

Tax filings of our subsidiaries, unconsolidated affiliates, and related entities are routinely examined in the normal course of business by tax authorities. These examinations may result in assessments of additional taxes, which we work to resolve with the tax authorities and through the judicial process. Predicting the outcome of disputed assessments involves some uncertainty. Factors such as the availability of settlement procedures, willingness of tax authorities to negotiate, and the operation and impartiality of judicial systems vary across the different tax jurisdictions and may significantly influence the ultimate outcome. We review the facts for each assessment, and then utilize assumptions and estimates to determine the most likely outcome and provide taxes, interest, and penalties as needed based on this outcome. We provide for uncertain tax positions pursuant to current accounting standards, which prescribe 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. The standards also provide guidance for derecognition classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Legal, environmental, and investigation matters

As discussed in Note 9 of our consolidated financial statements, as of December 31, 2014, we have accrued an estimate of the probable and estimable costs for the resolution of some of our legal, environmental, and investigation matters. For other matters for which the liability is not probable and reasonably estimable, we have not accrued any amounts. Attorneys in our legal department monitor and manage all claims filed against us and review all pending investigations. Generally, the estimate of probable costs related to these matters is developed in consultation with internal and outside legal counsel representing us. Our estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. The accuracy of these estimates is impacted by, among other things, the complexity of the issues and the amount of due diligence we have been able to perform. We attempt to resolve these matters through settlements, mediation, and arbitration proceedings when possible. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected. We have in the past recorded significant adjustments to our initial estimates of these types of contingencies.

Value of long-lived assets, including intangible assets and goodwill

We carry a variety of long-lived assets on our balance sheet including property, plant and equipment, goodwill, and other intangibles. We conduct impairment tests on long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable and on intangible assets quarterly. Impairment is the condition that exists when the carrying amount of a long-lived asset exceeds its fair value, and any impairment charge that we record reduces our earnings. We review the carrying value of these assets based upon estimated future cash flows while taking into consideration assumptions and estimates including the future use of the asset, remaining useful life of the asset, and service potential of the asset.

Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. We test goodwill for impairment annually, during the third quarter, or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For purposes of performing the goodwill impairment test our reporting units are the same as our reportable segments, the Completion and Production division and the Drilling and Evaluation division. See Note 1 to the consolidated financial statements for our accounting policies related to long-lived assets and intangible assets, as well as the results of our goodwill impairment assessment, including our updated assessment performed as a result of the decline in crude oil prices subsequent to our goodwill impairment assessment date in 2014.

The quantitative impairment test we perform for goodwill utilizes certain assumptions, including forecasted revenue and costs assumptions. If the crude oil market continues to decline and remains at low levels for a sustained period of time, we could record an impairment of the carrying value of our goodwill in the future. If crude oil prices decline further or remain at low levels, to the extent appropriate we expect to perform our goodwill impairment assessment on a more frequent basis to determine whether an impairment is required.

Acquisitions-purchase price allocation

We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as

goodwill. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. We engage third-party appraisal firms to assist in fair value determination of inventories, identifiable intangible assets, and any other significant assets or liabilities when appropriate. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Our acquisitions may also include contingent consideration, or earn-out provisions, which provide for additional consideration to be paid to the seller if certain future conditions are met. These earn-out provisions are estimated and recognized at fair value at the acquisition date based on projected earnings or other financial metrics over specified periods after the acquisition date. These estimates are reviewed during the specified period and adjusted based on actual results.

Pensions

Our pension benefit obligations and expenses are calculated using actuarial models and methods. Two of the more critical assumptions and estimates used in the actuarial calculations are the discount rate for determining the current value of

benefit obligations and the expected long-term rate of return on plan assets used in determining net periodic benefit cost. Other critical assumptions and estimates used in determining benefit obligations and cost, including demographic factors such as retirement age, mortality, and turnover, are also evaluated periodically and updated accordingly to reflect our actual experience.

Discount rates are determined annually and are based on the prevailing market rate of a portfolio of high-quality debt instruments with maturities matching the expected timing of the payment of the benefit obligations. Expected long-term rates of return on plan assets are determined annually and are based on an evaluation of our plan assets and historical trends and experience, taking into account current and expected market conditions. These assumptions differ based on varying factors specific to each particular country or economic environment.

The discount rate utilized in 2014 to determine the projected benefit obligation at the measurement date for our United Kingdom pension plan, which constituted 80% of our international plans' pension obligations, was 3.75%, compared to a discount rate of 4.5% utilized in 2013. The expected long-term rate of return assumption used for our United Kingdom pension plan expense was 6.5% in 2014 and 2013.

The following table illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for our United Kingdom pension plan.

Millions of dollars	Effect on Pretax Pension Expense in 2014	Pension Benefit Obligation at December 31, 2014
50-basis-point decrease in discount rate	\$ 3	\$ 121
50-basis-point increase in discount rate	(3	)(105
50-basis-point decrease in expected long-term rate of return	4	NA
50-basis-point increase in expected long-term rate of return	(4	)NA

Our international defined benefit plans reduced pretax income by \$36 million in 2014, \$32 million in 2013, and \$26 million in 2012. Included in these amounts was income from expected return on plan assets of \$52 million in 2014, \$44 million in 2013, and \$45 million in 2012. Actual returns on international plan assets totaled \$69 million in 2014, compared to \$117 million in 2013. Our net actuarial loss, net of tax, related to international pension plans was \$298 million at December 31, 2014 and \$222 million at December 31, 2013. In our international plans where employees earn additional benefits for continued service, actuarial gains and losses will be recognized in operating income over a period of two to 17 years, which represents the estimated average remaining service of the participant group expected to receive benefits. In our international plans where benefits are not accrued for continued service, actuarial gains and losses will be recognized in operating income over a period of 17 to 32 years, which represents the estimated average remaining lifetime of the benefit obligations. These ranges reflect varying maturity levels among the plans.

During 2014, we made contributions of \$16 million to our international defined benefit plans. We expect to make contributions of approximately \$14 million to our international defined benefit plans in 2015.

The actuarial assumptions used in determining our pension benefit obligations may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, and longer or shorter life spans of participants. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may materially affect our financial position or results of operations. See Note 15 to the consolidated financial statements for further information related to defined benefit and other postretirement benefit plans.

Allowance for bad debts

We evaluate our accounts receivable through a continuous process of assessing our portfolio on an individual customer and overall basis. This process consists of a thorough review of historical collection experience, current aging status of the customer accounts, financial condition of our customers, and whether the receivables involve retainages. We also consider the economic environment of our customers, both from a marketplace and geographic perspective, in evaluating the need for an allowance. Based on our review of these factors, we establish or adjust allowances for specific customers and the accounts receivable portfolio as a whole. This process involves a high degree of judgment and estimation, and frequently involves significant dollar amounts. Accordingly, our results of

operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts. Our estimates of allowances for bad debts have historically been accurate. Over the last five years, our estimates of allowances for bad debts, as a percentage of notes and accounts receivable before the allowance, have ranged from 1.6% to 2.7%. At December 31, 2014, allowance for bad debts totaled \$137 million, or 1.8% of notes and accounts receivable before the allowance. At December 31, 2013, allowance for bad debts totaled \$117 million, or 1.9% of notes and accounts receivable before the allowance. A hypothetical 100 basis point change in our estimate of the collectability of our notes and accounts receivable balance as of December 31, 2014 would have resulted in a \$76 million adjustment to 2014 total operating costs and expenses. See Note 4 to the consolidated financial statements for further information.

Percentage of completion

Revenue from certain long-term, integrated project management contracts to provide well construction and completion services is reported on the percentage-of-completion method of accounting. Progress is generally based upon physical progress related to contractually defined units of work. At the outset of each contract, we prepare a detailed analysis of our estimated cost to complete the project. Risks related to service delivery, usage, productivity, and other factors are considered in the estimation process. The recording of profits and losses on long-term contracts requires an estimate of the total profit or loss over the life of each contract. This estimate requires consideration of total contract value, change orders, and claims, less costs incurred and estimated costs to complete. Anticipated losses on contracts are recorded in full in the period in which they become evident. Profits are recorded based upon the total estimated contract profit times the current percentage complete for the contract.

