified as discontinued operations) over the life of the expected future cash payments. Cash payments of approximately \$167 million related to these receivables were received in 2006, and cash payments of approximately \$24 million related to these receivables were received in the first nine months of 2007. At September 30, 2007, the remaining amounts that we will receive under the terms of the settlement agreements totaled \$238 million or \$223 million on a present value basis, to be paid in several installments through 2010. Of the \$223 million recorded at September 30, 2007, \$90 million was classified as current.

Under the insurance settlements entered into as part of the resolution of our Chapter 11 proceedings, we have agreed to indemnify our insurers under certain historic general liability insurance policies in certain situations. We have concluded that the likelihood of any claims triggering the indemnity obligations is remote, and we believe any potential liability for these indemnifications will be immaterial. At September 30, 2007, we had not recorded any liability associated with these indemnifications.

20.7.3 Nigerian joint venture and investigations

The SEC is conducting a formal investigation into whether improper payments were made to government officials in Nigeria through the use of agents or subcontractors in connection with the construction and subsequent expansion by TSKJ (as defined below) of a multibillion dollar natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. The DOJ is also conducting a related criminal investigation. The SEC has also issued subpoenas seeking information, which we and KBR are furnishing, regarding current and former agents used in connection with multiple projects, including current and prior projects, over the past 20 years located both in and outside of Nigeria in which the Halliburton energy services business, KBR or affiliates, subsidiaries or joint ventures of Halliburton or KBR, are or were participants. In September 2006 and October 2007, the SEC and the DOJ, respectively, each requested that we enter into an agreement to extend the statute of limitations with respect to its investigation. We anticipate that we will enter into an appropriate agreement with each of the SEC and the DOJ.

TSKJ is a private limited liability company registered in Madeira, Portugal whose members are Technip SA of France, Snamprogetti Netherlands B.V. (a subsidiary of Saipem SpA of Italy), JGC Corporation of Japan, and Kellogg Brown & Root LLC (a subsidiary of KBR), each of which had an approximate 25% interest in the venture. TSKJ and other similarly owned entities entered into various contracts to build and expand the liquefied natural gas project for Nigeria LNG Limited, which is owned by the Nigerian National Petroleum Corporation, Shell Gas B.V., Cleag Limited (an affiliate of Total), and Agip International B.V. (an affiliate of ENI SpA of Italy).

The SEC and the DOJ have been reviewing these matters in light of the requirements of the FCPA. In addition to performing our own investigation, we have been cooperating with the SEC and the DOJ investigations and with other investigations in France, Nigeria, and Switzerland regarding the Bonny Island project. The government of Nigeria gave notice in 2004 to the French magistrate of a civil claim as an injured party in the French investigation. We also believe that the Serious Fraud Office in the United Kingdom is conducting an investigation relating to the Bonny Island project. Our Board of Directors has appointed a committee of independent directors to oversee and direct the FCPA investigations. Through our committee of independent directors, we will continue to oversee and direct the investigations.

The matters under investigation relating to the Bonny Island project cover an extended period of time (in some cases significantly before our 1998 acquisition of Dresser Industries (the ultimate parent of the predecessor of KBR at such time) and continuing through the current time period). We have produced documents to the SEC and the DOJ from the files of numerous officers and employees of Halliburton and KBR, including current and former executives of Halliburton and KBR, both voluntarily and pursuant to company subpoenas from the SEC and a grand jury, and we are making our employees and KBR is making its employees available to the SEC and the DOJ for interviews. In addition, the SEC has issued a subpoena to A. Jack Stanley, who formerly served as a consultant and chairman of Kellogg Brown & Root LLC, and to others, including certain of our and KBR's current or former executive officers, and at least one subcontractor of KBR. We further understand that the DOJ has issued subpoenas for the purpose of obtaining information abroad, and we understand that other partners in TSKJ have provided information to the DOJ and the SEC with respect to the investigations, either voluntarily or under subpoenas.

The SEC and DOJ investigations include an examination of whether TSKJ's engagements of Tri-Star Investments as an agent and a Japanese trading company as a subcontractor to provide services to TSKJ were utilized to make improper payments to Nigerian government officials. In connection with the Bonny Island project, TSKJ entered into a series of agency agreements, including with Tri-Star Investments, of which Jeffrey Tesler is a principal, commencing in 1995 and a series of subcontracts with a Japanese trading company commencing in 1996. We understand that a French magistrate has officially placed Mr.

Tesler under investigation for corruption of a foreign public official. In Nigeria, a legislative committee of the National Assembly and the Economic and Financial Crimes Commission, which is organized as part of the executive branch of the government, are also investigating these matters. Our representatives have met with the French magistrate and Nigerian officials. In October 2004, representatives of TSKJ voluntarily testified before the Nigerian legislative committee.

TSKJ suspended the receipt of services from and payments to Tri-Star Investments and the Japanese trading company and has considered instituting legal proceedings to declare all agency agreements with Tri-Star Investments terminated and to recover all amounts previously paid under those agreements. In February 2005, TSKJ notified the Attorney General of Nigeria that TSKJ would not oppose the Attorney General's efforts to have sums of money held on deposit in accounts of Tri-Star Investments in banks in Switzerland transferred to Nigeria and to have the legal ownership of such sums determined in the Nigerian courts.

As a result of these investigations, information has been uncovered suggesting that, commencing at least 10 years ago, members of TSKJ planned payments to Nigerian officials. We have reason to believe that, based on the ongoing investigations, payments may have been made by agents of TSKJ to Nigerian officials. In addition, information uncovered in the summer of 2006 suggests that, prior to 1998, plans may have been made by employees of The M.W. Kellogg Company (a predecessor of a KBR subsidiary) to make payments to government officials in connection with the pursuit of a number of other projects in countries outside of Nigeria. We are reviewing a number of more recently discovered documents related to KBR's activities in countries outside of Nigeria with respect to agents for projects after 1998. Certain activities discussed in this paragraph involve current or former employees or persons who were or are consultants to KBR, and our investigation is continuing.

In June 2004, all relationships with Mr. Stanley and another consultant and former employee of M.W. Kellogg Limited were terminated. The terminations occurred because of Code of Business Conduct violations that allegedly involved the receipt of improper personal benefits from Mr. Tesler in connection with TSKJ's construction of the Bonny Island project.

In 2006 and 2007, KBR suspended the services of other agents in and outside of Nigeria, including one agent who, until such suspension, had worked for KBR outside of Nigeria on several current projects and on numerous older projects going back to the early 1980s. Such suspensions have occurred when possible improper conduct has been discovered or alleged or when Halliburton and KBR have been unable to confirm the agent's compliance with applicable law and the Code of Business Conduct.

The SEC and DOJ are also investigating and have issued subpoenas concerning TSKJ's use of an immigration services provider, apparently managed by a Nigerian immigration official, to which approximately \$1.8 million in payments in excess of costs of visas were allegedly made between approximately 1997 and the termination of the provider in December 2004 and our 2007 reporting of this matter to the government. We understand that TSKJ terminated the immigration services provider after a KBR employee discovered the issue.

If violations of the FCPA were found, a person or entity found in violation could be subject to fines, civil penalties of up to \$500,000 per violation, equitable remedies, including disgorgement (if applicable) generally of profits, including prejudgment interest on such profits, causally connected to the violation, and injunctive relief. Criminal penalties could range up to the greater of \$2 million per violation or twice the gross pecuniary gain or loss from the violation, which could be substantially greater than \$2 million per violation. It is possible that both the SEC and the DOJ could assert that there have been multiple violations, which could lead to multiple fines. The amount of any fines or monetary penalties that could be assessed would depend on, among other factors, the findings regarding the amount, timing, nature, and scope of any improper payments, whether any such payments were authorized by or made with knowledge of us, KBR or our or KBR's affiliates, the amount of gross pecuniary gain or loss involved, and the level of cooperation provided the government authorities during the investigations. The government has expressed concern regarding the level of our cooperation. Agreed dispositions of these types of violations also frequently result in an acknowledgement of wrongdoing by the entity and the appointment of a monitor on terms negotiated with the SEC and the DOJ to review and monitor current and future business practices, including the retention of agents, with the goal of assuring compliance with the FCPA.

These investigations could also result in third-party claims against us, which may include claims for special, indirect, derivative or consequential damages; damage to our business or reputation; loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value; or claims by directors, officers, employees, affiliates, advisers, attorneys, agents, debt holders, or other interest holders or constituents of us or our current or former subsidiaries. In addition, we could incur costs

and expenses for any monitor required by or agreed to with a governmental authority to review our continued compliance with FCPA law.

As of September 30, 2007, we are unable to estimate an amount of probable loss or a range of possible loss related to these matters as it relates to Halliburton directly. However, we provided indemnification in favor of KBR under the Master Separation Agreement for certain contingent liabilities, including Halliburton's indemnification of KBR and any of its greater than 50%-owned subsidiaries as of November 20, 2006, the date of the Master Separation Agreement, for fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority in the United States, the United Kingdom, France, Nigeria, Switzerland, and/or Algeria, or a settlement thereof, related to alleged or actual violations occurring prior to November 20, 2006 of the FCPA or particular, analogous applicable foreign statutes, laws, rules, and regulations in connection with investigations pending as of that date, including with respect to the construction and subsequent expansion by TSKJ of a natural gas liquefaction complex and related facilities at Bonny Island in Rivers State, Nigeria. We recorded the estimated fair market value of this indemnity regarding FCPA matters described above upon our separation from KBR.

Our indemnification obligation to KBR does not include losses resulting from third-party claims against KBR, including claims for special, indirect, derivative or consequential damages, nor does our indemnification apply to damage to KBR's business or reputation, loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business prospects, profits or business value or claims by directors, officers, employees, affiliates, advisers, attorneys, agents, debt holders, or other interest holders or constituents of KBR or KBR's current or former subsidiaries.

In consideration of our agreement to indemnify KBR for the liabilities referred to above, KBR has agreed that we will at all times, in our sole discretion, have and maintain control over the investigation, defense and/or settlement of these FCPA matters until such time, if any, that KBR exercises its right to assume control of the investigation, defense and/or settlement of the FCPA matters as it relates to KBR. KBR has also agreed, at our expense, to assist with Halliburton's full cooperation with any governmental authority in our investigation of these FCPA matters and our investigation, defense and/or settlement of any claim made by a governmental authority or court relating to these FCPA matters, in each case even if KBR assumes control of these FCPA matters as it relates to KBR. If KBR takes control over the investigation, defense, and/or settlement of FCPA matters, refuses a settlement of FCPA matters negotiated by us, enters into a settlement of FCPA matters without our consent, or materially breaches its obligation to cooperate with respect to our investigation, defense, and/or settlement of FCPA matters, we may terminate the indemnity.

20.7.4 Barracuda-Caratinga arbitration

We have also provided an indemnity in favor of KBR under the Master Separation Agreement for all out-of-pocket cash costs and expenses (except for legal fees and other expenses of the arbitration so long as KBR controls and directs it), or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after November 20, 2006 as a result of the replacement of certain subsea flowline bolts installed in connection with the Barracuda-Caratinga project, which included Petróleo Brasileiro SA as the principal counter-party. Under the Master Separation Agreement, KBR currently controls the defense, counterclaim, and settlement of the subsea flowline bolts matter. As a condition of our indemnity, for any settlement to be binding upon us, KBR must secure our prior written consent to such settlement's terms. We have the right to terminate the indemnity in the event KBR enters into any settlement without our prior written consent.

