

HALLIBURTON CO
Form 10-Q
October 31, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 30, 2006

OR

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

Commission File Number 1-3492

HALLIBURTON COMPANY

(a Delaware Corporation)
75-2677995

5 Houston Center
1401 McKinney, Suite 2400
Houston, Texas 77010
(Address of Principal Executive Offices)

Telephone Number - Area Code (713) 759-2600

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated
 filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: HALLIBURTON CO - Form 10-Q

As of October 24, 2006, 1,005,509,113 shares of Halliburton Company common stock, \$2.50 par value per share, were outstanding.

HALLIBURTON COMPANY**Index**

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	3-29
- Condensed Consolidated Statements of Operations	3
- Condensed Consolidated Balance Sheets	4
- Condensed Consolidated Statements of Cash Flows	5
- Notes to Condensed Consolidated Financial Statements	6-29
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	30-69
Item 3. Quantitative and Qualitative Disclosures About Market Risk	70
Item 4. Controls and Procedures	70
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	71
Item 1(a). Risk Factors	71
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	71
Item 3. Defaults Upon Senior Securities	71
Item 4. Submission of Matters to a Vote of Security Holders	71
Item 5. Other Information	71
Item 6. Exhibits	72
Signatures	73

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

HALLIBURTON COMPANY
Condensed Consolidated Statements of Operations
(Unaudited)

<i>(Millions of dollars and shares except per share data)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Revenue:				
Services	\$ 5,001	\$ 4,317	\$ 14,171	\$ 12,837
Product sales	826	648	2,373	1,861
Equity in earnings (losses) of unconsolidated affiliates, net	4	(53)	16	(30)
Total revenue	5,831	4,912	16,560	14,668
Operating costs and expenses:				
Cost of services	4,081	3,684	11,887	11,170
Cost of sales	668	544	1,935	1,558
General and administrative	115	89	315	286
Gain on sale of business assets, net	(1)	(85)	(18)	(197)
Total operating costs and expenses	4,863	4,232	14,119	12,817
Operating income	968	680	2,441	1,851
Interest expense	(42)	(51)	(132)	(154)
Interest income	44	17	110	38
Foreign currency losses, net	(10)	(2)	(12)	(9)
Other, net	-	(2)	(1)	(7)
Income from continuing operations before income taxes and minority interest				
	960	642	2,406	1,719
Provision for income taxes	(320)	(129)	(801)	(445)
Minority interest in net income of subsidiaries	(25)	(21)	-	(39)
Income from continuing operations	615	492	1,605	1,235
Income (loss) from discontinued operations, net of tax (provision) benefit of \$2, \$(3), \$(47), and \$(10)	(4)	7	85	21
Net income	\$ 611	\$ 499	\$ 1,690	\$ 1,256
Basic income (loss) per share:				
Income from continuing operations	\$ 0.61	\$ 0.49	\$ 1.57	\$ 1.23
Income (loss) from discontinued operations, net	-	0.01	0.08	0.02
Net income per share	\$ 0.61	\$ 0.50	\$ 1.65	\$ 1.25
Diluted income (loss) per share:				
Income from continuing operations	\$ 0.58	\$ 0.47	\$ 1.51	\$ 1.20
Income (loss) from discontinued operations, net	-	0.01	0.08	0.02
Net income per share	\$ 0.58	\$ 0.48	\$ 1.59	\$ 1.22

Edgar Filing: HALLIBURTON CO - Form 10-Q

Cash dividends per share	\$	0.075	\$	0.0625	\$	0.225	\$	0.1875
Basic weighted average common shares outstanding		1,011		1,012		1,021		1,006
Diluted weighted average common shares outstanding		1,048		1,050		1,062		1,032
See notes to condensed consolidated financial statements.								

3

HALLIBURTON COMPANY
Condensed Consolidated Balance Sheets
(Unaudited)

<i>(Millions of dollars and shares except per share data)</i>	September 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and equivalents	\$ 3,549	\$ 2,391
Receivables:		
Notes and accounts receivable (less allowance for bad debts of \$83 and \$90)	3,448	3,345
Unbilled work on uncompleted contracts	1,169	1,456
Total receivables	4,617	4,801
Inventories	1,213	953
Current deferred income taxes	346	645
Other current assets	490	522
Total current assets	10,215	9,312
Property, plant, and equipment, net of accumulated depreciation of \$4,070 and \$3,838	2,884	2,648
Goodwill	775	765
Noncurrent deferred income taxes	538	784
Equity in and advances to related companies	388	382
Other assets	1,184	1,119
Total assets	\$ 15,984	\$ 15,010
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,871	\$ 1,967
Advanced billings on uncompleted contracts	1,059	661
Accrued employee compensation and benefits	738	648
Current maturities of long-term debt	86	361
Short-term notes payable	2	22
Other current liabilities	946	768
Total current liabilities	4,702	4,427
Long-term debt	2,745	2,813
Employee compensation and benefits	723	718
Other liabilities	579	535
Total liabilities	8,749	8,493
Minority interest in consolidated subsidiaries	146	145
Shareholders' equity:		
Common shares, par value \$2.50 per share - authorized 2,000 shares, issued 1,059 and 1,054 shares	2,648	2,634
Paid-in capital in excess of par value	1,500	1,501
Deferred compensation	-	(98)
Accumulated other comprehensive income	(219)	(266)
Retained earnings	4,468	2,975
	8,397	6,746
Less 54 and 26 shares of treasury stock, at cost	1,308	374

Total shareholders' equity		7,089		6,372
Total liabilities and shareholders' equity	\$	15,984	\$	15,010

See notes to condensed consolidated financial statements.

HALLIBURTON COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

<i>(Millions of dollars)</i>	Nine Months Ended September 30	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 1,690	\$ 1,256
Adjustments to reconcile net income to net cash from operations:		
Depreciation, depletion, and amortization	388	377
Provision for deferred income taxes	580	209
Distribution from (advances to) related companies, net of equity in (earnings) losses	(47)	59
Gain on sale of assets	(77)	(195)
Asbestos and silica l		