

HALLIBURTON CO  
Form 10-Q  
April 25, 2014

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 March 31, 2014

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 001-03492

HALLIBURTON COMPANY

(a Delaware corporation)  
75-2677995

3000 North Sam Houston Parkway East  
Houston, Texas 77032  
(Address of Principal Executive Offices)

Telephone Number – Area Code (281) 871-2699

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |

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

Yes  No

As of April 18, 2014, 844,520,116 shares of Halliburton Company common stock, \$2.50 par value per share, were outstanding.

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## HALLIBURTON COMPANY

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## HALLIBURTON COMPANY

Condensed Consolidated Statements of Operations  
(Unaudited)

|   | Three Months Ended |            |
|---|--------------------|------------|
|   | March 31           |            |
| Millions of dollars and shares except per share data                        | 2014               | 2013       |
| Revenue:  |                    |            |
| Services  | \$ 5,540           | \$ 5,334   |
| Product sales   | 1,808              | 1,640      |
| Total revenue   | 7,348              | 6,974      |
| Operating costs and expenses:   |                    |            |
| Cost of services  | 4,765              | 4,614      |
| Cost of sales   | 1,538              | 1,386      |
| Loss contingency for Macondo well incident                                  | —                  | 1,000      |
| General and administrative  | 75                 | 72         |
| Total operating costs and expenses  | 6,378              | 7,072      |
| Operating income (loss)   | 970                | (98 )      |
| Interest expense, net of interest income of \$3 and \$3                     | (93 )              | (71 )      |
| Other, net  | (31 )              | (14 )      |
| Income (loss) from continuing operations before income taxes                | 846                | (183 )     |
| Income tax (provision) benefit  | (229 )             | 172 )      |
| Income (loss) from continuing operations                                    | 617                | (11 )      |
| Loss from discontinued operations, net of income tax benefit of \$1 and \$2 | (1 )               | (5 )       |
| Net income (loss)   | \$ 616             | \$ (16 )   |
| Noncontrolling interest in net (income) loss of subsidiaries                | 6                  | (2 )       |
| Net income (loss) attributable to company                                   | \$ 622             | \$ (18 )   |
| Amounts attributable to company shareholders:                               |                    |            |
| Income (loss) from continuing operations                                    | \$ 623             | \$ (13 )   |
| Loss from discontinued operations, net                                      | (1 )               | (5 )       |
| Net income (loss) attributable to company                                   | \$ 622             | \$ (18 )   |
| Basic income (loss) per share attributable to company shareholders:         |                    |            |
| Income (loss) from continuing operations                                    | \$ 0.73            | \$ (0.01 ) |
| Loss from discontinued operations, net                                      | —                  | (0.01 )    |
| Net income (loss) per share   | \$ 0.73            | \$ (0.02 ) |
| Diluted income (loss) per share attributable to company shareholders:       |                    |            |
| Income (loss) from continuing operations                                    | \$ 0.73            | \$ (0.01 ) |
| Loss from discontinued operations, net                                      | —                  | (0.01 )    |
| Net income (loss) per share   | \$ 0.73            | \$ (0.02 ) |
| Cash dividends per share  | \$ 0.15            | \$ 0.125   |
| Basic weighted average common shares outstanding                            | 849                | 931        |
| Diluted weighted average common shares outstanding                          | 853                | 931        |

See notes to condensed consolidated financial statements.

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## HALLIBURTON COMPANY

Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

|   | Three Months Ended |         |
|---|--------------------|---------|
|   | March 31           |         |
| Millions of dollars   | 2014               | 2013    |
| Net income (loss)   | \$ 616             | \$(16 ) |
| Other comprehensive income, net of income taxes:                    |                    |         |
| Defined benefit and other postretirement plan adjustments           | \$ 3               | \$ 4    |
| Other   | 1                  | 2       |
| Other comprehensive income, net of income taxes                     | 4                  | 6       |
| Comprehensive income (loss)   | \$ 620             | \$(10 ) |
| Comprehensive (income) loss attributable to noncontrolling interest | 6                  | (3 )    |
| Comprehensive income (loss) attributable to company shareholders    | \$ 626             | \$(13 ) |