At Petrobras's direction, KBR replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and KBR has informed us that additional bolts have failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. The designation of the material to be used for the bolts was issued by Petrobras, and as such, we understand that KBR believes the cost resulting from the replacement of such flowline bolts is not KBR's responsibility. We understand Petrobras disagrees. We understand KBR believes several possible solutions may exist, including replacement of the bolts. Estimates indicate that costs of these various solutions range up to \$140 million. In March 2006, Petrobras commenced arbitration against KBR claiming \$220 million plus interest for the cost of monitoring and replacing the defective bolts and all related costs, and expenses of the arbitration, including the cost of attorneys' fees. We understand KBR intends to vigorously defend this claim and pursue recovery of its own costs incurred to date through the arbitration process and to that end has submitted a counterclaim in the arbitration seeking the recovery of \$22 million. The final arbitration hearing is expected to begin in 2008.

20.7.5 Securities and related litigation

In June 2002, a class action lawsuit was filed against us in federal court alleging violations of the federal securities laws after the SEC initiated an investigation in connection with our change in accounting for revenue on long-term construction projects and related disclosures. In the weeks that followed, approximately twenty similar class actions were filed against us. Several of those lawsuits also named as defendants several of our present or former officers and directors. The class action cases were later consolidated, and the amended consolidated class action complaint, styled *Richard Moore, et al. v. Halliburton Company, et al.*, was filed and served upon us in April 2003. As a result of a substitution of lead plaintiffs, the case is now styled *Archdiocese of Milwaukee Supporting Fund ("AMSF") v. Halliburton Company, et al.* (the "AMSF classification"). We settled with the SEC in the second quarter of 2004.

In June 2003, the lead plaintiffs filed a motion for leave to file a second amended consolidated complaint, which was granted by the court. In addition to restating the original accounting and disclosure claims, the second amended consolidated complaint included claims arising out of the 1998 acquisition of Dresser Industries, Inc. by Halliburton, including that we failed to timely disclose the resulting asbestos liability exposure (the "Dresser claims"). The memorandum of understanding contemplated settlement of the Dresser claims as well as the original claims.

In June 2004, the court entered an order preliminarily approving the settlement. Following the transfer of the case to another district judge, the court held that evidence of the settlement's fairness was inadequate, denied the motion for final approval of the settlement, and ordered the parties to mediate. The mediation was unsuccessful.

In April 2005, the court appointed new co-lead counsel and named AMSF the new lead plaintiff, directing that it file a third consolidated amended complaint and that we file our motion to dismiss. The court held oral arguments on that motion in August 2005, at which time the court took the motion under advisement. In March 2006, the court entered an order in which it granted the motion to dismiss with respect to claims arising prior to June 1999 and granted the motion with respect to certain other claims while permitting AMSF to replead some of those claims to correct deficiencies in its earlier complaint. In April 2006, AMSF filed its fourth amended consolidated complaint. We filed a motion to dismiss those portions of the complaint that had been repleaded. A hearing was held on that motion in July 2006, and in March 2007 the court ordered dismissal of the claims against all individual defendants other than our CEO. The court ordered that the case proceed against our CEO and Halliburton. In response to a motion by the lead plaintiff, on February 26, 2007, the court ordered the removal and replacement of their co-lead counsel. Most recently, upon becoming aware of a United States Supreme Court opinion issued near the end of its most recently completed term, the court allowed further briefing on the motion to dismiss filed on behalf of our CEO. That briefing is complete, but the court has not yet ruled. In September 2007, AMSF filed a motion for class certification. Our response to the motion is due on November 1, 2007. The case is set for trial in July 2009.

As of September 30, 2007, we had not accrued any amounts related to this matter because we do not believe that a loss is probable. Further, an estimate of possible loss or a range of loss related to this matter can not be made.

20.7.6 Operations in Iran

We received and responded to an inquiry in mid-2001 from the OFAC of the United States Treasury Department with respect to operations in Iran by a Halliburton subsidiary incorporated in the Cayman Islands. The OFAC inquiry requested information with respect to compliance with the Iranian Transaction Regulations. These regulations prohibit United States citizens, including United States corporations and other United States business organizations, from engaging in commercial, financial, or trade transactions with Iran, unless authorized by OFAC or exempted by statute. Our 2001 written response to OFAC stated that we believed that we were in compliance with applicable sanction regulations. In the first quarter of 2004, we responded to a follow-up letter from OFAC requesting additional information. We understand this matter has now been referred by OFAC to the DOJ. In July 2004, we received a grand jury subpoena from an Assistant United States District Attorney requesting the production of documents. We responded to the subpoena by producing documents in September 2004 and continue to cooperate with the government's investigation. As of September 30, 2007, we had not accrued any amounts related to this investigation because we do not believe that a loss is probable. Further, an estimate of possible loss or a range of loss related to this matter can not be made.

Separate from the OFAC inquiry, we completed a study in 2003 of our activities in Iran during 2002 and 2003 and concluded that these activities were in compliance with applicable sanction regulations. These

sanction regulations require isolation of entities that conduct activities in Iran from contact with United States citizens or managers of United States companies. Notwithstanding our conclusions that our activities in Iran were not in violation of United States laws and regulations, we announced in April 2007 that all of our contractual commitments in Iran have been completed, and we are no longer working in Iran.

20.7.7 M-I, LLC antitrust litigation

On February 16, 2007, we were informed that M-I, LLC, a competitor of ours in the drilling fluids market, had sued us for allegedly attempting to monopolize the market for invert emulsion drilling fluids used in deep water and/or in cold water temperatures. The claims M-I, LLC asserted are based upon its allegation that the patent issued for our Accolade® drilling fluid was invalid as a result of its allegedly having been procured by fraud on the United States Patent and Trademark Office and that our subsequent prosecution of an infringement action against M-I, LLC amounted to predatory conduct in violation of Section 2 of the Sherman Antitrust Act. In October 2006, a federal court dismissed our infringement action based upon its holding that the claims in our patent were indefinite and the patent was, therefore, invalid. That judgment was affirmed by the appellate court in January 2008. M-I, LLC also alleges that we falsely advertised our Accolade® drilling fluid in violation of the Lanham Act and California law and that our earlier infringement action amounted to malicious prosecution in violation of Texas state law. M-I, LLC seeks compensatory damages, which it claims should be trebled, as well as punitive damages and injunctive relief. We believe that M-I, LLC's claims are without merit and intend to aggressively defend them. The case is set for trial in September 2008. As of September 30, 2007, we had not accrued any amounts in connection with this matter because we do not believe that a loss is probable. Further, an estimate of possible loss or a range of loss related to this matter can not be made.

20.7.8 Dirt, Inc. litigation

In April, 2005, Dirt, Inc. has brought suit in Alabama against Bredero-Shaw (a joint venture in which we formerly held a 50% interest that we sold to the other party in the venture, ShawCor Ltd., in 2002), Halliburton Energy Services, Inc., and ShawCor Ltd., claiming that Bredero-Shaw disposed of hazardous waste in a construction materials landfill owned and operated by Dirt, Inc. Bredero-Shaw has offered to take responsibility for clean-up of the site. The plaintiff did not accept that offer, and the method and cost of such clean-up are disputed, with expert opinions ranging from \$6 million to \$144 million. On November 1, 2007, the trial court in the above-referenced matter entered a judgment in the total amount of \$108 million, of which Halliburton Energy Services, Inc. could be responsible for as much as 50%. We are pursuing an appeal and believe that it is probable that the Alabama Supreme Court will reverse the trial court's judgment. There are several legal grounds for appeal under Alabama law. In Alabama, the proper measure of damages in cases involving damage to real property is the diminution in value to the property rather than the cost of remediation. The trial court improperly applied the cost of remediation as the measure of damages, which is contrary to current Alabama law. Additionally, under Alabama law, any entity with a corporate structure is excepted from Alabama's legal definition of a joint venture. Thus, Halliburton Energy Services, Inc., a shareholder in the joint venture, should have no liability resulting from its shareholder status. Moreover, under Alabama law, limitations had run on a cause of action that was submitted to the jury. These grounds, among others, provide the basis of our appeal. We have accrued an amount less than \$10 million, which represents our 50% portion of an estimate of what we believe it will cost to remediate the site.

20.8 Significant change in the issuer's financial or trading position

No significant changes in the financial or trading position of the Group have occurred since the end of the last financial period for which interim financial information has been published, being September 30, 2007.

21. ADDITIONAL INFORMATION

21.1 Share Capital

As of September 30, 2007, December 31, 2006 and December 31, 2005 the share capital of the Company was as follows:

	Par Value	Number authorized but unissued in millions			Number issued in millions (fully paid)		
		September 30, 2007	December 31, 2006	December 31, 2005	September 30, 2007	December 31, 2006	December 31, 2005
Common Stock	\$2.50	938	940	946	1,062	1,060	1,054

All shares issued are fully paid.

Save as set out in this paragraph 21.1, the Company has not issued any convertible securities or exchangeable securities. There are no outstanding warrants to subscribe or purchase any capital of the Company.

The Board of Directors approved a two-for-one common stock split in 2006. In order to effectuate the common stock split, shareholders were asked at the May 17, 2006 annual meeting of shareholders to approve an amendment to the Certificate of Incorporation of Halliburton to increase the number of authorized shares of common stock from one billion shares to two billion shares; the increase was approved by the shareholders. Each shareholder received one additional share of common stock for each outstanding share held by the shareholder on the record date for the stock split. The record date was June 23, 2006 with the shares distributed on July 14, 2006. All figures presented above have been adjusted to reflect this common stock split.

In June 2003, we issued \$1.2 billion of 3.125% convertible senior notes due July 15, 2023, with interest payable semiannually. The notes are our senior unsecured obligations ranking equally with all of our existing and future senior unsecured indebtedness.

The notes are convertible under any of the following circumstances:

- during any calendar quarter if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous quarter is greater than or equal to 120% of the conversion price per share of our common stock on such last trading day. This circumstance has been achieved in each quarter beginning in and since the third quarter of 2005. There were no material conversions of these notes as of September 30, 2007;
- if the notes have been called for redemption;
- upon the occurrence of specified corporate transactions that are described in the indenture relating to the offering; or
- during any period in which the credit ratings assigned to the notes by both Moody's Investors Service and Standard & Poor's are lower than Ba1 and BB+, respectively, or the notes are no longer rated by at least one of these rating services or their successors.

The initial conversion price is \$18.825 per share and is subject to adjustment upon the occurrence of a stock dividend in common stock, the issuance of rights or warrants, stock splits and combinations, the distribution of indebtedness, securities, or assets, or excess cash distributions. The stock conversion rate has been adjusted for the June 2006 stock split and for increased quarterly dividends paid on our common stock. In the third quarter of 2007, the stock conversion rate changed to 53.2993 shares of common stock per each \$1,000 principal amount of the convertible senior notes due to the increased quarterly dividend.

Upon conversion, we must settle the principal amount of the notes in cash, and for any amounts in excess of the aggregate principal we have the right to deliver shares of our common stock, cash, or a combination of cash and common stock.

The notes are redeemable for cash at our option on or after July 15, 2008. Holders may require us to repurchase the notes for cash on July 15 of 2008, 2013, or 2018 or, prior to July 15, 2008, in the event of a fundamental change as defined in the underlying indenture.