At least quarterly, significant projects are reviewed in detail by senior management. There are many factors that impact future costs, including weather, inflation, labor and community disruptions, timely availability of materials, productivity, and other factors as outlined in Item 1(a), "Risk Factors." These factors can affect the accuracy of our estimates and materially impact our future reported earnings. See Note 1 to the consolidated financial statements for further information.

OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2014, we had no material off balance sheet arrangements, except for operating leases. For information on our contractual obligations related to operating leases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Contractual obligations."

FINANCIAL INSTRUMENT MARKET RISK

We are exposed to market risk from changes in foreign currency exchange rates and interest rates. We selectively manage these exposures through the use of derivative instruments, including forward foreign exchange contracts, foreign exchange options, and interest rate swaps. The objective of our risk management strategy is to minimize the volatility from fluctuations in foreign currency and interest rates. We do not use derivative instruments for trading purposes. The counterparties to our forward contracts, options, and interest rate swaps are global commercial and investment banks.

We use a sensitivity analysis model to measure the impact of a 10% adverse movement of foreign currency exchange rates against the United States dollar. A hypothetical 10% adverse change in the value of all our foreign currency positions relative to the United States dollar as of December 31, 2014 would result in a \$90 million, pre-tax, loss for our net monetary assets denominated in currencies other than United States dollars.

With respect to interest rates sensitivity, after consideration of the impact from the interest rate swaps, a hypothetical 100 basis point increase in the LIBOR rate would result in approximately an additional \$15 million of interest charges for the year ended December 31, 2014.

There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that interest rates and exchange rates change instantaneously in an equally adverse fashion. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled. While this is our best estimate of the impact of the various scenarios, these estimates should not be viewed as forecasts.

For further information regarding foreign currency exchange risk, interest rate risk, and credit risk, see Note 14 to the consolidated financial statements.

ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. For information related to environmental matters, see Note 9 to the consolidated financial statements and Part I, Item 1(a), "Risk Factors."

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Forward-looking information is based on projections and estimates, not historical information. Some statements in this Form 10-K are forward-looking and use words like “may,” “may not,” “believe,” “do not believe,” “plan,” “estimate,” “intend,” “expect,” “do not expect,” “anticipate,” “do not anticipate,” “should,” “likely,” and other expressions. We also provide oral or written forward-looking information in other materials we release to the public. 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 results of operations may vary materially.

We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events, or for any other reason. You should review any additional disclosures we make in our press releases and Forms 10-K, 10-Q, and 8-K filed with or furnished to the SEC. We also suggest that you listen to our quarterly earnings release conference calls with financial analysts.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Halliburton Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in the Securities Exchange Act Rule 13a-15(f).

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of December 31, 2014 based upon criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2014, our internal control over financial reporting is effective.

The effectiveness of Halliburton's internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that is included herein.

HALLIBURTON COMPANY

by

/s/ David J. Lesar

David J. Lesar

Chairman of the Board and

Chief Executive Officer

/s/ Christian A. Garcia

Christian A. Garcia

Senior Vice President, Finance and

Acting Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Halliburton Company:

We have audited the accompanying consolidated balance sheets of Halliburton Company and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the years in the three year period ended December 31, 2014. These consolidated financial statements are the responsibility of Halliburton Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Halliburton Company and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Halliburton Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2015 expressed an unqualified opinion on the effectiveness of Halliburton Company's internal control over financial reporting.

/s/ KPMG LLP
Houston, Texas
February 24, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Halliburton Company:

We have audited Halliburton Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Halliburton Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Halliburton Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Halliburton Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Halliburton Company and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 24, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Houston, Texas
February 24, 2015

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HALLIBURTON COMPANY
Consolidated Statements of Operations

Millions of dollars and shares except per share data	Year Ended December 31		
	2014	2013	2012
Revenue:			
Services	\$ 25,039	\$ 22,257	\$ 22,196
Product sales	7,831	7,145	6,307
Total revenue	32,870	29,402	28,503
Operating costs and expenses:			
Cost of services	21,060	18,959	18,447
Cost of sales	6,599	5,972	5,322
Activity related to the Macondo well incident	(195)	) 1,000	300
General and administrative	309	333	275
Total operating costs and expenses	27,773	26,264	24,344
Operating income	5,097	3,138	4,159
Interest expense, net of interest income of \$13, \$8, and \$7	(383)	)(331	)(298)
Other, net	(2	)(43	)(39)
Income from continuing operations before income taxes	4,712	2,764	3,822
Provision for income taxes	(1,275)	)(648	)(1,235)
Income from continuing operations	3,437	2,116	2,587
Income from discontinued operations, net of income tax (provision) benefit of \$(9), \$1, and \$82	64	19	58
Net income	\$ 3,501	\$ 2,135	\$ 2,645
Noncontrolling interest in net income of subsidiaries	(1	)(10	)(10)
Net income attributable to company	\$ 3,500	\$ 2,125	\$ 2,635
Amounts attributable to company shareholders:			
Income from continuing operations	\$ 3,436	\$ 2,106	\$ 2,577
Income from discontinued operations, net	64	19	58
Net income attributable to company	\$ 3,500	\$ 2,125	\$ 2,635
Basic income per share attributable to company shareholders:			
Income from continuing operations	\$ 4.05	\$ 2.35	\$ 2.78
Income from discontinued operations, net	0.08	0.02	0.07
Net income per share	\$ 4.13	\$ 2.37	\$ 2.85
Diluted income per share attributable to company shareholders:			
Income from continuing operations	\$ 4.03	\$ 2.33	\$ 2.78
Income from discontinued operations, net	0.08	0.03	0.06
Net income per share	\$ 4.11	\$ 2.36	\$ 2.84
Basic weighted average common shares outstanding	848	898	926
Diluted weighted average common shares outstanding	852	902	928
See notes to consolidated financial statements.			

HALLIBURTON COMPANY

Consolidated Statements of Comprehensive Income

	Year Ended December 31		
Millions of dollars	2014	2013	2012
Net income	\$3,501	\$2,135	\$2,645
Other comprehensive income, net of income taxes:			
Defined benefit and other postretirement plans adjustments	(84	)—	(33
Other	(7	)2	(3
Other comprehensive income (loss), net of income taxes	(91	)2	(36
Comprehensive income	\$3,410	\$2,137	\$2,609
Comprehensive income attributable to noncontrolling interest	(1	)(10	)(10
Comprehensive income attributable to company shareholders	\$3,409	\$2,127	\$2,599
See notes to consolidated financial statements.			

HALLIBURTON COMPANY
Consolidated Balance Sheets

	December 31	
	2014	2013
Millions of dollars and shares except per share data		
Assets		
Current assets:		
Cash and equivalents	\$ 2,291	\$ 2,356
Receivables (net of allowances for bad debts of \$137 and \$117)	7,564	6,181
Inventories	3,571	3,305
Prepaid expenses	658	737
Current deferred income taxes	421	388
Other current assets	563	737
Total current assets	15,068	13,704
Property, plant, and equipment (net of accumulated depreciation of \$11,007 and \$9,480)	12,475	11,322
Goodwill	2,330	2,168
Other assets	2,367	2,029
Total assets	\$ 32,240	\$ 29,223
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,814	\$ 2,365
Accrued employee compensation and benefits	1,033	1,029
Taxes other than income	407	357
Loss contingency for Macondo well incident	367	278
Deferred revenue	349	350
Other current liabilities	913	647
Total current liabilities	5,883	5,026
Long-term debt	7,840	7,816
Employee compensation and benefits	691	584
Loss contingency for Macondo well incident	439	1,022
Other liabilities	1,089	1,160
Total liabilities	15,942	15,608
Shareholders' equity:		
Common shares, par value \$2.50 per share (authorized 2,000 shares, issued 1,071 and 1,072 shares)	2,679	2,680
Paid-in capital in excess of par value	309	415
Accumulated other comprehensive loss	(399)	(307)
Retained earnings	21,809	18,842
Treasury stock, at cost (223 shares)	(8,131)	(8,049)
Company shareholders' equity	16,267	13,581
Noncontrolling interest in consolidated subsidiaries	31	34
Total shareholders' equity	16,298	13,615
Total liabilities and shareholders' equity	\$ 32,240	\$ 29,223
See notes to consolidated financial statements.		