See notes to condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets

|  | March 31,<br>2014 | December 31,<br>2013 |
|--|-------------------|----------------------|
| Millions of dollars and shares except per share data                                     |                   |                      |
|  | (Unaudited)       |                      |
| Assets   |                   |                      |
| Current assets:  |                   |                      |
| Cash and equivalents   | \$2,123           | \$2,356              |
| Receivables (less allowance for bad debts of \$112 and \$117)                            | 6,314             | 6,181                |
| Inventories  | 3,415             | 3,305                |
| Other current assets   | 1,634             | 1,862                |
| Total current assets   | 13,486            | 13,704               |
| Property, plant, and equipment, net of accumulated depreciation of \$10,004 and \$9,480  | 11,463            | 11,322               |
| Goodwill   | 2,193             | 2,168                |
| Other assets   | 2,114             | 2,029                |
| Total assets   | \$29,256          | \$29,223             |
| Liabilities and Shareholders' Equity   |                   |                      |
| Current liabilities:   |                   |                      |
| Accounts payable   | \$2,525           | \$2,365              |
| Accrued employee compensation and benefits   | 823               | 1,029                |
| Loss contingency for Macondo well incident   | 278               | 278                  |
| Other current liabilities  | 1,306             | 1,354                |
| Total current liabilities  | 4,932             | 5,026                |
| Long-term debt   | 7,816             | 7,816                |
| Loss contingency for Macondo well incident   | 1,022             | 1,022                |
| Employee compensation and benefits   | 570               | 584                  |
| Other liabilities  | 1,164             | 1,160                |
| Total liabilities  | 15,504            | 15,608               |
| Shareholders' equity:  |                   |                      |
| Common shares, par value \$2.50 per share (authorized 2,000 shares, issued 1,072 shares) | 2,680             | 2,680                |
| Paid-in capital in excess of par value   | 410               | 415                  |
| Accumulated other comprehensive loss   | (303)             | (307)                |
| Retained earnings  | 19,337            | 18,842               |
| Treasury stock, at cost (229 and 223 shares)   | (8,399)           | (8,049)              |
| Company shareholders' equity   | 13,725            | 13,581               |
| Noncontrolling interest in consolidated subsidiaries                                     | 27                | 34                   |
| Total shareholders' equity   | 13,752            | 13,615               |
| Total liabilities and shareholders' equity   | \$29,256          | \$29,223             |

See notes to condensed consolidated financial statements.

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## HALLIBURTON COMPANY

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

|   | Three Months Ended |         |   |
|---|--------------------|---------|---|
|   | March 31           |         |   |
| Millions of dollars   | 2014               | 2013    |   |
| Cash flows from operating activities:   |                    |         |   |
| Net income (loss)   | \$ 616             | \$(16   | ) |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: |                    |         |   |
| Depreciation, depletion, and amortization   | 510                | 448     |   |
| Loss contingency for Macondo well incident  | —                  | 1,000   |   |
| Other changes:  |                    |         |   |
| Receivables   | (175               | )(406   | ) |
| Accounts payable  | 160                | 158     |   |
| Inventories   | (105               | )(70    | ) |
| Payment of Barracuda-Caratinga obligation   | —                  | (219    | ) |
| Other   | (52                | )(546   | ) |
| Total cash flows from operating activities  | 954                | 349     |   |
| Cash flows from investing activities:   |                    |         |   |
| Capital expenditures  | (643               | )(685   | ) |
| Purchases of investment securities  | (55                | )(28    | ) |
| Sales of investment securities  | 50                 | 9       |   |
| Other investing activities  | (26                | )53     |   |
| Total cash flows from investing activities  | (674               | )(651   | ) |
| Cash flows from financing activities:   |                    |         |   |
| Payments to reacquire common stock  | (500               | )(50    | ) |
| Dividends to shareholders   | (127               | )(116   | ) |
| Other financing activities  | 113                | 21      |   |
| Total cash flows from financing activities  | (514               | )(145   | ) |
| Effect of exchange rate changes on cash   | 1                  | (8      | ) |
| Decrease in cash and equivalents  | (233               | )(455   | ) |
| Cash and equivalents at beginning of period   | 2,356              | 2,484   |   |
| Cash and equivalents at end of period   | \$2,123            | \$2,029 |   |
| Supplemental disclosure of cash flow information:                                       |                    |         |   |
| Cash payments (receipts) during the period for:   |                    |         |   |
| Interest  | \$ 167             | \$ 123  |   |
| Income taxes  | \$(25              | )\$137  |   |

See notes to condensed consolidated financial statements.

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## HALLIBURTON COMPANY

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with our 2013 Annual Report on Form 10-K.

Our accounting policies are in accordance with United States generally accepted accounting principles. The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect:

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and
- the reported amounts of revenue and expenses during the reporting period.

Ultimate results could differ from our estimates.

In our opinion, the condensed consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position as of March 31, 2014, the results of our operations for the three months ended March 31, 2014 and 2013, and our cash flows for the three months ended March 31, 2014 and 2013. Such adjustments are of a normal recurring nature. In addition, certain reclassifications of prior period balances have been made to conform to current period presentation. The results of our operations for the three months ended March 31, 2014 may not be indicative of results for the full year.

## Note 2. Business Segment and Geographic Information

We operate under two divisions, which form the basis for the two operating segments we report: the Completion and Production segment and the Drilling and Evaluation segment.

The following table presents information on our business segments. "Corporate and other" includes expenses related to support functions and corporate executives. Also included are certain gains and losses not attributable to a particular business segment, such as the loss contingency related to the Macondo well incident recorded during the first quarter of 2013.