The shares in the Company under option are set out in paragraph 17 of this document.

21.2 **Certificate of Incorporation and By-laws**

21.2.1 ***Halliburton's Certificate of Incorporation contains the following provisions:***

(a) Objects

The nature of the business, or objects, or purposes to be transacted, promoted or carried on are contained in the third Article of the Certificate of Incorporation and include the following:

- (i) To acquire, own and hold United States and Foreign Letters patent; and Licenses thereunder, relating to the cementing and finishing of oil wells , gas wells and water wells, including processes and machines for mixing cement and other substances in an efficient manner and forcing same into such wells; and measuring devices used in the process of cementing wells; and under such patents and licenses and to conduct the business of cementing and finishing oil wells, gas and water wells, and to purchase, own and use all necessary and convenient tools, implements and appliances, including trucks, for the conduct of such business; also such real and personal property as may be needed for its operations. To transact any of its business in any part of the world.
- (ii) To manufacture, sell, lease, use or service any and all kinds of supplies, tools, appliances, accessories, specialties, machinery and equipment relating to or useful in connection with the cementing, testing, drilling, completing, cleaning, repairing or operating oil wells, gas wells and water wells.
- (iii) To acquire, own and operate such machinery, apparatus, appliances and equipment as may be necessary, proper or incidental to the cementing, testing, completing, repairing, cleaning and operating of oil wells, gas wells and water wells, or for any of the purposes for which Halliburton is organized.
- (iv) To apply for, purchase or in any manner to acquire, hold, use, sell, assign, lease, grant licenses in respect of; mortgage, or otherwise dispose of letters patent of the United States or any foreign country, patent rights; licenses and privileges, inventions, improvements, and processes, copyrights, trademarks, and trade names relating to or useful in connection with any business of Halliburton, and to work, operate or develop the same, and to carry on any business, manufacturing or otherwise, which may directly or indirectly effectuate these objects or any of them.
- (v) In general, upon approval of the Board of Directors of Halliburton, to carry on any other business, including selling, leasing, manufacturing and servicing, even though unrelated to the objects and purposes enumerated in paragraphs (i) to (iv) above, and to have and exercise all the powers conferred by the laws of Delaware upon corporations, and to hold, purchase, mortgage and convey real and personal property out of the State of Delaware, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

(b) Common Stock

Dividends:

Subject to the rights of Preferred Stock as to the payment of preferential dividends, if any, and after compliance with the requirements for setting aside sinking or analogous funds as to any series of Preferred Stock, holders of the Common Stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of any funds of Halliburton legally available.

Distributions:

Upon liquidation, dissolution or winding up, whether voluntary or involuntary, and after the full amounts, if any, to which the holders of outstanding Preferred Stock of each series are respectively preferentially entitled have been distributed or set apart for distribution, all the remaining assets of Halliburton available for distribution shall be distributed pro rata to the holders of Common Stock.

Voting:

Except as may be otherwise required by law or provided by the Certificate of Incorporation, each holder of Common Stock has one vote in respect of each share of stock held by him on all matters voted upon by the stockholders.

(c) Preferred Stock

(i) Issue and designation:

Shares of the Preferred Stock may be issued in one or more series at such times and for such consideration as the Directors may determine. Authority is vested in the Directors by resolutions from time to time to establish and designate series, to issue shares of any such series and to fix the relative, participating, optional, or other rights, powers, privileges, preferences, and the qualifications, limitations or restrictions thereof including, but not limited to, the following:

- The distinctive designation and number of shares comprising any series;
- The dividend rate on the shares of any series and the preference or preferences, if any, over any other series with respect to dividends;
- The terms, if any, upon, which the shares of any series shall be convertible into, or exchangeable for, shares of a different series of Preferred Stock or for Common Stock;
- Whether or not the shares of any series shall be subject to purchase or redemption, and the terms of any redemption;
- The obligation, if any, of Halliburton to purchase or redeem shares of any series pursuant to a sinking or other fund and the price or prices which, the period or periods within which and the terms and conditions upon which the shares of the series shall be redeemed in whole or in part pursuant to such fund;
- The rights to which the holders of shares of any series shall be entitled upon liquidation, dissolution of or winding up of Halliburton, whether the same be a voluntary or involuntary liquidation, dissolution or winding up of Halliburton;
- The voting powers to which the shares of any series shall be entitled in addition to those required by law;
- Any other preferences, privileges and powers and relative, participating, optional or other rights and qualifications, limitations or restrictions thereof, of any series not inconsistent herewith or with applicable law.

(ii) Dividends:

The shares of each series of Preferred Stock entitle the holders to receive, when, as and if declared by the Board out of funds legally available for dividends, cash dividends at the rate, under the conditions and for the periods fixed by resolution or resolutions of the Board of Directors pursuant to authority granted in the relevant Article for each series, and no more, and so long as any Preferred Stock or any series thereof shall remain outstanding, no dividends shall be declared or paid upon any shares of the Common Stock, other than dividends payable in shares of any series or class subordinate to the Preferred Stock, unless dividends on all outstanding Preferred Stock of all series fixed by the Board of Directors in accordance with and pursuant to the authority granted in this Article for each series shall be paid or set apart for payment.

(iii) Liquidation:

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Halliburton, the holders of the Preferred Stock of each series then outstanding shall be entitled to receive payment out of the net assets of Halliburton whether from capital or surplus or both of the liquidation price fixed for such series by the Board by resolution, if any is so fixed, at the time and under the circumstances applicable before any payment shall be made to the holders of shares of any series of lesser rank to such series or to holders of shares of Common Stock of Halliburton. If the stated amounts payable in

such event on the Preferred Stock of all series are not paid in full, the shares of all series of equal rank shall share ratably in any distribution of assets in accordance with the sums which would be payable on such distribution if all sums payable were discharged in full. Neither the merger nor the consolidation of Halliburton nor the voluntary sale or conveyance of Halliburton property as an entirety or any part thereof shall be deemed to be a liquidation, dissolution or winding up of Halliburton for the purposes of this paragraph (iii).

(iv) Voting:

Except as is otherwise required by law or as otherwise provided in a resolution by the Board in accordance with the provisions of this Article, the holders of any series of Preferred Stock shall not be entitled to vote at any meeting of the stockholders for the election of Directors or for any other purpose or otherwise to participate in any action taken by Halliburton or the stockholders thereof or to receive notice of any meeting of stockholders. If the holders of any series of Preferred Stock should become entitled to vote at any meeting of the stockholders for the election of Directors, no such holder shall have the right of cumulative voting.

(v) Each share of a series of Preferred Stock shall be equal in every respect to every other share of the same series.

(vi) Purchase, redemption, conversion:

Shares of Preferred Stock which have been purchased or redeemed, whether through the operation of a sinking fund or otherwise, or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or series shall have the status of authorized and unissued shares of Preferred Stock of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board or as part of any other series of Preferred Stock, unless otherwise provided with respect to any series in the resolution or resolutions adopted by the Board of Directors providing for the insurance of any series of Preferred Stock.

(d) Series A Junior Participating Preferred Stock (the "Junior Preferred Stock")

(i) Designation and Amount:

The number of shares of such series may be increased or decreased by resolution of the Board of Directors, provided that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than that of the shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

(ii) Dividends and Distributions:

Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock and of any other stock ranking junior (as to dividends) to Junior Preferred Stock, shall be entitled to receive when declared by the Board of Directors out of funds legally available for the purpose, cumulative quarterly dividends payable in cash or in kind, as hereinafter provided, on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 (payable in cash) or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per-share amount (payable in cash) of all cash dividends, and 100 times the aggregate per-share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock (by rectification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. If the Company shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by rectification or otherwise), into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under paragraph 21.2.1(b) above shall be adjusted by multiplying such amount by a fraction, the numerator of

which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that was outstanding immediately prior to such event.

The Company shall declare a dividend or distribution on the Junior Preferred Stock as provided in the above paragraph immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, if no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Junior Preferred Stock shall nevertheless accrue and be cumulative on the outstanding shares of Junior Preferred Stock as provided in the next paragraph.

Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(iii) Voting Rights:

The holders of shares of Junior Preferred Stock shall have the following voting rights:

Subject to the provision for adjustment, each share of Junior Preferred Stock shall entitle the holder to 100 votes on all matters submitted to a vote of the shareholders of the Company. If the Company shall at any time declare or pay any dividend on Common Stock payable on shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Except as otherwise provided in the Certificate of Incorporation or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company.

(iv) Certain Restrictions:

Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Company shall not:

- declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (as to dividends) to the Junior Preferred Stock;
- declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (as to dividends) with the Junior Preferred Stock, except dividends paid ratably on the Junior Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

- purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity (as to dividends) with the Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could purchase or otherwise acquire such shares at such time and in such manner.

(v) Reacquired Shares:

Any shares of Junior Preferred Stock purchased or otherwise acquired by the Company in any manner shall be retired and cancelled promptly after the acquisition thereof. All such shares upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance.

(vi) Liquidation, Dissolution or Winding Up:

Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (as to amounts payable upon liquidation, dissolution or winding up) to the Junior Preferred Stock unless, prior thereto, the holders of Junior Preferred Stock shall have received an amount per share (rounded to the nearest cent) equal to the greater of (a) \$100.00 per share or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, plus, in either case, an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (2) to the holders of stock ranking on a parity as to amounts payable or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except distributions made ratably on the Junior Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. If the Company shall at any time declare or pay any "dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the provision (1) (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator -of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(vii) Consolidation, Merger, etc.:

If the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, or any combination thereof, then in any such case shares of Junior Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment) equal to 100 times the aggregate amount of stock, securities, cash or any other property, or any combination thereof; into which or for which each share of Common Stock is changed or exchanged. If the Company shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, that in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator -of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(viii) No Redemption:

The shares of Junior Preferred Stock are not redeemable. So long as any shares of Junior Preferred Stock remain outstanding, the Company shall not purchase or otherwise acquire for consideration any

shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock unless the Company shall substantially concurrently also purchase or acquire for consideration a proportionate number of shares of Junior Preferred Stock.

(ix) Rank:

Except as otherwise provided in its Certificate of Incorporation, the Company may authorize or create any series of Preferred Stock ranking prior to or on a parity with the Junior Preferred Stock as to dividends or as to distribution of assets upon liquidation, dissolution or winding up.

(x) Amendment:

The Certificate of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority of the outstanding shares of Junior Preferred Stock, voting together as a single class.

(e) Other provisions contained in the Certificate of Incorporation:

(i) Cumulative voting is not allowed. Each Stockholder is entitled, at all elections of Directors of Halliburton, to as many votes as shall equal the number of shares of stock held and owned by him and entitled to vote at such meeting under the Certificate of Incorporation for as many Directors as there are to be elected, unless such right to vote in such manner is limited or denied by other provisions of this Certificate of Incorporation.

(ii) The By-laws may be altered or repealed at any regular meeting of the Stockholders, or at any special meeting of the Stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of the majority of the Stockholders entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of the majority of the Board of Directors at any regular meeting of the Board, or at any special meeting of the Board, if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that no change of the time or place of the meeting for the election of Directors shall be made within sixty (60) days next before the day on which such meeting is to be held, and that in case of any change of time or place, notice thereof shall be given to each Stockholder in person or by letter mailed to his last known post office address at least twenty (20) days before the meeting is held.