HALLIBURTON COMPANY
Consolidated Statements of Cash Flows

Millions of dollars	Year Ended December 31		
	2014	2013	2012
Cash flows from operating activities:			
Net income	\$3,501	\$2,135	\$2,645
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation, depletion, and amortization	2,126	1,900	1,628
Activity related to the Macondo well incident	(569)	)1,000	300
Deferred income tax (benefit) provision, continuing operations	(454)	) (132	) 165
Stock-based compensation cost	298	264	217
Other changes:			
Receivables	(1,375	)(449	)(682)
Accounts payable	489	327	200
Inventories	(247	)(107	)(611)
Payment of Barracuda-Caratinga obligation	—	(219	)—
Other	293	(272	)(208)
Total cash flows from operating activities	4,062	4,447	3,654
Cash flows from investing activities:			
Capital expenditures	(3,283	)(2,934	)(3,566)
Sales of investment securities	444	356	258
Sales of property, plant, and equipment	338	241	395
Payments to acquire businesses, net of cash acquired	(231	)(94	)(214)
Purchases of investment securities	(183	)(329	)(506)
Other investing activities	(223	)(110	)(55)
Total cash flows from investing activities	(3,138	)(2,870	)(3,688)
Cash flows from financing activities:			
Payments to reacquire common stock	(800	)(4,356	)—
Proceeds from long-term borrowings, net of offering costs	—	2,968	—
Dividends to shareholders	(533	)(465	)(333)
Proceeds from exercises of stock options	332	277	107
Other financing activities	(29	)(178	)54
Total cash flows from financing activities	(1,030	)(1,754	)(172)
Effect of exchange rate changes on cash	41	49	(8)
Decrease in cash and equivalents	(65	)(128	)(214)
Cash and equivalents at beginning of year	2,356	2,484	2,698
Cash and equivalents at end of year	\$2,291	\$2,356	\$2,484
Supplemental disclosure of cash flow information:			
Cash payments during the year for:			
Interest	\$384	\$293	\$294
Income taxes	\$1,269	\$913	\$1,098
See notes to consolidated financial statements.			

HALLIBURTON COMPANY

Consolidated Statements of Shareholders' Equity

Millions of dollars	Company Shareholders' Equity						
	Common Shares	Paid-in Capital Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest in Consolidated Subsidiaries	Total
Balance at December 31, 2011	\$2,683	\$455	\$(4,547)	\$14,880	\$ (273)	\$ 18	\$13,216
Comprehensive income (loss):							
Net income	—	—	—	2,635	—	10	2,645
Other comprehensive loss	—	—	—	—	(36)	—	(36)
Cash dividends (\$0.36 per share)	—	—	—	(333)	—	—	(333)
Stock plans	(1)	25	271	—	—	—	295
Other	—	6	—	—	—	(3)	3
Balance at December 31, 2012	\$2,682	\$486	\$(4,276)	\$17,182	\$ (309)	\$ 25	\$15,790
Comprehensive income (loss):							
Net income	—	—	—	2,125	—	10	2,135
Other comprehensive income	—	—	—	—	2	—	2
Common shares repurchased	—	—	(4,356)	—	—	—	(4,356)
Stock plans	(2)	(97)	583	—	—	—	484
Cash dividends (\$0.525 per share)	—	—	—	(465)	—	—	(465)
Other	—	26	—	—	—	(1)	25
Balance at December 31, 2013	\$2,680	\$415	\$(8,049)	\$18,842	\$ (307)	\$ 34	\$13,615
Comprehensive income (loss):							
Net income	—	—	—	3,500	—	1	3,501
Other comprehensive loss	—	—	—	—	(92)	—	(92)
Common shares repurchased	—	—	(800)	—	—	—	(800)
Stock plans	(1)	(161)	718	—	—	—	556
Cash dividends (\$0.63 per share)	—	—	—	(533)	—	—	(533)
Other	—	55	—	—	—	(4)	51
Balance at December 31, 2014	\$2,679	\$309	\$(8,131)	\$21,809	\$ (399)	\$ 31	\$16,298

See notes to consolidated financial statements.

HALLIBURTON COMPANY

Notes to Consolidated Financial Statements

Note 1. Description of Company and Significant Accounting Policies

Description of Company

Halliburton Company's predecessor was established in 1919 and incorporated under the laws of the State of Delaware in 1924. We are one of the world's largest oilfield services companies. Our two business segments are the Completion and Production segment and the Drilling and Evaluation segment. We provide a comprehensive range of services and products for the exploration, development, and production of oil and natural gas around the world.

Use of estimates

Our financial statements are prepared in conformity with United States generally accepted accounting principles, requiring 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.

We believe the most significant estimates and assumptions are associated with the forecasting of our effective income tax rate and the valuation of deferred taxes, legal and environmental reserves, long-lived asset valuations, purchase price allocations, pensions, allowance for bad debts, and percentage-of-completion accounting for long-term contracts. Ultimate results could differ from our estimates.

Basis of presentation

The consolidated financial statements include the accounts of our company and all of our subsidiaries that we control or variable interest entities for which we have determined that we are the primary beneficiary. All material intercompany accounts and transactions are eliminated. Investments in companies in which we have significant influence are accounted for using the equity method of accounting. If we do not have significant influence, we use the cost method of accounting.

Revenue recognition

Overall. Our services and products are generally sold based upon purchase orders or contracts with our customers that include fixed or determinable prices but do not include right of return provisions or other significant post-delivery obligations. Our products are produced in a standard manufacturing operation, even if produced to our customer's specifications. We recognize revenue from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured, and delivery occurs as directed by our customer. Service revenue, including training and consulting services, is recognized when the services are rendered and collectability is reasonably assured. Rates for services are typically priced on a per day, per meter, per man-hour, or similar basis.

Software sales. Sales of perpetual software licenses, net of any deferred maintenance and support fees, are recognized as revenue upon shipment. Sales of time-based licenses are recognized as revenue over the license period.

Maintenance and support fees are recognized as revenue ratably over the contract period, usually a one-year duration.

Percentage of completion. Revenue from certain long-term, integrated project management contracts to provide well construction and completion services is reported on the percentage-of-completion method of accounting. Progress is generally based upon physical progress related to contractually defined units of work. Physical percent complete is determined as a combination of input and output measures as deemed appropriate by the circumstances. All known or anticipated losses on contracts are provided for when they become evident. Cost adjustments that are in the process of being negotiated with customers for extra work or changes in the scope of work are included in revenue when collection is deemed probable.

New Accounting Pronouncement. In May 2014, a new revenue recognition standard was issued that will supersede existing revenue recognition guidance. See Note 16 for additional information.

Research and development

Research and development costs are expensed as incurred. Research and development costs were \$601 million in 2014, \$588 million in 2013, and \$460 million in 2012.

Cash equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost represents invoice or production cost for new items and original cost less allowance for condition for used material returned to stock. Production cost includes material, labor, and manufacturing overhead. Some domestic manufacturing and field service finished products and parts inventories for drill bits, completion products, and bulk materials are recorded using the last-in, first-out method. The remaining inventory is recorded on the average cost method. We regularly review inventory quantities on hand and record provisions for excess or obsolete inventory based primarily on historical usage, estimated product demand, and technological developments.

Allowance for bad debts

We establish an allowance for bad debts through a review of several factors, including historical collection experience, current aging status of the customer accounts, and financial condition of our customers. Our policy is to write off bad debts when the customer accounts are determined to be uncollectible.

Property, plant, and equipment

Other than those assets that have been written down to their fair values due to impairment, property, plant, and equipment are reported at cost less accumulated depreciation, which is generally provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are used for tax purposes, wherever permitted. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Planned major maintenance costs are generally expensed as incurred. Expenditures for additions, modifications, and conversions are capitalized when they increase the value or extend the useful life of the asset.

Goodwill and other intangible assets

We record as goodwill the excess purchase price over the fair value of the tangible and identifiable intangible assets acquired. Changes in the carrying amount of goodwill are detailed below by reportable segment.