Intersegment revenue was immaterial. Our equity in earnings and losses of unconsolidated affiliates that are accounted for by the equity method of accounting are included in revenue and operating income of the applicable segment.

| Millions of dollars  | Three Months Ended |         |
|--|--------------------|---------|
|  | 2014               | 2013    |
| Revenue:   |                    |         |
| Completion and Production                                    | \$4,420            | \$4,100 |
| Drilling and Evaluation                                      | 2,928              | 2,874   |
| Total revenue  | \$7,348            | \$6,974 |
| Operating income (loss):                                     |                    |         |
| Completion and Production                                    | \$661              | \$615   |
| Drilling and Evaluation                                      | 398                | 407     |
| Total operations   | 1,059              | 1,022   |
| Corporate and other  | (89)               | (1,120) |
| Total operating income (loss)                                | \$970              | \$(98)  |
| Interest expense, net of interest income                     | (93)               | (71)    |
| Other, net   | (31)               | (14)    |
| Income (loss) from continuing operations before income taxes | \$846              | \$(183) |



Receivables

As of March 31, 2014, 37% of our gross trade receivables were from customers in the United States. As of December 31, 2013, 34% of our gross trade receivables were from customers in the United States. No other country or single customer accounted for more than 10% of our gross trade receivables at these dates.

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Venezuela. We continue to experience delays in collecting payment on our receivables from our primary customer in Venezuela. These receivables are not disputed, and we have not historically had material write-offs relating to this customer. Our total outstanding trade receivables in Venezuela were \$577 million, or approximately 9% of our gross trade receivables, as of March 31, 2014, compared to \$486 million, or approximately 8% of our gross trade receivables, as of December 31, 2013. Of the \$577 million of receivables in Venezuela as of March 31, 2014, \$233 million have been classified as long-term and included within "Other assets" on our condensed consolidated balance sheets. Of the \$486 million of receivables in Venezuela as of December 31, 2013, \$183 million have been classified as long-term and included within "Other assets" on our condensed consolidated balance sheets.

In February 2013, the Venezuelan government devalued the Bolívar, from the preexisting exchange rate of 4.3 Bolívares per United States dollar to 6.3 Bolívares per United States dollar.

In recent months, the Venezuelan government has made available two new foreign exchange rate mechanisms through which a company may be able to legally convert Bolívares to United States dollars, in addition to the National Center of Foreign Commerce official rate of 6.3 Bolívares per United States dollar:

(1) a bid rate established via weekly auctions under the Complementary System of Foreign Currency Acquisition (SICAD I); and

(2) an auction rate which is intended to more closely resemble a market-driven exchange rate (SICAD II).

The availability of new currency mechanisms had no impact on our results of operations during the quarter ended March 31, 2014 as we continue to use the official exchange rate to remeasure net assets denominated in Bolívares. We believe that the current official exchange rate continues to reflect the economics of our business activity in the country, and we have not utilized nor do we intend at this time to utilize any of the newly available exchange mechanisms to transact business in Venezuela.

We will continue to monitor any future impact of these mechanisms on the exchange rate we use to remeasure our Venezuelan subsidiary's financial statements.

For additional information, see Part I, Item 1(a), "Risk Factors" in our 2013 Annual Report on Form 10-K.

### Note 3. Inventories

Inventories are stated at the lower of cost or market value. In the United States, we manufacture certain finished products and parts inventories for drill bits, completion products, bulk materials, and other tools that are recorded using the last-in, first-out method, which totaled \$180 million as of March 31, 2014 and \$157 million as of December 31, 2013. If the average cost method had been used, total inventories would have been \$35 million higher than reported as of March 31, 2014 and December 31, 2013. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

| Millions of dollars         | March 31,<br>2014 | December 31,<br>2013 |
|-----------------------------|-------------------|----------------------|
| Finished products and parts | \$2,509           | \$2,445              |
| Raw materials and supplies  | 744               | 720                  |
| Work in process             | 162               | 140                  |
| Total                       | \$3,415           | \$3,305              |

Finished products and parts are reported net of obsolescence reserves of \$134 million as of March 31, 2014 and \$130 million as of December 31, 2013.

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## Note 4. Shareholders' Equity

The following tables summarize our shareholders' equity activity:

| Millions of dollars                   | Total shareholders' equity | Company shareholders' equity | Noncontrolling interest in consolidated subsidiaries |
|---------------------------------------|----------------------------|------------------------------|--|
| Balance at December 31, 2013          | \$ 13,615                  | \$ 13,581                    | \$ 34  |
| Shares repurchased                    | (500)                      | )(500                        | )—   |
| Stock plans                           | 146                        | 146                          | —  |
| Payments of dividends to shareholders | (127)                      | )(127                        | )—   |
| Other                                 | (2)                        | )(1                          | )(1 )  |
| Comprehensive income                  | 620                        | 626                          | (6 )   |
| Balance at March 31, 2014             | \$ 13,752                  | \$ 13,725                    | \$ 27  |
| Millions of dollars                   | Total shareholders' equity | Company shareholders' equity | Noncontrolling interest in consolidated subsidiaries |
| Balance at December 31, 2012          | \$ 15,790                  | \$ 15,765                    | \$ 25  |
| Stock plans                           | 128                        | 128                          | —  |
| Payments of dividends to shareholders | (116)                      | )(116                        | )—   |
| Shares repurchased                    | (50)                       | )(50                         |  |