(iii) Halliburton is hereby authorized to, and shall, indemnify directors, officers and employees of Halliburton and such other parties in accordance with, *inter alia*, the following provisions:

- Halliburton shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Halliburton) by reason of the fact that he is or was a director, officer, employee or agent of Halliburton, or is or was serving at the request of Halliburton as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses.
- Halliburton shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of Halliburton to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of Halliburton, or is or was serving at the request of Halliburton as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses.
- Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by Halliburton in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by Halliburton as authorized.

(iv) Halliburton reserves the right to amend, alter, change or repeal any provision contained in the Certificate of Incorporation in the manner now or hereafter prescribed by statute and all rights conferred on Stockholders are subject to this reservation.

- (v) No holder of any class of stock of Halliburton shall have any preemptive or preferential right of subscription or purchase with reference to the issuance or sale of any class of stock of Halliburton or of any securities or obligations convertible into or carrying or evidencing any right to purchase any class of stock of Halliburton.
- (vi) No director is personally liable to Halliburton or any stockholder for monetary damages for breach of fiduciary duty by such director as a director; except for any matter in respect of which such director shall be liable under Section 174 of the Delaware General Corporation Law or any amendment thereto or successor provision thereof or shall be liable by reason that, in addition to any and all other requirements for such liability, such director (i) shall have breached the duty of loyalty to Halliburton or its stockholders, (ii) in acting or failing to act shall not have acted in good faith or shall have acted in a manner involving intentional misconduct or a knowing violation of law or (iii) shall have derived an improper personal benefit.

21.2.2 **Halliburton's By-laws contain the following provisions:**

There are no provisions in the Articles of Incorporation or the By-laws that govern the ownership threshold above which shareholder ownership must be disclosed.

(a) Stockholders' Meetings

Annual Meetings: Annual meetings of the stockholders must be held on the third Wednesday in May each year if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at 9:00 a.m., or at such other date and time as shall be designated, from time to time, by the Board of Directors and stated in the notice of meeting. At the annual meeting, the stockholders shall elect a Board of Directors and transact other business lawfully brought before the meeting.

The only business that can be conducted at an annual meeting of the shareholders is business that has, in accordance with Section 5 of the By-laws and the requirements of the Securities and Exchange Act of 1934, as amended, been properly brought before the meeting. The Chairman of an annual meeting may determine and declare to the meeting that the business was not properly brought before the meeting and, if he does so, shall declare to the meeting that the business not properly brought before the meeting shall not be transacted.

The holders of a majority of the voting stock issued and outstanding, present in person, or represented by proxy shall constitute a quorum at all meetings of the stockholders for the transaction of business.

At each meeting, every stockholder shall be entitled to vote in person or by proxy and shall have one vote for each share of voting stock registered in his name on the stock books.

Special Meetings: Special meetings of the stockholders may be called by the Chairman of the Board, the Chief Executive Officer, the President (if a Director), the Board of Directors, or by stockholders owning a majority of the voting stock of Halliburton issued and outstanding.

(b) Election of Directors

At the annual meeting, each Director shall be elected by the vote of the majority of the votes cast, provided that if the number of nominees exceeds the number of Directors to be elected, the Directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at the meeting and entitled to vote on the election of Directors. Directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified.

Cumulative voting shall not be allowed. Each stockholder shall be entitled, at all elections of Directors of Halliburton, to as many votes as shall equal the number of shares of stock held and owned by him and entitled to vote at such meeting.

A person will only be eligible for election as a Director if nominated at a meeting of stockholders either by or at the direction of the Board of Directors (or nominating committee or person appointed by the Board), or by any stockholder of Halliburton who is entitled to vote for the election of Directors at the meeting in accordance with Section 6 of the By-laws and the requirements of the Securities and Exchange Act of 1934, as amended.

Vacancies caused by the death or resignation of any Director and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a vote of at least a majority of the Directors then in office, though less than a quorum, and the Directors so chosen shall hold office until the next annual meeting of the stockholders.

(c) Directors

The property and business of Halliburton shall be managed by its Board of Directors. The number of Directors which shall constitute the whole Board shall not be less than eight nor more than twenty. Within these limits, the number of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting. Each Director shall be elected to serve for the term of one year and until his successor shall be elected and shall qualify.

Each member of the Board shall be paid such fee as the Board of Directors may, from time to time, by resolution determine.

(d) Officers

The Board of Directors shall elect a President and a Secretary, and shall choose a Chairman of the Board from among its members. The Board of Directors may also elect one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, and such other officers as the Board deems appropriate. Each such officer shall hold office after his election until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to Halliburton. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with Halliburton. Any number of offices may be held by the same person. Any vacancy occurring in any office of Halliburton by death, resignation, removal or otherwise may be filled by the Board of Directors at any regular or special meeting.

The officers of Halliburton shall have such powers and duties in the management of Halliburton as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his duties.

(e) Capital Stock

Shares

The shares of Halliburton shall be represented by certificates or shall be uncertificated. Each registered holder of shares, upon request to Halliburton, shall be provided with a certificate of stock, representing the number of shares owned by such holder.

The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of uncertificated shares or certificates for shares of stock of Halliburton.

Share certificates shall be in such form as shall be approved by the Board of Directors. All certificates shall be signed by the Chairman of the Board, the President, or any Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of Halliburton and countersigned by an independent transfer agent and registered by an independent registrar.

Transfer of Shares

Upon surrender to Halliburton or the transfer agent of Halliburton of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, Halliburton shall issue or cause to be issued uncertificated shares or, if requested by the appropriate person, a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares shall be made to the person entitled thereto, and the transaction shall be recorded upon the books of Halliburton.

(f) Dividends

Dividends upon the capital stock may be declared by the Board at any regular or special meeting.

(g) Amendment or Repeal of By-laws

These By-laws may be altered or repealed at any regular meeting of the stockholders, or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of the majority of the stockholders entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of the majority of the Board of Directors at any regular meeting of the Board, or at any special meeting of the Board, if notice of the proposed alteration or repeal be contained in the notice of such special meeting.

22. MATERIAL CONTRACTS

Halliburton has no material contracts, other than contracts entered into in the ordinary course of business, to which it or any member of the Group is a party, for the two years immediately preceding publication of this document.

There are no other contracts (not being a contract entered into in the ordinary course of business), which have been entered into by any member of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

23. STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

The statements and reports in this document include the published annual report and audited accounts of the Company for the three financial years ended December 31, 2006.

24. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe, Tower 42, Level 35, 25 Old Broad Street, London, EC2N 1HQ during normal business hours on any weekday (excluding Saturdays, Sundays and UK public holidays) from the date of this document until March 5, 2009.

- 24.1 the Memorandum of Association and By-laws of Halliburton;
- 24.2 Halliburton Company 1993 Stock and Incentive Plan (as amended and restated February 16, 2006);
- 24.3 Halliburton Company 2002 Non-Qualified Stock Purchase Plan (as amended and restated May 17, 2005);
- 24.4 Halliburton Company 2002 Qualified Stock Purchase Plan (as amended and restated May 17, 2005);
- 24.5 Restricted Stock Agreement dated April 7, 2005;
- 24.6 Non-statutory Stock Option Agreement dated April 7, 2005;
- 24.7 Halliburton Company UK Employee Share Purchase Plan, available to employees in the UK;
- 24.8 Form 10-K for the year ended December 31, 2004;
- 24.9 Form 10-K for the year ended December 31, 2005;

- 24.10 Form 10-K for the year ended December 31, 2006;
- 24.11 Form 10-Q for the third quarter of 2007;
- 24.12 Form 8-K dated August 3, 2007; and
- 24.13 This Prospectus.

25. **INFORMATION ON HOLDINGS**

Please refer to paragraphs 5.2 and 7 of this document regarding the Company's interests in partially owned companies.

Halliburton is the ultimate parent company of a multi-national group of companies. Halliburton's significant subsidiaries, all of which are wholly owned within the Halliburton group, are as follows:

<u>Name of subsidiary</u>	<u>State or Country of Incorporation</u>
Breswater Marine Contracting B.V.	Netherlands
DII Industries, LLC	United States
Halliburton Affiliates, LLC	United States
Halliburton Canada Holdings, Inc.	United States
Halliburton de Mexico, S. de R.L. de C.V.	Mexico
Halliburton Energy Services, Inc.	United States
Halliburton Energy Cayman Islands Limited	Cayman Islands
Halliburton Group Canada Inc.	Canada
Halliburton Group Canada (Partnership)	Canada
Halliburton Group Holdings (1) Company	Canada
Halliburton Group Holdings (2) Company	Canada
Halliburton Holdings (No. 2) Limited	United Kingdom
Halliburton Holdings (No. 3)	United Kingdom
Halliburton International, Inc.	United States
Halliburton Manufacturing and Services Limited	United Kingdom
Halliburton Overseas Limited	Cayman Islands
Halliburton Partners Canada, Inc.	Canada
HES Mexico Holdings, LLC	United States
Landmark Graphics Corporation	United States
Oilfield Telecommunications, LLC.	United States

26. **SHARE SECURITIES INFORMATION**

The information set out in this paragraph 26 includes that required by Annex III of the Prospectus Rules.

26.1 **Key information**

26.1.1 **Working capital**

In the opinion of Halliburton, the working capital of the Group is sufficient for the Group's present requirements, and at least for the period of twelve months following the date of this document.

26.1.2 **Capitalization and indebtedness**

We ended 2006 with cash and equivalents of \$2.9 billion compared to \$2.0 billion at December 31, 2005. We ended the third quarter of 2007 with cash and equivalents of \$735 million. Please refer to paragraph 10 of this document for further information on Halliburton's capital resources and to paragraph 4 (Selected Financial Information) for a capitalization and indebtedness table.

26.1.3 **Interests of natural and legal persons involved in the issue/offer**

There are no interests, including conflicting ones, that are material to the offer.

26.1.4 **Reasons for the offer and use of proceeds**

The purpose of the Stock Plans is to encourage employee stock ownership by offering employees of Halliburton and participating Subsidiaries the ability to purchase Common Stock at discounted prices and without brokerage costs. By means of the Stock Plans, Halliburton seeks to retain the services of its international employees, to secure and retain the services of new and applicable federal laws of the international employees, and to provide incentives for such international employees to exert maximum efforts for the success of Halliburton.

We believe that the Stock Plans offer a convenient means for our employees who might not otherwise own our Common Stock to purchase and hold Common Stock and that the discounted sale feature of the Stock Plans offers a meaningful incentive to participate. We also believe that our employees' continuing economic interests as shareholders in our performance and success will further enhance our entrepreneurial spirit and can contribute to our potential for growth and profitability.

Halliburton is the issuer of the securities offered pursuant to the Stock Plans. The Common Stock we issue under the Stock Plans may be authorized but unissued shares or reacquired shares, bought on the open market or otherwise. The proceeds of any acquisition of Common Stock pursuant to the Prospectus, to the extent received by Halliburton or its Subsidiaries, will be used for general corporate purposes.

26.2 **Information concerning the securities to be offered/admitted to trading**

26.2.1 Only Common Stock will be issued pursuant to the Stock Plan. The ISIN (International Security Identification Number) of the Common Stock is US4062161017. The Common Stock is listed on the New York Stock Exchange. All outstanding shares of Common Stock are fully paid.