Millions of dollars	Completion and Drilling and Production	Evaluation	Total
Balance at December 31, 2012:	\$1,511	\$624	\$2,135
Current year acquisitions	43	10	53
Purchase price adjustments for previous acquisitions	(21	)1	(20)
Balance at December 31, 2013:	\$1,533	\$635	\$2,168
Current year acquisitions	77	79	156
Purchase price adjustments for previous acquisitions	(4	)10	6
Balance at December 31, 2014:	\$1,606	\$724	\$2,330

The reported amounts of goodwill for each reporting unit are reviewed for impairment on an annual basis, during the third quarter, and more frequently should negative conditions such as significant current or projected operating losses exist. In 2012, we elected to perform a qualitative assessment for our annual goodwill impairment test. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would be required to perform a quantitative impairment test for goodwill. In 2013 and 2014, we elected to bypass the qualitative assessment and perform a quantitative impairment test. This two-step process involves comparing the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired, and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test would be performed to measure the amount of impairment loss to be recorded, if any. As a result of our annual goodwill impairment assessments performed in 2014, 2013, and 2012, no impairments were deemed necessary.

Subsequent to our annual goodwill impairment testing date in 2014, the energy market experienced a considerable downturn as a result of a significant reduction in crude oil prices. Due to this pricing decline and its corresponding impact on our short-term business outlook, we determined that these recent events constituted a triggering event that would require us to update our goodwill impairment assessment through December 31, 2014. As a result of our analysis, we determined that the fair value of each reporting unit exceeded its net book value and therefore, no goodwill impairment was necessary as of December 31, 2014.

We amortize other identifiable intangible assets with a finite life on a straight-line basis over the period which the asset is expected to contribute to our future cash flows, ranging from two to seventeen years. The components of these other intangible assets generally consist of patents, license agreements, non-compete agreements, trademarks, and customer lists and contracts.

Evaluating impairment of long-lived assets

When events or changes in circumstances indicate that long-lived assets other than goodwill may be impaired, an evaluation is performed. For an asset classified as held for use, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to fair value is required. When an asset is classified as held for sale, the asset's book value is evaluated and adjusted to the lower of its carrying amount or fair value less cost to sell. In addition, depreciation and amortization is ceased while it is classified as held for sale.

Income taxes

We recognize the amount of taxes payable or refundable for the year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will not be realized.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowances.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes on continuing operations in our consolidated statements of operations.

We generally do not provide income taxes on the undistributed earnings of non-United States subsidiaries because such earnings are intended to be reinvested indefinitely to finance foreign activities. These additional foreign earnings could be subject to additional tax if remitted, or deemed remitted, as a dividend; however, it is not practicable to estimate the additional amount, if any, of taxes payable. Taxes are provided as necessary with respect to earnings that are not permanently reinvested.

Derivative instruments

At times, we enter into derivative financial transactions to hedge existing or projected exposures to changing foreign currency exchange rates and interest rates. We do not enter into derivative transactions for speculative or trading purposes. We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value and reflected through the results of operations. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against:

- the change in fair value of the hedged assets, liabilities, or firm commitments through earnings; or
- recognized in other comprehensive income until the hedged item is recognized in earnings.

The ineffective portion of a derivative's change in fair value is recognized in earnings. Recognized gains or losses on derivatives entered into to manage foreign currency exchange risk are included in "Other, net" on the consolidated statements of operations. Gains or losses on interest rate derivatives are included in "Interest expense, net."

Foreign currency translation

Foreign entities whose functional currency is the United States dollar translate monetary assets and liabilities at year-end exchange rates, and nonmonetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation, cost of product sales and revenue, and expenses associated with nonmonetary balance sheet accounts, which are translated at historical rates. Gains or losses from changes in exchange rates are recognized in our consolidated statements of operations in "Other, net" in the year of occurrence.

Stock-based compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award, and is recognized as expense over the employee's service period, which is generally the vesting period of the equity grant. Additionally, compensation cost is recognized based on awards ultimately expected to vest, therefore, we have reduced the cost for estimated forfeitures based on historical forfeiture rates. Forfeitures are estimated at the time of grant and revised in subsequent periods to reflect actual forfeitures. See Note 12 for additional information related to stock-based compensation.

Note 2. Acquisitions and Dispositions

Pending acquisition of Baker Hughes

On November 16, 2014, we and Baker Hughes entered into a merger agreement under which, subject to the conditions set forth in the merger agreement, we will acquire all the outstanding shares of Baker Hughes in a stock and cash transaction. Baker Hughes is a leading supplier of oilfield services, products, technology and systems to the worldwide oil and natural gas industry. Under the terms of the merger agreement, at the effective time of the acquisition, each share of Baker Hughes common stock will be converted into the right to receive 1.12 shares of our common stock and \$19.00 in cash.

Because the exchange ratio was fixed at the time of the merger agreement and the market value of our common stock will continue to fluctuate, the total value of the consideration exchanged will not be determinable until the closing date. The number of shares to be issued will not fluctuate based upon changes in the price of shares of our common stock or shares of Baker Hughes common stock prior to the closing date, but the exact number of Halliburton shares to be issued with respect to Baker Hughes stock awards will not be determinable until the closing of the transaction. We have estimated the total consideration expected to be issued and paid to Baker Hughes stockholders in the acquisition to consist of approximately 490 million shares of our common stock and approximately \$8.3 billion to be paid in cash. We intend to finance the cash portion of the acquisition through a combination of cash on hand and debt financing. We have obtained a commitment letter for an \$8.6 billion senior unsecured bridge facility, which is greater than the expected cash consideration required upon closing of the Baker Hughes acquisition. We may issue debt securities, obtain bank loans or other debt financings, or use cash on hand in lieu of utilizing all or a portion of the bridge facility. The merger agreement has been unanimously approved by both companies' Board of Directors. The closing of the transaction is subject to adoption of the merger agreement by the stockholders of Baker Hughes, the approval by our stockholders of the issuance of Halliburton Company common stock to Baker Hughes's stockholders, receipt of certain regulatory approvals and other conditions specified in the merger agreement. The closing of the transaction is expected to occur in the second half of 2015.

Note 3. 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.

Completion and Production delivers cementing, stimulation, intervention, pressure control, specialty chemicals, artificial lift, and completion services. The segment consists of Production Enhancement, Cementing, Completion Tools, Boots & Coots, Multi-Chem, and Artificial Lift.

Production Enhancement services include stimulation services and sand control services. Stimulation services optimize oil and natural gas reservoir production through a variety of pressure pumping services, nitrogen services, and chemical processes, commonly known as hydraulic fracturing and acidizing. Sand control services include fluid and chemical systems and pumping services for the prevention of formation sand production.

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.

Completion Tools provides downhole solutions and services to our customers to complete their wells, including well completion products and services, intelligent well completions, liner hanger systems, sand control systems, and service tools.

Boots & Coots includes well intervention services, pressure control, equipment rental tools and services, and pipeline and process services.

Multi-Chem includes oilfield production and completion chemicals and services that address production, processing, and transportation challenges.

Artificial Lift offers electrical submersible pumps and progressive cavity pumps, including the associated surface package for power, control, and monitoring of the entire lift system, and provides installation, maintenance, repair, and testing services. The objective of these services is to maximize reservoir and wellbore recovery by applying lifting technology and intelligent field management solutions throughout the life of the well.

Drilling and Evaluation provides field and reservoir modeling, drilling, evaluation, and precise wellbore placement solutions that enable customers to model, measure, drill, and optimize their well construction activities. The segment consists of Baroid, Sperry Drilling, Wireline and Perforating, Drill Bits and Services, Landmark Software and Services, Testing and Subsea, and Consulting and Project Management.

Baroid provides drilling fluid systems, performance additives, completion fluids, solids control, specialized testing equipment, and waste management services for oil and natural gas drilling, completion, and workover operations. Sperry Drilling provides drilling systems and services. These services include directional and horizontal drilling, measurement-while-drilling, logging-while-drilling, surface data logging, multilateral systems, underbalanced applications, and rig site information systems. Our drilling systems offer directional control for precise wellbore placement while providing important measurements about the characteristics of the drill string and geological formations while drilling wells. Real-time operating capabilities enable the monitoring of well progress and aid decision-making processes.

Wireline and Perforating services include open-hole logging services that provide information on formation evaluation and reservoir fluid analysis, including formation lithology, rock properties, and reservoir fluid properties. Also offered are cased-hole and slickline services, which provide perforating, pipe recovery services, through-casing formation evaluation and reservoir monitoring, casing and cement integrity measurements, and well intervention services.

Borehole seismic services include downhole seismic operations check-shots and vertical seismic profiles, and provide the link between surface seismic and the wellbore. Finally, formation and reservoir solutions transform formation evaluation data into reservoir insight through geoscience solutions.

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

Landmark Software and Services is a supplier of integrated exploration, drilling and production software, and related professional and data management services for the upstream oil and natural gas industry.

Testing and Subsea services provide acquisition and analysis of dynamic reservoir information and reservoir optimization solutions to the oil and natural gas industry through a broad portfolio of test tools, data acquisition services, fluid sampling, surface well testing, and subsea safety systems.

Consulting and Project Management 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 natural gas assets. Corporate and other includes expenses related to support functions and corporate executives and is primarily composed of cash and equivalents, deferred tax assets, and investment securities. Also included are certain gains, losses and costs not attributable to a particular business segment (such as activity related to the Macondo well incident recorded during the 2014 and 2013).

Intersegment revenue and revenue between geographic areas are immaterial. Our equity in earnings and losses of unconsolidated affiliates that are accounted for under the equity method of accounting is included in revenue and operating income of the applicable segment.

The following tables present information on our business segments.

Operations by business segment

Millions of dollars	Year Ended December 31		
	2014	2013	2012
Revenue:			
Completion and Production	\$ 20,253	\$ 17,506	\$ 17,380
Drilling and Evaluation	12,617	11,896	11,123
Total revenue	\$ 32,870	\$ 29,402	\$ 28,503
Operating income:			
Completion and Production	\$ 3,610	\$ 2,875	\$ 3,144
Drilling and Evaluation	1,671	1,770	1,675
Total operations	5,281	4,645	4,819
Corporate and other	(184	)(1,507	)(660)
Total operating income	\$ 5,097	\$ 3,138	\$ 4,159
Interest expense, net of interest income	\$(383	)(331	)(298)
Other, net	(2	)(43	)(39)
Income from continuing operations before income taxes	\$ 4,712	\$ 2,764	\$ 3,822
Capital expenditures:			
Completion and Production	\$ 1,953	\$ 1,676	\$ 2,177
Drilling and Evaluation	1,297	1,210	1,318
Corporate and other	33	48	71
Total	\$ 3,283	\$ 2,934	\$ 3,566
Depreciation, depletion, and amortization:			
Completion and Production	\$ 1,162	\$ 1,013	\$ 843
Drilling and Evaluation	934	873	783
Corporate and other	30	14	2
Total	\$ 2,126	\$ 1,900	\$ 1,628

Millions of dollars	December 31	
	2014	2013
Total assets:		
Completion and Production	\$ 16,033	\$ 14,203
Drilling and Evaluation	11,237	10,010
Shared assets	1,930	1,351
Corporate and other	3,040	3,659
Total	\$ 32,240	\$ 29,223

Not all assets are associated with specific segments. Those assets specific to segments include receivables, inventories, certain identified property, plant, and equipment (including field service equipment), equity in and advances to related companies, and goodwill. The remaining assets, such as cash and equivalents, are considered to be shared among the segments.

The following tables present information by geographic area. In 2014, 2013, and 2012, based on the location of services provided and products sold, 51%, 49%, and 53% of our consolidated revenue was from the United States. As of December 31, 2014 and December 31, 2013, 46% and 47% of our property, plant, and equipment was from the United States. No other country accounted for more than 10% of our revenue or property, plant, and equipment during the periods presented.

Operations by geographic region

Millions of dollars	Year Ended December 31		
	2014	2013	2012
Revenue:			
North America	\$ 17,698	\$ 15,212	\$ 16,004
Latin America	3,875	3,909	3,694
Europe/Africa/CIS	5,490	5,225	4,510
Middle East/Asia	5,807	5,056	4,295
Total	\$ 32,870	\$ 29,402	\$ 28,503

Millions of dollars	December 31	
	2014	2013
Net property, plant, and equipment:		
North America	\$ 6,057	\$ 5,687
Latin America	1,406	1,227
Europe/Africa/CIS	1,832	1,639
Middle East/Asia	3,180	2,769
Total	\$ 12,475	\$ 11,322

Note 4. Receivables

Our trade receivables are generally not collateralized. At December 31, 2014 and December 31, 2013, 39% and 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.

While we are continuing to collect payment on some of our receivables from our primary customer in Venezuela, the amount of outstanding receivables has increased in connection with increased activity. 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 \$670 million, or approximately 9% of our gross trade receivables, as of December 31, 2014, compared to \$486 million, or approximately 8% of our gross trade receivables, as of December 31, 2013. Of the \$670 million of receivables in Venezuela as of December 31, 2014, \$256 million has been classified as long-term and included within "Other assets" on our consolidated balance sheets. Of the \$486 million receivables in Venezuela as of December 31, 2013, \$183 million has been classified as long-term and included within "Other assets" on our consolidated balance sheets.

The following table presents a rollforward of our allowance for bad debts for 2012, 2013, and 2014.

Millions of dollars	Balance at Beginning of Period	Charged to Costs and Expenses	Write-Offs	Balance at End of Period
Year ended December 31, 2012	\$ 137	\$ (40)	) \$ (5)	) \$ 92
Year ended December 31, 2013	92	39	(14)	) 117
Year ended December 31, 2014	117	26	(6)	) 137

Note 5. Inventories

Inventories are stated at the lower of cost or market. 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 and totaled \$227 million at December 31, 2014 and \$157 million at December 31, 2013. If the average cost method had been used, total inventories would have been \$38 million higher than reported at December 31, 2014 and \$35 million higher than reported at December 31, 2013. The cost of the remaining inventory was recorded on the average cost method. Inventories consisted of the following:

Millions of dollars	December 31	
	2014	2013
Finished products and parts	\$ 2,606	\$ 2,445
Raw materials and supplies	754	720
Work in process	211	140
Total	\$ 3,571	\$ 3,305

Finished products and parts are reported net of obsolescence reserves of \$161 million at December 31, 2014 and \$130 million at December 31, 2013.

Note 6. Property, Plant, and Equipment

Property, plant, and equipment were composed of the following:

Millions of dollars	December 31	
	2014	2013
Land	\$ 217	\$ 213
Buildings and property improvements	3,311	2,685
Machinery, equipment, and other	19,954	17,904
Total	23,482	20,802
Less accumulated depreciation	11,007	9,480
Net property, plant, and equipment	\$ 12,475	\$ 11,322

Classes of assets, excluding oil and natural gas investments, are depreciated over the following useful lives:

		Buildings and Property Improvements	
		2014	2013
1	- 10 years	12%	13%
11	- 20 years	42%	43%
21	- 30 years	21%	20%
31	- 40 years	25%	24%
		Machinery, Equipment, and Other	
		2014	2013
1	- 5 years	23%	22%
6	- 10 years	70%	72%
11	- 20 years	7%	6%

Note 7. Debt

Long-term debt consisted of the following:

Millions of dollars	December 31	
	2014	2013
3.5% senior notes due August 2023	\$ 1,098	\$ 1,098
6.15% senior notes due September 2019	998	997
7.45% senior notes due September 2039	995	995
4.75% senior notes due August 2043	898	898
6.7% senior notes due September 2038	800	800
1.0% senior notes due August 2016	600	600
3.25% senior notes due November 2021	499	498
4.5% senior notes due November 2041	498	498
2.0% senior notes due August 2018	400	400
5.9% senior notes due September 2018	400	400
7.6% senior debentures due August 2096	293	293
8.75% senior debentures due February 2021	184	184
6.75% notes due February 2027	104	104
7.53% notes due May 2017	45	45
Other	42	6
Total	\$ 7,854	\$ 7,816
Current maturities	(14)	)—
Total long-term debt	\$ 7,840	\$ 7,816

Senior debt

All of our senior notes and debentures rank equally with our existing and future senior unsecured indebtedness, have semiannual interest payments, and have no sinking fund requirements. We may redeem all of our senior notes from time to time or all of the notes of each series at any time at the applicable redemption prices, plus accrued and unpaid interest. Our 7.6% and 8.75% senior debentures may not be redeemed prior to maturity.

Revolving credit facilities

We have an unsecured \$3.0 billion revolving credit facility expiring in 2018. The purpose of the facility is to provide general working capital and credit for other corporate purposes. The full amount of the revolving credit facility was available as of December 31, 2014.