26.2.2 The Common Stock is created and issued pursuant to the state and federal laws of the USA, including in particular the Securities.

26.2.3 The Common Stock is issued in registered form and in uncertificated form (or, upon request, certificated form). The records of the Company's stockholders are maintained by our registrar, Mellon Investor Services, LLC, 85 Challenger Road, Ridgefield Park, New Jersey 07660-2104, USA.

26.2.4 The Common Stock is denominated in US Dollars.

26.2.5 A description of the rights attached to the Common Stock is set out in paragraph 21.2 of this document.

26.2.6 No takeover bids by third parties in respect of Halliburton's equity have occurred during the last financial year and the current financial year.

26.2.7 Dividends paid by US companies to non-US resident shareholders are subject to withholding tax at the rate of 30%. This is reduced to 15% under Article 10 of the US/UK double taxation treaty for UK resident individuals qualifying under the treaty. UK resident individuals are then subject to UK income tax at their marginal rate on the gross amount of the dividend plus the withholding. Credit is then given for the US tax withheld against the UK income tax liability on the distribution. No credit is given in relation to the underlying US tax suffered by the US company on its corporate profits. Any withholding tax under US law will be withheld by the US company which will be responsible for accounting to the relevant US fiscal authorities for the amounts withheld.

26.3 **Terms and condition of the offer**

The total amount of the offer under the Stock Plans is set out in each of the Stock Plans. Up to 98,000,000 shares of Common Stock are available under the Plan, of which a maximum of 32,000,000 may be issued in the form of Restricted Stock Awards or pursuant to performance rewards. Any individual holder may be granted rights under the Plan up to 1,000,000 shares of

Common Stock in any one year, and the cash value of any performance award may not exceed \$5,000,000.

26.3.1 The terms and conditions of the Stock Plans are set out in Part II of this document.

26.3.2 *Withdrawal by Participants*

Participants may withdraw from the relevant Stock Plans as described in Part II of this document by service of the required notice.

A supplementary prospectus must be published by the Company if a significant new factor arises or is noted which relates to the information included in the Prospectus or if a material mistake or inaccuracy arises or is noted which relates to the information included in the Prospectus. A “significant new factor” includes the filing of interim consolidated financial statements or annual audited consolidated financial statements for the Company with the SEC.

If a supplementary prospectus is published, there is a legal requirement under Section 87Q of the Financial Services and Markets Act 2000, and Article 16 of the Prospectus Directive and related legislation applying in the EEA, that Participants are given the right to withdraw (subject to the terms of such legislation) from participating in the relevant Stock Plan. This means that a Participant may provide notice to the Plan Administrator to withdraw his/her prior acceptance (represented by his/her prior participation form), and terminate future payroll deductions and thereby withdraw from the relevant Stock Plan, with effect from the date of such notice. Such notice may be served at any time during the period commencing on the date the interim consolidated financial statements or annual audited consolidated financial statements for the Company are filed with the SEC and published, and ending two working days after the supplementary prospectus has been approved by the UK Financial Services Authority. This statutory right of withdrawal is in addition to the Participant’s right to withdraw under the Stock Plans.

To validly exercise the above statutory withdrawal rights, a Participant must serve notice of their withdrawal on or before the end of the period of two working days beginning on the first working day after the date on which any such supplementary prospectus is published pursuant to Section 87Q(4) of FSMA (the “withdrawal period”). A notice of withdrawal may only be served by the following methods:

A UK Participant may withdraw from a Stock Plan with immediate effect by contacting a Halliburton Benefits Team representative via telephone (+44 (0)1224 776822) or email (Susan.Cowlam@Halliburton.com) and making a declaration of withdrawal from the relevant Stock Plan. The Benefits Team representative will immediately stop the Participant’s contributions and update his/her participation status. The Benefits Team representative will then inform HBOS, the Company’s Stock Plan administrator in the UK.

Non-UK participants:

- (a) Withdrawal online: A Participant may withdraw from a Stock Plan with immediate effect by accessing his/her account with the Company’s stock transfer agent and shareholder services provider, Computershare, at www-us.computershare.com/employee and submitting a notice of withdrawal online.
- (b) Withdrawal by telephone: A Participant may withdraw from a Stock Plan with immediate effect by telephoning +1-732-645-4174 (or +1-800-803-2636 if from the United States or Canada) and either:
 - (i) accessing the Interactive Voice Response system of Computershare (available 24 hours a day); or
 - (ii) speaking to a Computershare Participant Service Representative from 7 a.m. to 6 p.m. (Central Standard Time, being GMT minus five hours), Monday through to Friday,

and making a declaration of withdrawal from the relevant Stock Plan. Participants will need their Employee ID (SAP/Payroll ID) and relevant PIN.

If a Participant is in any doubt about the above statutory withdrawal rights, he/she should consult an independent financial adviser in the relevant country concerned before taking any action. The tax consequences associated with participation in a Stock Plan (and any withdrawal therefrom) can vary depending on the Participant's country of residence and other factors. Participants should consult their own tax advisers to understand how participation in, or withdrawal from, a Stock Plan will affect their tax situation.

26.4 Admission to trading and dealing arrangements

26.4.1 The Common Stock issued pursuant to the Stock Plans will not be the subject of an application for admission to trading on a regulated market in the EEA. It will be admitted to trading only on the New York Stock Exchange, subject to application for any approval by that body. Admission to trading on the New York Stock Exchange will not necessarily be approved. Please see Part II of this document in relation to the timing of admission to the New York Stock Exchange.

26.4.2 Common Stock of the same class as the Common Stock to be issued to Participants under the Stock Plan is listed only on the New York Stock Exchange.

26.5 Selling securities holders

While the Common Stock issued under the Stock Plan may be reacquired shares bought on the open market or otherwise, no selling shareholders have as at the date of this document been identified.

26.6 Expense of the issue/offer

26.6.1 The total net proceeds of any exercise of Purchase Rights during an Offering Period will vary from Offering Period to Offering Period.

26.6.2 The estimated expenses in relation to the production, approval and passporting of the Prospectus (including estimated professional fees and translation fees) are approximately £192,224. Halliburton has not engaged a sponsor or financial adviser in relation to the preparation and approval of the Prospectus.

26.7 Dilution

The maximum cap on the aggregate number of shares of Common Stock available for purchase by Participants under the Stock Plans, as at December 31, 2006, was 20 million shares of Common Stock. This represents approximately 1.88% of the 1,062 million shares of Common Stock in issue on September 30, 2007. Also, some of the Common Stock purchased by Participants at the end of an Offering Period may be existing shares, which purchases would therefore have no dilutive effect. Accordingly, no material dilution will take place pursuant to any purchases of Common Stock pursuant to the Stock Plans.

26.8 Additional information

There are no advisers connected with the issue of Common Stock mentioned in this document. No corporate finance adviser, sponsor or promoter has been engaged by Halliburton in relation to the Stock Plans.

March 6, 2008

PART II

INFORMATION ABOUT STOCK PLANS INCLUDING APPLICATION FORMS AND DIRECTIONS FOR COMPLETION

Part II contains information about the employee stock plans which Halliburton may operate in countries within the EEA. This information is either required by the Prospectus Directive or is information which we think you will find useful. The detailed information regarding specific offers or grants under any of the employee stock plans will be communicated directly to the employees concerned.

Please note, the Stock Plans are not offered to everybody. Some are discretionary plans and are not offered to employees generally. Others may be offered to all employees who meet the eligibility criteria.

Please note also that Halliburton is under no obligation to make awards under its employee stock plans – it is free to decide whether, when, where and how to operate any of its plans. It is also free to terminate any of its plans as regards future participation.

Employees based in the EEA may be eligible to participate in the following Halliburton stock plans (subject to their terms).

The tax consequences associated with participation in these plans can vary greatly depending on the participant's country of residence and other factors. Participants should consult their own tax advisers to understand how participation in the employee stock plans will affect their tax situation.

Halliburton Company 1993 Stock and Incentive Plan (as amended and restated February 16, 2006)

The Plan is designed to give eligible employees the opportunity to own shares of Common Stock in the Company. The Plan allows for incentive and reward opportunities designed to assist in attracting, motivating and retaining key employees and to enhance the Company's long-term growth prospects. A further purpose of the Plan is to give the Company the ability to attract and retain highly qualified directors. This Plan is open to eligible employees in the EEA.

Eligibility: Employees or non-employee directors of the Company or any parent corporation or subsidiary of the Company are eligible for the Plan at the discretion of the Compensation Committee of the Board of Directors of Halliburton. No eligible employee will be deemed to have a right to participate. The Plan allows incentives to be structured in one or more different ways, described below.

Grant Procedure: Participation under the Stock and Incentive Plan is at the discretion of the Compensation Committee. Participants are notified of their awards on an individual basis, either verbally or in writing. Participants must then access the relevant sections of the Company's intranet and print their individual award documentation. Corporate and ESG stock recipients should refer to:

http://halworld.corp.halliburton.com/hr/hr_hes/hr_hes_esgcomp/esgcomp_incentives_long.asp

<http://sapportal.corp.halliburton.com/irj/servlet/prt/portal/prtroot/com.halliburton.esg.erp.zelc.stockempview.default>

Such information contained on the Company's intranet shall not be incorporated by reference in this Prospectus. Those without intranet access can obtain hard copies by contacting the Company's Executive Compensation department. Participants are required to return a signed agreement within 60 days of receipt).

Limits: Up to 98,000,000 shares of Common Stock are available under the Plan, of which a maximum of 32,000,000 may be issued in the form of Restricted Stock Awards or pursuant to performance rewards. Any individual holder may be granted rights under the Plan up to 1,000,000 shares of Common Stock in any one year, and the cash value of any performance award may not exceed \$5,000,000.

Stock Options (Options): Options to purchase stock are implemented using a stock option agreement (an example of which is set out below). The exercise period will be specified by the Compensation Committee, but must not exceed ten years from the date of grant. The Option price will be set by the Compensation Committee but will not be less than the fair market value (by reference to the closing price of Common Stock on the New York Stock Exchange).

Stock Appreciation Rights (SARs): SARs consist of rights to receive an amount equal to the excess of the fair market value of a share of Common Stock on the date such right is exercised. The amount will be payable in cash or shares in Common Stock at the discretion of the Compensation Committee. Where SARs are granted alongside Options, any exercise of the SAR will result in the surrender of the Option to which it relates. Where SARs are granted independently of Options, a stock appreciation rights agreement must be signed between the Company and the holder. The exercise price will be set by the Compensation Committee but will not be less than the fair market value (by reference to the closing price of Common Stock on the New York Stock Exchange). The exercise period will be specified by the Compensation Committee, but must not exceed ten years from the date of grant.

Restricted Stock Awards (RSAs): RSAs are awards of Common Stock which have restrictions placed upon them, generally for at least three years from the date of grant. RSAs are implemented using a Restricted Stock Agreement (an example of which is set out below). During the restriction period, the holder is entitled to receive dividends and vote where applicable. The Company will normally retain custody of the stock during the restriction period so that the holder will not be entitled to sell, transfer, pledge, exchange or dispose of the stock during that time. The holder will not generally be required to make payment for the stock.