Debt maturities

Our long-term debt matures as follows: \$14 million in 2015, \$610 million in 2016, \$52 million in 2017, \$806 million in 2018, \$1.0 billion in 2019, and the remainder in 2020 and thereafter.

Bridge facility commitment

We have obtained a commitment letter for an \$8.6 billion senior unsecured bridge facility expiring in November 2015, which may be automatically extended to April 30, 2016 if the termination date under the merger agreement is extended in accordance with the terms of the merger agreement. The amount of the bridge facility commitment is greater than the expected cash consideration to be paid upon the closing of the acquisition. We have not drawn any amounts under this commitment as of December 31, 2014. We may issue debt securities, obtain bank loans or other debt financings, or use cash on hand in lieu of utilizing all or a portion of the bridge facility. See Note 2 to the consolidated financial statements for further information about the pending acquisition.

Note 8. KBR Separation

During 2007, we completed the separation of KBR, Inc. (KBR) from us by exchanging KBR common stock owned by us for our common stock. We entered into various agreements relating to the separation of KBR, including, among others, a Master Separation Agreement (MSA) and a Tax Sharing Agreement (TSA). We recorded a liability at that time reflecting the estimated fair value of the indemnities provided to KBR. Since the separation, we have recorded

adjustments to reflect changes to our estimation of our remaining obligation. All such adjustments were recorded in “Income (loss) from discontinued operations, net of income tax (provision) benefit.” During the first quarter of 2013, we paid \$219 million to satisfy our obligation under a guarantee related to the Barracuda-Caratinga matter, a legacy KBR project. There were no amounts accrued for indemnities provided to KBR at December 31, 2014.

Tax Sharing Agreement

The TSA provides for the calculation and allocation of United States and certain other jurisdiction tax liabilities between KBR and us for the periods 2001 through the date of separation. The TSA is complex, and finalization of amounts

owed between KBR and us under the TSA can occur only after income tax audits are completed by the taxing authorities and both parties have had time to analyze the results.

During the second quarter of 2012, we sent a notice to KBR requesting the appointment of an arbitrator in accordance with the terms of the TSA. This request asked the arbitrator to find that, pursuant to the TSA, KBR owed us for certain specific tax matters. KBR denied that it owed us anything and asserted instead that we owed KBR for those tax matters.

We and KBR were involved in numerous arbitration and court proceedings relating to the dispute. In September 2014, we and KBR agreed in principle to a settlement under which we and KBR released all claims asserted against each other with respect to the disputed tax matters. In exchange for the release, among other things, KBR agreed to pay us an aggregate amount of \$81 million, with \$12 million paid up front, \$19 million payable upon KBR receiving the benefit of certain foreign tax credits and \$50 million payable in four, equal quarterly installments beginning in the fourth quarter of 2014. A definitive settlement agreement was signed in October 2014. Through December 31, 2014, we have received \$25 million related to the KBR settlement.

During 2014, we recorded \$63 million of income related to the settlement within "Income (loss) from discontinued operations, net of income tax (provision) benefit" in our consolidated statements of operations. This amount represents the \$81 million settlement, less foreign tax credits allocated to KBR under the terms of the TSA and an immaterial receivable previously recorded.

Note 9. Commitments and Contingencies

Macondo well incident

Overview. The semisubmersible drilling rig, Deepwater Horizon, sank on April 22, 2010 after an explosion and fire onboard the rig that began on April 20, 2010. The Deepwater Horizon was owned by an affiliate of Transocean Ltd. and had been drilling the Macondo exploration well in Mississippi Canyon Block 252 in the Gulf of Mexico for the lease operator, BP Exploration & Production, Inc. (BP Exploration), an indirect wholly owned subsidiary of BP p.l.c. We performed a variety of services for BP Exploration, including cementing, mud logging, directional drilling, measurement-while-drilling, and rig data acquisition services. Crude oil flowing from the well site spread across thousands of square miles of the Gulf of Mexico and reached the United States Gulf Coast. Efforts to contain the flow of hydrocarbons from the well were led by the United States government and by BP p.l.c., BP Exploration, and their affiliates (collectively, as applicable, BP). There were eleven fatalities and a number of injuries as a result of the Macondo well incident.

Litigation. Numerous lawsuits relating to the Macondo well incident were filed against us, BP, Transocean and others in federal and state courts throughout the United States, most of which have been consolidated in a Multi-District Litigation (MDL) proceeding before Judge Carl Barbier in the United States Eastern District of Louisiana. Generally, those lawsuits allege either (1) damages arising from the oil spill pollution and contamination or (2) wrongful death or personal injuries. The pollution complaints include suits brought against us by governmental entities, including all of the coastal states of the Gulf of Mexico, numerous local governmental entities, the Mexican State of Yucatan, and the United Mexican States, and generally allege, among other things, negligence and gross negligence, property damages, taking of protected species, and potential economic losses as a result of environmental pollution, and generally seek awards of compensatory damages, including unspecified economic damages, and punitive damages, as well as injunctive relief. The wrongful death and other personal injury complaints generally allege negligence and gross negligence and seek awards of compensatory damages, including unspecified economic damages, and punitive damages.

The defendants in the proceedings described above have filed numerous cross claims, third party claims, and other actions against certain other defendants, including us, seeking subrogation, contribution, indemnification, including with respect to liabilities under the Oil Pollution Act of 1990 (OPA), and direct damages, and alleging negligence, gross negligence, fraudulent conduct, willful misconduct, fraudulent concealment, comparative fault, and breach of warranty of workmanlike performance.

Judge Barbier issued an order, among others, clarifying certain aspects of law applicable to the lawsuits pending in his court. The court ruled that: (1) general maritime law will apply, and therefore all claims brought under state law causes of action were dismissed; (2) general maritime law claims may be brought directly against defendants who are

non-“responsible parties” under the OPA with the exception of pure economic loss claims by plaintiffs other than commercial fishermen; (3) all claims for damages, including pure economic loss claims, may be brought under the OPA directly against responsible parties; and (4) punitive damage claims may be brought against both responsible and non-responsible parties under general maritime law. The rulings in the court's order remain subject to each applicable party's right to appeal. Certain parishes in Louisiana appealed the dismissal of their state law claims, and the United States Fifth Circuit Court of Appeals (Fifth Circuit) affirmed the dismissal. The parishes filed a petition for writ of certiorari in the United States Supreme Court (Supreme Court), which the Court denied.

We have not been named as a responsible party under the OPA, but BP has filed a claim against us for contribution with respect to liabilities incurred by BP under the OPA. In an order dismissing certain other claims, the MDL court noted that we are not liable with respect to those claims under the OPA because we are not a “responsible party” under the OPA. A group of plaintiffs appealed the order, but the Fifth Circuit dismissed the appeal.

In April 2012, BP announced that it had reached definitive settlement agreements with the Plaintiffs' Steering Committee (PSC) in the MDL to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Macondo well incident (BP MDL Settlements). The PSC acts on behalf of individuals and business plaintiffs in the MDL. The BP MDL Settlements do not include claims against BP made by the United States Department of Justice (DOJ) or other federal agencies or by states and local governments. The BP MDL Settlements provide that the settlement classes are precluded from asserting compensatory damages claims against us. The economic loss settlement (BP Economic Loss Settlement) provides that, to the extent permitted by law, BP assigns to the settlement class certain of its claims, rights, and recoveries against Transocean and us for damages, including BP's alleged direct damages such as damages for clean-up expenses and damage to the well and reservoir. The MDL court has since certified the classes and granted final approval for the BP MDL Settlements. BP's medical claims settlement was final as of February 2014. BP challenged certain provisions of the BP Economic Loss Settlement in the MDL court and applicable appellate courts. In March 2014, the Fifth Circuit upheld the settlement, and BP subsequently filed a petition for writ of certiorari in the Supreme Court. In December 2014, the Supreme Court denied BP's petition. The first phase of the MDL trial, which concluded in April 2013, covered issues arising out of the conduct and degree of culpability of various parties allegedly relevant to the loss of well control, the ensuing fire and explosion on and sinking of the Deepwater Horizon, and the initiation of the release of hydrocarbons from the Macondo well. At the conclusion of the plaintiffs' case, in March 2013, the MDL court dismissed all claims against certain defendants, leaving BP, Transocean, and us as the remaining defendants with respect to the matters addressed during the first phase of the trial.

In September 2014, we reached an agreement, subject to court approval, to settle a substantial portion of the plaintiffs' claims asserted against us relating to the Macondo well incident (our MDL Settlement). Pursuant to our MDL Settlement, we agreed to pay an aggregate of \$1.1 billion, which includes legal fees and costs, into a settlement fund in three installments over two years, except that one installment of legal fees will not be paid until all of the conditions to the settlement have been satisfied or waived. Under our MDL Settlement, (1) a class of plaintiffs alleging physical damage to property or damages associated with the commercial fishing industry arising from the Macondo well incident agree to release all claims against us for punitive damages and (2) class members of the BP Economic Loss Settlement agree to release the claims against us that BP assigned to them in that settlement. We also agreed to release BP for any damages, consideration, or other relief that we provide under our MDL Settlement.

Certain conditions must be satisfied before our MDL Settlement becomes effective and the funds are released from the settlement fund. These conditions include, among others, the BP Economic Loss Settlement becoming final and effective and the issuance of a final order of the MDL court, including the resolution of any appeals, that (1) affirms we have no liability for compensatory damages to the class members of the BP Economic Loss Settlement, (2) adopts the MDL court's January 2012 order enforcing our indemnity rights against BP (see "Indemnification and Insurance" below), and (3) adopts the MDL court's prior order that, under general maritime law, pure economic loss claims by plaintiffs other than commercial fishermen may not be brought against us. In addition, we have the right to terminate our MDL Settlement if more than an agreed number of plaintiffs elect to opt out of the settlement prior to the expiration of the opt out deadline to be established by the MDL court.

Our MDL Settlement does not cover claims against us by the state governments of Alabama, Florida, Mississippi, Louisiana, or Texas, claims by our own employees, compensatory damages claims by plaintiffs in the MDL that opted out of or were excluded from the settlement class in the BP MDL Settlements, or claims by other defendants in the MDL or their respective employees. However, as discussed below, these claims have either been dismissed, are subject to dismissal, are subject to indemnification by BP pursuant to rulings of the MDL court, or are not believed to be material.

Before approving our MDL Settlement, the MDL court must certify the settlement class, the numerous class members must be notified of the proposed settlement, and the court must hold a fairness hearing. We are unable to predict when the MDL court will approve our MDL Settlement.

Subsequently in September 2014, the MDL court ruled (Phase One Ruling) that, among other things, (1) in relation to the Macondo well incident, BP's conduct was reckless, Transocean's conduct was negligent, and our conduct was negligent, (2) fault for the Macondo blowout, explosion, and spill is apportioned 67% to BP, 30% to Transocean, and

3% to us, and (3) the indemnity and release clauses in our contract with BP are valid and enforceable against BP. The MDL court did not find that our conduct was grossly negligent, thereby, subject to any appeals, eliminating our exposure in the MDL for punitive damages.

In October 2014, BP filed a motion in the MDL court to amend the court's findings, alter or amend the court's judgment, or for a new trial, and in November 2014, the MDL court denied the motion. BP has filed a notice of appeal of both the MDL court's denial of its motion and of the Phase One Ruling.

The second phase of the MDL trial was split into two parts, with testimony presented in October 2013. The first part covered attempts to collect, control, or halt the flow of hydrocarbons from the well, while the second part covered the quantification of hydrocarbons discharged from the well. The parties submitted proposed findings of fact and conclusions of law, post-trial briefs and responses during December 2013 and January 2014. According to a stipulation and post-trial filings, BP contends that 2.45 million barrels of oil were released into the Gulf of Mexico and the DOJ contends that a total of 4.2 million barrels were released. In January 2015, the MDL court ruled that, giving effect to the amount of oil collected as a result

of BP's cleanup efforts, a total of 3.19 million barrels of oil were discharged into the Gulf of Mexico for the purposes of determining the maximum penalty under the Clean Water Act (CWA).

The DOJ's civil action for CWA violations, fines, and penalties against BP Exploration, Anadarko Petroleum Corporation and Anadarko E&P Company LP, which had an approximate 25% interest in the Macondo well, is being addressed by the MDL court in another phase of the trial that began in January 2015. Also, the MDL court has scheduled a trial of seven OPA test cases which are limited to the plaintiffs and BP. The plaintiffs have dropped their general maritime law claims against us in these test cases, although BP asserts in its affirmative defenses that the damages involved were caused by third parties such as Transocean and us.

Damages for the cases tried in the MDL proceeding, including punitive damages, if any, are expected to be tried pursuant to a process to be determined by the MDL court. Under ordinary MDL procedures, such cases would, unless waived by the respective parties, be tried in the courts from which they were transferred into the MDL. A process is underway to establish a schedule for trial of the State of Alabama's OPA and general maritime law damages claims, with a potential trial commencing in the fourth quarter of 2015.

Subject to all applicable appeals and final approvals, the following briefly summarizes the status of the various claims against us based on the various settlements and MDL court rulings described above:

- compensatory damages claims asserted against us by the members of the settlement class in the BP MDL Settlements may not be pursued under the terms of that settlement;

- compensatory damages claims asserted against us by plaintiffs in the MDL that are not members of the settlement class in the BP MDL Settlements, including plaintiffs who opted out of or were excluded from those settlements, the state governments of Alabama, Florida, Mississippi, Louisiana, and Texas, the Mexican State of Yucatan, and the United Mexican States, are either dismissed, subject to dismissal, or subject to indemnification by BP pursuant to rulings of the MDL court;

- punitive damages claims asserted against us by the members of the settlement class in our MDL Settlement are released pursuant to that settlement, and we should not otherwise be held liable for punitive damages claims asserted by any other plaintiffs in the MDL because the Phase One Ruling did not find that our conduct was grossly negligent; BP's direct damages claims against us, such as claims for clean-up expenses and damage to the well and reservoir, that are assigned to members of the settlement class in the BP Economic Loss Settlement are released pursuant to our MDL Settlement;

- BP's claim against us for contribution, indemnity, or subrogation with respect to fines and penalties under the CWA or other federal or state statute are unresolved, although we believe that the claim is without merit and is subject to a release given by BP in our contract relating to the Macondo well; and

- claims against us asserted by Transocean, and claims against us that are not included in the MDL, are unresolved, but these claims are subject to indemnification by BP pursuant to the rulings of the MDL court and we do not believe that these claims are material.

As of December 31, 2014, our remaining loss contingency liability related to the Macondo well incident was \$805 million, consisting of a current portion of \$367 million and a non-current portion of \$439 million. The \$805 million represents a \$733 million loss contingency related to our MDL Settlement and a loss contingency of \$72 million unrelated to that settlement. Our loss contingency liability does not include potential recoveries from our insurers or indemnification by BP. As a result of our MDL Settlement, the Phase One Ruling, and our insurance recovery related to our MDL Settlement, we recorded an adjustment of \$195 million for Macondo-related items in operating income within "Corporate and other" in our consolidated statements of operations for the year ended December 31, 2014.

During the fourth quarter of 2014, we made the first installment payment under our MDL Settlement in the amount of \$395 million. See "Indemnification and Insurance" below for information regarding amounts that we could potentially recover from insurance and are currently unable to classify as probable.

Subject to the satisfaction of the conditions of our MDL Settlement and to the resolution of appeals of the Phase One Ruling, we believe our MDL Settlement and the Phase One Ruling have eliminated any additional material financial exposure to us in relation to the Macondo well incident. However, because our MDL Settlement is subject to court approval and other conditions and the Phase One Ruling is subject to appeals, we are unable to predict the ultimate outcome of the many lawsuits, investigations, and other matters relating to the Macondo well incident, including

appeals of the Phase One Ruling, further orders and rulings of the MDL court and other courts, and indemnification and insurance arrangements. We are also unable to predict whether the court will approve our MDL Settlement or whether the conditions of our MDL Settlement will be satisfied. Accordingly, there are additional loss contingencies relating to the Macondo well incident that are reasonably possible but for which we cannot make a reasonable estimate and we may adjust our estimated loss contingency liability and our amounts recoverable from insurance in the future. In addition, applicable accounting rules and guidance may require us to recognize a loss contingency for which we may be fully indemnified, without recognizing a corresponding receivable for the amount of the indemnity payment. Depending on the developments discussed above, liabilities arising out of the Macondo well incident could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We intend to continue defending any litigation, fines, and/or penalties relating to the Macondo well incident and to vigorously pursue any damages, remedies, or other rights available to us as a result of the Macondo well incident. We have incurred and expect to continue to incur significant legal fees and costs, some of which we intend to seek recovery of through indemnity or insurance arrangements, as a result of the numerous investigations and lawsuits relating to the incident.