Restricted Stock Unit (RSU) Awards: An RSU is an unit evidencing the right to receive one share of Common Stock or an equivalent value equal to the fair market value of a share of Common Stock that is restricted or subject to forfeiture provisions. RSUs are implemented using a Restricted Stock Unit Agreement (an example of which is set out below). During the restriction period, the holder may receive or accumulate cash dividend equivalent payments. The holder will not generally be required to make payment for the stock received pursuant to an RSU award.

Performance Awards: Performance Awards are subject to certain objective performance criteria measured over a specified period, in each case as specified by the Compensation Committee. The criteria may be based on measures such as earnings, cash flow, shareholder return, revenues, operating profits, net profits, earnings per share, stock price, cost reduction goals, debt to capital ratio, financial return ratios, profit margin/return and market share. Based on the achievement of the performance measures, the holder may receive payment in cash or Common Stock as determined by the Compensation Committee.

Stock Value Equivalent Awards (SVEAs): SVEAs are rights to receive a cash sum equal to the fair market value of Common Stock or any appreciation in such value over a specified period. Such awards do not require the holder to make payment of any sort except as required by operation of law.

Corporate Change: In the event of a corporate change (as defined in the Plan, including a third party acquiring a shareholding representing 20% or more of the combined voting power of the Company's then-outstanding security, certain changes in composition of the Board, certain mergers or consolidations or liquidation or dissolution) awards under the Plan are generally deemed to be vested, restrictions lapse and performance measures are deemed achieved.

Termination of Service: Awards will generally be subject to lapse or forfeiture upon termination of service, except in circumstances determined by the Compensation Committee, which may include normal retirement, death or disability.

Restrictions on Transfer: An award is not generally transferable other than by will or the laws of descent and distribution.

Amendment or Termination of the Plan: The Board may at its discretion terminate, alter or amend the Plan provided the holder's rights are not thereby impaired or, if they are, the holder's permission is obtained. Material amendments require the approval of Halliburton's stockholders.

Governing Law: The Plan and all awards under it are governed by and construed in accordance with the laws of the State of Texas except where overridden by the General Corporation Law of the State of Delaware.

**NONSTATUTORY STOCK OPTION AGREEMENT
GRANTED Month X, 2007**

Grantee: «First_Name» «Last_Name» ("Employee")
Aggregate Number of Shares Subject to Option: «Stock_Options_of_Shares»
Option Price: \$«Grant_Price»
Expiration: Ten (10) years

I UNDERSTAND THAT SHOULD I TERMINATE FROM THE COMPANY FOR ANY REASON OTHER THAN DISABILITY, DEATH OR NORMAL RETIREMENT, I HAVE 30 DAYS FROM MY DATE OF SEPARATION TO EXERCISE ANY VESTED STOCK OPTIONS. IF I DO NOT EXERCISE THE VESTED STOCK OPTIONS WITHIN THIS TIME FRAME, THEY WILL BE FORFEITED.

I HEREBY AGREE TO THE TERMS AND CONDITIONS HEREINAFTER SET FORTH IN THIS NONSTATUTORY STOCK OPTION AGREEMENT DATED Month X, 2007.

<First Name Middle Name Last Name> <Date of Acceptance>

Additionally, please verify the information below. If any information is incorrect, please contact your local Human Resource representative.

DATA ON RECORD

Name: «First_Name» «MI»«Last_Name»
Payroll ID #: «Employee_ID»
Date of Birth: «Date_of_Birth»
Home Address: «Mailing_Address_Line1»
Address Line 2: «Address_Line_2»
Address City, State, Zip: «City», «StateProvince» «Postal_Code»
Address Country: «Country»
Daytime Phone #: «Phone»

**NONSTATUTORY STOCK OPTION AGREEMENT
TERMS AND CONDITIONS**

AGREEMENT made as of the Xth day of Month 2007, between **HALLIBURTON COMPANY**, a Delaware corporation (the "Company"), and <<First Name>> <<Last Name>> ("Employee").

To carry out the purposes of the **HALLIBURTON COMPANY 1993 STOCK AND INCENTIVE PLAN** (the "Plan"), by affording Employee the opportunity to purchase shares of common stock of the Company ("*Stock*"), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

1. **Grant of Option.** The Company hereby irrevocably grants to Employee the right and option ("Option") to purchase all or any part of the number of shares of Stock set forth on the preceding page at the option price indicated below, on the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement. This Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. **Option Price.** The purchase price of Stock to be paid by Employee pursuant to the exercise of this Option shall be «Grant_Price» per share, which has been determined to be not less than the fair market value of the Stock at the date of grant of this Option. For all purposes of this Agreement, fair market value of Stock shall be determined in accordance with the provisions of the Plan.

3. **Exercise of Option.** Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to the Company at its principal executive office addressed to the attention of its Vice President and Secretary, at any time and from time to time after the date of grant hereof, but, except as otherwise provided below, this Option shall not be exercisable for more than a percentage of the aggregate number of shares of Stock offered by this Option determined by the number of full years from the date of grant hereof to the date of such exercise, in accordance with the following schedule:

<u>Number of Full Years</u>	<u>Percentage of Stock That May be Purchased</u>
Less than 1 year	0%
1 year	33-1/3%
2 years	67%
3 years	100%

This Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined by the Code and may be exercised during Employee's lifetime only by Employee, Employee's guardian or legal representative or a transferee under a qualified domestic relations order. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of such rights contrary to the provisions hereof or in the Plan, or upon the levy of any attachment or similar process upon this Option or such rights, this Option and such rights shall immediately become null and void. This Option may be exercised only while Employee remains an employee of the Company, subject to the following exceptions:

(a) If Employee's employment with the Company terminates by reason of disability (disability being defined as being physically or mentally incapable of performing either the Employee's usual duties as an Employee or any other duties as an Employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing subsidiary), this Option may be exercised in full by Employee (or Employee's estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period ending on the earlier of the Expiration Date (as defined below) or the third anniversary of the date of Employee's termination of employment.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full at any time during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee's death.

(c) If Employee's employment with the Company terminates by reason of normal retirement at or after age 65, this Option may be exercised by Employee at any time during the period ending on the

Expiration Date, but only as to the number of shares of Stock Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. In connection with the termination of Employee's employment with the Company by reason of early retirement, applicable management of the Company and/or business unit may recommend to the Committee or its delegate, as applicable, that this Option be retained. In such event, the Committee or its delegate, as the case may be, shall consider such recommendation and may, in the Committee's or such delegate's sole discretion, approve the retention of this Option following such early retirement, in which case the Option may be exercised by Employee at any time during the period ending on the Expiration Date, but only as to the number of shares of Stock Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. If, after retirement as set forth above, Employee should die, this Option may be exercised in full by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee's death.

(d) **If Employee's employment with the Company terminates for any reason other than those set forth in subparagraphs (a) through (c) above, this Option may be exercised by Employee at any time during the period of 30 days following such termination,** or by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during a period of six months following Employee's death if Employee dies during such 30-day period, but in each case only as to the number of shares of Stock Employee was entitled to purchase hereunder upon exercise of this Option as of the date Employee's employment so terminates.

This Option shall not be exercisable in any event prior to the expiration of six months from the date of grant hereof or after the expiration of ten years from the date of grant hereof (the "Expiration Date") notwithstanding anything hereinabove contained. The purchase price of Stock as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price and which Stock, if acquired from the Company, have been held by Employee for more than six months, or (c) by a combination of cash or Stock. Payment may also be made by delivery (including by facsimile transmission) to the Company of an executed irrevocable option exercise form, coupled with irrevocable instructions to a broker-dealer designated by the Company to simultaneously sell a sufficient number of the shares of Stock as to which the Option is exercised and deliver directly to the Company that portion of the sales proceeds representing the exercise price. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such Stock shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to Stock acquirable upon an exercise of this Option.

4. **Withholding of Tax.** To the extent that the exercise of this Option or the disposition of shares of Stock acquired by exercise of this Option results in compensation income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. Upon an exercise of this Option, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Stock distributable to Employee upon such exercise.

5. **Status of Stock.** The Company shall not be obligated to issue any Stock pursuant to any Option at any time, when the offering of the Stock covered by such Option has not been registered under the Securities Act of 1933, as amended (the "Act") and such other country, federal or state laws, rules or regulations as the Company deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration. The Company intends to use its best efforts to ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state. Employee also agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Company deems appropriate in order to

assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Stock of Stock purchased under this Option.

6. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, a Parent Corporation or Subsidiary of the Company, or a corporation or a Parent Corporation or Subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, as appropriate, and such determination shall be final.

7. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

8. **Compliance with Law.** Notwithstanding anything to the contrary herein, the Company shall not be obligated to issue any Stock pursuant to any Option, at any time, if the offering of the Stock covered by such Option, or the exercise of an Option by an Employee, violates or is not in compliance with any laws, rules or regulations of the United States or any state or country.

9. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

HALLIBURTON COMPANY

By: _____
David J. Lesar
Chairman of the Board, President and Chief
Executive Officer

RESTRICTED STOCK AGREEMENT
«Month» «Day», Year

Grantee: «First_Name»«MI»«Last_Name» (“Employee”)
Aggregate Number of Shares Subject to Award: «POSTSPLIT_Restricted_Shares__of_share»
Restriction Period 5 year restriction period

I HEREBY AGREE TO THE TERMS AND CONDITIONS HEREINAFTER SET FORTH IN THIS RESTRICTED STOCK AGREEMENT DATED «Month» «Day», Year.

<First Name Middle Name Last Name> <Date of Acceptance>

Additionally, please verify the information below. If any information is incorrect, please contact your local Human Resource representative.

DATA ON RECORD

Name: «First_Name» «MI»«Last_Name»
Payroll ID #: «Employee_ID»
Date of Birth: «Date_of_Birth»
Home Address: «Mailing_Address__Line1»
Address Line 2: «Address_Line_2»
Address City, State, Zip: «City», «StateProvince» «Postal_Code»
Address Country: «Country»
Daytime Phone #: «Phone»

This **RESTRICTED STOCK AGREEMENT** ("Agreement") is made as of the «Day» day of «Month» 2007, between **HALLIBURTON COMPANY**, a Delaware corporation (the "Company"), and «First_Name» «MI» «Last_Name» ("Employee").

1. **Award.**

(a) **Shares.** Pursuant to the Halliburton Company 1993 Stock and Incentive Plan (the "Plan") the aggregate number of shares subject to award set forth on the preceding page (the "Restricted Shares") of the Company's common stock, par value \$2.50 per share ("Stock"), shall be issued as hereinafter provided in Employee's name subject to certain restrictions thereon.

(b) **Issuance of Restricted Shares.** The Restricted Shares shall be issued upon acceptance hereof by Employee and upon satisfaction of the conditions of this Agreement.

(c) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Restricted Shares.** Employee hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) **Forfeiture Restrictions.** The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company or employing subsidiary for any reason other than (i) normal retirement on or after age sixty-five, (ii) death or (iii) disability as determined by the Company or employing subsidiary, or except as otherwise provided in the last sentence of subparagraph (b) of this Paragraph 2, Employee shall, for no consideration, forfeit to the Company all Restricted Shares to the extent then subject to the Forfeiture Restrictions. The prohibition against transfer and the obligation to forfeit and surrender Restricted Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) **Lapse of Forfeiture Restrictions.** The Forfeiture Restrictions shall lapse as to the Restricted Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

<u>Lapse Date</u>	Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	20%
Third Anniversary of the date of this Agreement	20%
Fourth Anniversary of the date of this Agreement	20%
Fifth Anniversary of the date of this Agreement	20%

Notwithstanding the foregoing, the Forfeiture Restrictions shall lapse as to all of the Restricted Shares on the earlier of (i) the occurrence of a Corporate Change (as such term is defined in the Plan), or (ii) the date Employee's employment with the Company is terminated by reason of death, disability (as determined by the Company or employing subsidiary) or normal retirement on or after age sixty-five. In the event Employee's employment is terminated for any other reason, including retirement prior to age sixty-five with the approval of the Company or employing subsidiary, the Committee which administers the Plan (the "Committee") or its delegate, as appropriate, may, in the Committee's or such delegate's sole discretion, approve the lapse of Forfeiture Restrictions as to any or all Restricted Shares still subject to such restrictions, such lapse to be effective on the date of such approval or Employee's termination date, if later.

(c) **Certificates.** A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, or at the option of the Company, in the name of a nominee of the Company, pursuant to which Employee shall have voting rights and shall be entitled to receive all dividends unless and until the Restricted Shares are forfeited pursuant to the provisions of this Agreement. The certificate shall bear a legend evidencing the nature of the Restricted Shares, and the Company may cause the certificate to be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Company as a depository for safekeeping until the forfeiture occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this award. Upon request of the Committee or its delegate, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued without legend in the name of Employee for the shares upon which Forfeiture Restrictions lapsed. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

3. **Withholding of Tax.** To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in income to Employee for federal or state income tax purposes, FICA or other applicable tax purposes, then in accordance with the Company's Business Practice, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of shares of unrestricted Stock or cash as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is hereby authorized by Employee to withhold from any cash or Stock remuneration then or thereafter payable to Employee, any tax required to be withheld by reason of such resulting compensation income.

4. **Status of Stock.** Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would be in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

5. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

6. **Committee's Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Shares.

7. **No Section 83(b) Election.** Employee shall not make an election, under section 83(b) of the Code, to include an amount in income in respect of the award of Restricted Shares under this Agreement.

8. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

9. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized as of the date first above written.

HALLIBURTON COMPANY

By: _____
David J. Lesar
Chairman of the Board, President and Chief
Executive Officer

Employee

RESTRICTED STOCK UNIT AGREEMENT
Month Day, Year

Grantee: «First_Name» «MI» «Last_Name» (“Employee”)
Aggregate Number of Units Subject to Award: «PRESPLIT_Restricted_Shares_of_Shares»
Restriction Period: 5 year restriction period

I HEREBY AGREE TO THE TERMS AND CONDITIONS HEREINAFTER SET FORTH IN THIS RESTRICTED STOCK UNIT AGREEMENT DATED Month Day, Year.

<First Name Middle Name Last Name> <Date of Acceptance>

Additionally, please verify the information below. If any information is incorrect, please contact your local Human Resource representative.

DATA ON RECORD

Name: «First_Name» «MI»«Last_Name»
Payroll ID #: «Employee_ID»
Date of Birth: «Date_of_Birth»
Home Address: «Mailing_Address_Line1»
Address Line 2: «Address_Line_2»
Address City, State, Zip: «City», «StateProvince» «Postal_Code»
Address Country: «Country»
Daytime Phone #: «Phone»

This **RESTRICTED STOCK UNIT AGREEMENT** ("Agreement") is made as of the XX day of Month Year, between **HALLIBURTON COMPANY**, a Delaware corporation (the "Company"), and «First_Name» «MI» «Last_Name» ("Employee").

2. **Award.**

(a) **Units.** Pursuant to the Halliburton Company 1993 Stock and Incentive Plan (the "Plan"), Employee is hereby awarded the aggregate number of units subject to award set forth on the preceding page (the "Restricted Stock Units") evidencing the right to receive an equivalent number of shares of the Company's common stock, par value \$2.50 per share ("Stock"), subject to the conditions of the Plan and this Agreement.

(b) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units.** Employee hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

(a) **Forfeiture of Restricted Stock Units.** In the event of termination of Employee's employment with the Company or employing Subsidiary for any reason other than (i) normal retirement on or after age sixty-five, (ii) death or (iii) disability as determined by the Company or employing Subsidiary, or except as otherwise provided in subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested.

(b) **Assignment of Restricted Stock Units Prohibited.** The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of.

(c) **Vesting Schedule.** The Restricted Stock Units shall vest in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the applicable vesting date:

<u>Vesting Date</u>	<u>Percentage of Total Number of Restricted Stock Units Vesting</u>
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	20%
Third Anniversary of the date of this Agreement	20%
Fourth Anniversary of the date of this Agreement	20%
Fifth Anniversary of the date of this Agreement	20%

Notwithstanding the foregoing, the Restricted Stock Units shall become fully vested on the earlier of (i) the occurrence of a Corporate Change (as such term is defined in the Plan), or (ii) the date Employee's employment with the Company is terminated by reason of death, disability (as determined by the Company or employing Subsidiary) or normal retirement on or after age sixty-five. In the event Employee's employment is terminated for any other reason, including retirement prior to age sixty-five with the approval of the Company or employing Subsidiary, the Committee which administers the Plan (the "Committee") or its delegate, as appropriate, may, in the Committee's or such delegate's sole discretion, approve the acceleration of the vesting of any or all Restricted Stock Units not theretofore vested, such vesting to be effective on the date of such approval or Employee's termination date, if later.

(d) **Shareholder Rights.** The Employee shall have no rights to dividends, dividend equivalents or any other rights of a shareholder with respect to shares of Stock subject to this award of Restricted Stock Units unless and until such time as the award has been settled by the transfer of shares of Stock to the Employee.

(e) **Settlement and Delivery of Stock.** Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after vesting. Settlement will be made by payment in shares of Stock or cash, per the Corporate Business Policy. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Stock to comply with any such law, rule, regulation or agreement.

3. **Withholding of Tax.** The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this award of Restricted Stock Units, and, unless otherwise approved by the Committee, the Company shall reduce the number of shares of Stock that would have otherwise been delivered to Employee by a number of shares of Stock having a Fair Market Value equal to the amount required to be withheld.

4. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company or any Subsidiary, or a corporation or a subsidiary of such corporation assuming or substituting a new award for this award of Restricted Stock Units. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

5. **Committee's Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

6. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

7. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized as of the date first above written.

HALLIBURTON COMPANY

By _____
David J. Lesar
Chairman of the Board, President
and Chief Executive Officer

**Halliburton Company 2002 Non-Qualified Stock Purchase Plan
(as amended and restated May 17, 2005)**

The Plan (referred to as NQESPP) gives eligible employees of Halliburton's designated non-US subsidiaries the opportunity to buy Common Stock in the Company at a discounted price through payroll deductions. Eligible employees may invest up to 10% of their gross eligible base pay. This Plan is open to eligible employees in the EEA.

Eligibility: Eligible employees are those employees of participating companies who have completed a six-month period of service, excluding those working less than twenty hours per week or less than five months in any calendar year or who are on unpaid leave for more than 90 days, unless local law requires the inclusion of a broader range of employees. Participating companies include the Company and those subsidiaries that have been designated by the Compensation Committee.

Application process: Eligible employees have to apply to join the Plan. The administration of the Plan has been outsourced to Computershare, a firm which specializes in such matters. Eligible employees can enroll for the Plan and can manage or terminate their participation through Computershare's website (<http://www-us.computershare.com/employee>) or by telephone (for employees outside the US, the number is 001-732-645-4174). Enrolment normally occurs at six monthly intervals, usually in June and December. Eligible employees will be notified of the procedure and timings for each new enrolment period.

Limits: Subject to the applicable statutory conditions, a maximum of 24,000,000 shares of Halliburton Common Stock may be issued under NQESPP and ESPP (a summary of which is set out below), subject to adjustment for variations in Halliburton's capital structure. The maximum number of shares that any individual participant may purchase during a purchase period is 20,000 shares.

Purchase of shares: Deductions from salary are made monthly throughout each purchase period. Deductions continue automatically until the participant gives instructions to change or terminate them. At the end of the purchase period, the payroll contributions collected during the period are applied (without interest) in purchasing whole and fractional shares of Halliburton common stock on behalf of the participant. The price is not less than 85% of whichever is the lower of the closing price on the first trading day of the purchase period or the closing price on the last trading day of the purchase period. The Plan provides for withholding for income and social taxes in accordance with local law.

Dividends: The custodian appointed by the Committee to operate the Plan will automatically reinvest any cash dividends on the stock held for each individual participant received into that Participant's account, unless the Participant elects to receive dividends in cash.

Withdrawal of shares: A Participant may at any time direct the custodian to sell all or part of the shares held by the custodian in his or her account and deliver the proceeds, less applicable expenses. A Participant may also direct the custodian to deliver to him or her all or part of the shares held in his or her account.

Withdrawal from the Plan: Participants are entitled to withdraw from the Plan before the relevant purchase date relating to a particular purchase period, by delivering to the Company a notice of withdrawal. A participant also has the statutory withdrawal rights set out in paragraph 26.3.2 of this document.

Termination of Service: If a participant's employment within the Group terminates for any reason, his or her participation in the Plan is automatically terminated and amounts due will be refunded to the participant as soon as practicable.

Restrictions on transfer: Stock purchase rights of participants are not generally transferable and may be exercised only by the participant during his or her lifetime.

Corporate action: There is nothing in the Plan to prevent the Company or any subsidiary from taking any corporate action that is deemed by the Company or any subsidiary to be appropriate or in its best interest.

Amendment or termination of the plan: The Board may terminate the Plan at any time with respect to stock for which stock purchase rights have not been granted. The Board may not alter or amend the Plan as regards existing entitlements unless the change does not materially impair the stock purchase rights of the participant or the participant's consent has been obtained.

Governing law: The Plan is construed in accordance with the laws of Delaware except to the extent preempted by US Federal law.

**Halliburton Company 2002 Qualified Employee Stock Purchase Plan
(as amended and restated September 9, 2004)**

The Plan (referred to as ESPP) is designed to provide an incentive for eligible employees to purchase shares in the Company. The Plan is designed to enable US participants to benefit from certain tax advantages under US tax legislation. This Plan is not generally used for employees outside the USA. As with NQESPP, the Plan gives eligible employees the opportunity to buy shares in the Company at a discounted price, through convenient payroll deductions paid to the custodian which has been appointed by the Company to operate the Plan.

Eligibility: Employees eligible for the Plan include those who have completed a six-month period of service with the Company and/or its subsidiaries. Those employees serving in a country whose laws prohibit participation in the Plan or those employed for less than twenty hours per week or less than five months in any calendar year, are not eligible to participate in the Plan.

Application Process: The application process is via the Computershare website as summarized above in relation to the NQESPP. An example of the award documentation, and instructions for the completion of such documentation is set out in Part II of this document.

Limits: The overall and individual limits are as for NQESPP, described above. In addition there is an annual \$25,000 individual limit per calendar year.

Operation and Terms of the Plan: The operation and terms of the Plan are similar to the operation and terms of NQESPP, described above.

Termination of the Plan: The Board of the Company may at its discretion terminate the Plan at any time with respect to any stock for which the purchase rights are yet to be granted. The Board may also amend or alter the Plan unless that the stock purchase rights of the participants are not materially impaired or the participant's consent has been obtained.

Governing Law: The plan is construed in accordance with the laws of Delaware except to the extent pre-empted by US Federal law.

Halliburton Company UK Employee Share Purchase Plan

The Plan is a share incentive scheme approved by HM Revenue and Customs for UK tax purposes. The Plan is designed to enable employees of designated UK subsidiaries and jointly owned companies of the Company to obtain share benefits similar to those under NQESPP but with a more favorable UK tax treatment, subject to the applicable statutory conditions. This Plan is not generally used for employees outside the UK.

Employee Eligibility: The Plan allows share benefits to be structured in different ways, including allowing eligible employees to purchase shares of Halliburton Common Stock from their pre-tax salary ("Partnership Shares") and providing additional shares at the Company's cost, in proportion to those bought by employees ("Matching Shares"). Plan shares are held by Trustees on behalf of Participants, and the payroll deductions are paid to the Trustees.

The Compensation Committee has the discretion to decide when and how the Plan is operated. Whenever the Plan is operated, all eligible employees must have an opportunity to participate on similar terms. Eligible employees are UK-resident taxpayers who, at the relevant date, have been employed throughout the relevant qualifying period and such other employees as the Company may invite to participate.

Application Process: Invitations to join the Plan may be electronic or in writing and must specify the date by which the employee must complete and return the agreement governing his or her participation in the Plan. Eligible employees have to apply to join the Plan by entering into a Partnership Share Agreement agreeing to the Plan terms and authorizing the deductions from their salary. An example of the Plan award agreement is set out in Part II of this document.

There is a procedure in place for ensuring that in advance of each new accumulation period all eligible employees who are not then participants are given the opportunity to join. Currently, this takes place half yearly, in advance of the accumulation periods beginning 1 January and 1 July.

The Partnership Share Agreements operate on a rolling basis until Participants change their instructions, or withdraw from the Plan, or until the Company decides to close the Plan.

Principal Features

Partnership Shares: The Company may invite eligible employees to acquire Partnership Shares through a Partnership Share Agreement which will bind the participating employee to allocate partnership share money by deduction from his or her salary for the purchase of Partnership Shares. The level of deductions is currently subject to a statutory maximum of £1,500 per tax year. The Company may determine that there shall be an accumulation period not exceeding 12 months during which the Trustees may accumulate deductions from a participant's salary pending the acquisition of Partnership Shares on his behalf. Participants may stop, re-start, vary or withdraw from the scheme by written notice to the Company. Currently, the Company operates 6 monthly accumulation periods.

Matching Shares: The Company may on any issue of Partnership Shares, offer Matching Shares to eligible employees under a Partnership Share Agreement. The Company must specify a Matching Ratio and the circumstances and manner in which it may be changed by the Company. The ratio of Matching Shares to Partnership Shares cannot exceed 2:1. The ratio currently adopted by the Company is 1 Matching Share for every 6⅔ Partnership Shares. This has been calculated to be broadly in line with the discount available to employees outside the UK who participate in the NQESPP.

Dividend Shares: Within statutory limits the Company may give participants the option to reinvest cash dividends received on their Plan shares in the purchase of additional shares of Halliburton Common Stock. Currently dividends on Plan Shares must be reinvested through the Plan.

Free Shares: The Plan enables the Company to offer eligible employees the opportunity to acquire shares of Halliburton Common Stock within statutory limits at no cost and on a similar terms basis (Free Shares). Currently Halliburton does not offer Free Shares.

When awarding Free Shares to eligible employees under the Plan, the Company must issue an invitation specifying the basis on which they will be awarded and must enclose a Participation Contract including a deadline by which it must be completed. The initial market value of the Free Shares awarded to an eligible employee in any tax year is subject to a statutory maximum of £3,000. The Free Shares comprised in an award may be determined according to remuneration, length of service or hours worked. The Company may determine that some or all of the Free Shares may be awarded according to employee performance.

Termination of Service and Forfeiture: Forfeiture does not apply to Partnership Shares. However the Company may determine that Participants shall forfeit their entitlement to Free Shares and/or Matching Shares if they cease to hold office or employment within the Group during the specified Holding Period other than by reason of death, injury, disability, redundancy, retirement on or after age 50 or the transfer outside the Group of the Company or business which employs the Participant. Currently, Halliburton specifies a Holding Period of 3 years.

Whatever the reason for leaving, participation in the Plan will terminate upon cessation of employment.

The Plan provides for payment of or disposal of shares of Common Stock to cover tax and social security amounts where applicable in accordance with UK law.

Overall Limits: The Company may from time to time determine the maximum number of shares that may be awarded under the Plan.

Halliburton Company UK Employee Share Purchase Plan (“the Plan”): Partnership Share Agreement

This agreement is between the Halliburton Company (“the Company”), HBOS Trustees Limited (“the Trustees”) and you “the Participant”:

Title		Forename		Surname	
Home Address:					
Post code:				National Insurance Number	- - -
ID number:				Employing Company	

This agreement sets out the terms on which the Participant agrees to buy shares under the terms of the Plan and is subject to the rules of the Plan. The definitions in the Plan Rules apply to this agreement:

NOTICE TO PARTICIPANT ABOUT POSSIBLE EFFECT ON BENEFITS

Deductions from your pay to buy Partnership Shares under this agreement may affect your entitlement to or the level of some contributory social security benefits, statutory maternity pay and statutory sick pay. They may also have a similar effect in respect of some contributory social security benefits paid to your wife or husband. With this agreement you should have been given information on the effect of deductions from your pay to buy Partnership Shares on entitlement to social security benefits, statutory sick pay and statutory maternity pay. The effect is particularly significant if your earnings are brought below the lower earnings limit for National Insurance purposes, and is explained in the information. **It is therefore important that you read it before you sign this agreement.** If you have not been given a copy, ask your employer for it. Otherwise a copy may be obtained from any office of the Inland Revenue, the Department of Social Security, or, in Northern Ireland, the Department for Social Development. You should take the information you have been given into account in deciding whether to buy Partnership Shares.

PARTICIPANT

1. I agree to allow my employer to deduct

£

 per **month** from my Salary:

--

 Insert amount between £10 and £125 (per month) and not more than 10% of salary
- OR if you are a weekly paid employee**
- | |
|---|
| £ |
|---|

 per **week** from my Salary:

--

 Insert amount between £2.30 and £28.84 (per week) and not more than 10% of salary

2. I agree that these deductions will be used to buy Partnership Shares in the Company for me.
 3. I agree that the Trustees will accumulate my deductions from 1 January to 30 June and 1 July to 31 December thereafter (“the Accumulation Period”) and buy Partnership Shares in the Company for me after the end of the Accumulation Period.
 4. I agree to accept Matching Shares in the Company awarded to me under the Plan and to leave them in the hands of the Trustees, and not to assign, charge or otherwise dispose of my beneficial interest in the shares for the whole of the Holding Period of 3 years.
 5. I agree that all dividends paid on my shares will be used by the Trustees to buy more shares in the Company for me according to the rules of the Plan. I agree to accept the Dividend Shares bought for me and leave them in the hands of the Trustees, and not to assign, charge or otherwise dispose of my beneficial interest in the shares for the whole of the Holding Period of 3 years.
 6. I understand that shares may fall in value as well as rise.
 7. I have read this agreement and agree to be bound by it and by the rules of the Plan.
8. I confirm that I will be a UK tax resident at the beginning of the Accumulation Period

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 if appropriate

Important Note: You may not participate in the Plan unless you confirm your tax residency on this form

COMPANY

9. The Company agrees to arrange for shares in the Company to be bought for me, according to the rules of the Plan.
10. The Company agrees to provide 1 Matching Share for every 6^{2/3} Partnership Shares.
11. The Company undertakes to notify me of any restriction on the number of Partnership Shares available in the (or each) Award.

TRUSTEES

12. The Trustees agree to keep my salary deductions in Lloyds TSB Bank until they are used to buy shares in the Company for me.

Signature: _____

Date: _____

Rights and Obligations

1. I agree that taking part in the Plan does not affect my rights, entitlements and obligations under my contract of employment, and does not give me any rights or additional rights to compensation or damages if my employment ceases.
2. I may stop the deductions at any time, and begin them again only once during any Accumulation Period, by writing to my employer, but I may not make up any amounts missed when deductions were stopped.
3. I agree that the deductions from my salary, or the number of shares that I receive may be scaled down if the limit on the number of shares set by the Company for this award is exceeded.
4. I may ask the Trustees for my Partnership Shares at any time, but I may have to pay income tax and National Insurance Contributions when they are taken out of the Plan.
5. I agree to allow the Trustees to sell some or all of my shares to pay any income tax and National Insurance Contributions in respect of my shares ceasing to be subject to the Plan, unless I provide them in advance with sufficient funds to pay these amounts.
6. I agree that any deductions not used to buy shares will at the discretion of the Trustees be repaid to me after the deduction of any necessary income tax or National Insurance Contributions, or will be carried forward and added to the next deduction or Accumulation Period.
7. If there is a rights issue, I agree to allow the Trustees to sell some of the rights attached to my shares in the Plan, in order to fund the exercise of the rights attached to other shares held by me in the Plan.
8. I can at any time withdraw from this agreement by writing to my employer. Any unused deductions will be returned to me after the deduction of any necessary income tax or National Insurance Contributions.
9. I agree that withdrawal from this agreement will not affect the terms on which I agreed to buy shares already held for me under the Plan.

Accumulation Period

10. The Accumulation Period shall come to an end when I cease to be employed by the Company or any company under its Control or on a take-over of the Company, but this agreement shall continue until terminated by any party giving notice to the others.
11. I may only restart deductions once in every Accumulation Period.

Matching Shares

12. The ratio of Matching Shares to Partnership Shares is 1:6^{2/3} and may be varied by the Company giving me notice in advance.
13. If the ratio varies, the Company will notify me before the Partnership Shares are bought for me.

Partnership Share Money held by Trustees

14. The Trustees are under no obligation to keep the deductions in an interest-bearing account, but if they do, they will pay the interest to me.

Dividend Reinvestment

15. Cash dividends will be used to buy more shares (Dividend Shares) for me.
16. Any amount over £1,500 in each tax year will be paid to me.
17. Any amount below £1,500 not used to buy shares shall be carried forward and added to the next cash dividend to be reinvested.

Holding Period: Dividend and Matching Shares

18. I understand that my obligations during the Holding Period will end:
 - a) if I cease to be in relevant employment;
 - b) if the Company terminates the Plan in accordance with Rule 21.2 of the Plan and I have consented to the transfer of the Shares to me.
19. I understand that my obligations under the Holding Period are subject to:
 - a) the right of the Trustees to sell my shares to meet PAYE and National Insurance Contribution obligations;
 - b) the Trustees accepting at my direction an offer for my shares in accordance with the Plan.

Inland Revenue Approval

20. The Plan has been approved by the UK Inland Revenue prior to its formal operation.

PART III

HALLIBURTON HISTORICAL FINANCIAL INFORMATION

There follows Part III of this document which comprises:

Section 1: a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2006.

Section 2: a reproduction in its entirety of (i) the Quarterly Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-Q for the quarterly period ended September 30, 2007 and (ii) a Current Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 8-K dated August 3, 2007.

Section 3: a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2005.

Section 4: a reproduction in its entirety of the Annual Report of Halliburton pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Form 10-K for the year ended December 31, 2004.