Regulatory Action. In October 2011, the Bureau of Safety and Environmental Enforcement (BSEE) issued a notification of Incidents of Noncompliance (INCs) to us for allegedly violating federal regulations relating to the failure to take measures to prevent the unauthorized release of hydrocarbons, the failure to take precautions to keep the Macondo well under control, the failure to cement the well in a manner that would, among other things, prevent the release of fluids into the Gulf of Mexico, and the failure to protect health, safety, property, and the environment as a result of a failure to perform operations in a safe and workmanlike manner. We have appealed the INCs, but the appeal has been suspended pending certain proceedings in the MDL trial and potential appeals. The BSEE has announced that the INCs will be reviewed for possible imposition of civil penalties once the appeal has ended. We understand that the regulations in effect at the time of the alleged violations provide for fines of up to \$35,000 per day per violation.

DOJ Investigations and Actions. On June 1, 2010, the United States Attorney General announced that the DOJ was launching civil and criminal investigations into the Macondo well incident. The DOJ announced that it was reviewing, among other traditional criminal statutes, possible violations of and liabilities under the CWA, the OPA, and the Endangered Species Act of 1973 (ESA).

Under the CWA, civil penalties of up to \$1,100 per barrel of oil discharged (or \$4,300 per barrel in the case of those found to have been grossly negligent) may be assessed against responsible parties, which include an “owner, operator, or person in charge of any vessel, onshore facility, or offshore facility from which oil or a hazardous substance is discharged.” Under the OPA, responsible parties can be liable for removal and response costs for discharges of oil from vessels, onshore facilities, and offshore facilities into or upon the navigable waters of the United States, as well as for damages, including recovery costs to contain and remove discharged oil and damages for injury to natural resources and real or personal property, lost revenues, lost profits, and lost earning capacity. The cap on liability under the OPA during 2010 was the full cost of removal of the discharged oil plus up to \$75 million for damages, except that the \$75 million cap does not apply in the event the damage was proximately caused by gross negligence or the violation of certain federal safety, construction or operating standards. The OPA defines the set of responsible parties differently depending on whether the source of the discharge is a vessel or an offshore facility. Liability for vessels is imposed on owners and operators; liability for offshore facilities is imposed on the holder of the permit or lessee of the area in which the facility is located. The ESA establishes liability for injury and death to wildlife. The ESA provides for civil penalties for knowing violations that can range up to \$25,000 per violation.

The DOJ has filed a civil action seeking damages and injunctive relief against BP Exploration, subsidiaries of Transocean Ltd., and others for violations of the CWA and the OPA. The DOJ’s complaint seeks a declaration that the defendants are strictly liable under the CWA as a result of the Macondo well incident, and seeks a declaration that the defendants are strictly liable under the OPA, with removal costs and damages to the United States far exceeding \$75 million. BP Exploration has been designated, and has accepted the designation, as a responsible party for the pollution under the CWA and the OPA. Others have also been named as responsible parties, and all responsible parties may be held jointly and severally liable for any damages under the OPA. Under the OPA, a responsible party may make a claim for contribution against any other responsible party or against third parties it alleges contributed to or caused the oil spill. In connection with the proceedings discussed above under “Litigation,” in April 2011 BP filed a claim against us for statutory and equitable contribution with respect to liabilities incurred by BP under the OPA or another law, which subsequent court filings have indicated may include the CWA, and requested a judgment that the DOJ assert its claims for OPA financial liability directly against us. We filed a motion to dismiss BP’s claim, and that motion is pending. In July 2013, we also filed a motion for summary judgment requesting a court order that we are not liable to BP or Transocean for equitable indemnification or contribution with regard to any CWA fines and penalties that have been assessed or may be assessed against BP or Transocean. That motion is also pending.

We were not named as a responsible party under the CWA or the OPA in the DOJ civil action, and we do not believe we are a responsible party under the CWA or the OPA. While we were not included in the DOJ's civil complaint, there can be no assurance that federal governmental authorities will not bring a civil action against us under the CWA, the OPA, and/or other statutes or regulations.

In 2013, we settled the federal government's criminal investigation of us in relation to the Macondo well incident by pleading guilty to one misdemeanor violation of federal law concerning the deletion of certain computer files created after the occurrence of the Macondo well incident, paying a criminal fine of \$0.2 million, and agreeing to three years' probation. In 2012, BP settled the federal criminal charges against it relating to the Macondo well incident by pleading guilty to 14 criminal charges and agreeing to, among other things, pay \$4.0 billion, including approximately \$1.3 billion in criminal fines, and to a term of five years' probation. In 2013, Transocean settled both federal civil and criminal claims against it arising from the Macondo well incident by pleading guilty to one misdemeanor violation of the CWA for negligent discharge of oil into the Gulf of Mexico and agreeing to pay \$1.0 billion in CWA penalties and \$400 million in fines and recoveries and to a term of five years' probation, among other things.

Indemnification and Insurance. Our contract with BP relating to the Macondo well generally provides for our indemnification by BP for certain claims and expenses relating to the Macondo well incident, including those resulting from pollution or contamination (other than claims by our employees, loss or damage to our property, and any pollution emanating directly from our equipment). Also, under our contract with BP, we have, among other things, generally agreed to indemnify BP and other contractors performing work on the well for claims for personal injury of our employees and subcontractors, as well as for damage to our property. In turn, we believe that BP was obligated to obtain agreement by other contractors performing work on the well to indemnify us for claims for personal injury of their employees or subcontractors, as well as for damages to their property. We have entered into separate indemnity agreements with Transocean and others, under which we have agreed to indemnify those parties for claims for personal injury of our employees and subcontractors and they have agreed to indemnify us for claims for personal injury of their employees and subcontractors.

In January 2012, the MDL court entered an order regarding certain indemnification matters. The court held that BP is required to indemnify us for third-party compensatory claims, or actual damages, that arise from pollution or contamination that did not originate from our property or equipment located above the surface of the land or water, even if we were found to be grossly negligent. The court also held, however, that BP does not owe us indemnity for punitive damages or for civil penalties under the CWA, if any. As discussed above, the DOJ is not seeking civil penalties from us under the CWA, but BP has filed a claim for contribution against us with respect to its liabilities. As discussed above, the Phase One Ruling found that the indemnification provisions in our contract with BP are valid and enforceable against BP.

In addition to our contractual indemnity arrangements, we had a general liability insurance program of \$600 million at the time of the Macondo well incident. Our insurance was designed to cover claims by businesses and individuals made against us in the event of property damage, injury, or death and, among other things, claims relating to environmental damage, as well as legal fees incurred in defending against those claims. We have received payments from our insurers with respect to covered legal fees incurred in connection with the Macondo well incident. Through December 31, 2014, we have incurred legal fees and related expenses of approximately \$319 million, of which \$283 million has been reimbursed under our insurance program. With respect to our MDL Settlement, we have collected \$93 million under our general liability insurance program, including amounts collected subsequent to December 31, 2014.

With regard to the remaining \$200 million of potential insurance recovery relating to the Macondo well incident, our insurance carriers have notified us that they do not intend to reimburse us with respect to our MDL Settlement. We disagree with our insurance carriers and intend to vigorously pursue recovery of the \$200 million. Due to the uncertainty surrounding such recovery, no related amounts have been recognized in the consolidated financial statements as of December 31, 2014.

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 Securities and Exchange Commission (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 was styled Archdiocese of Milwaukee Supporting Fund (AMSF) v. Halliburton Company, et al. AMSF has changed its name to Erica P. John Fund, Inc. (the Fund). 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 our 1998 acquisition of Dresser Industries, Inc., including that we failed to timely disclose the resulting asbestos liability exposure.

In April 2005, the court appointed new co-lead counsel and named the Fund 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. 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 the Fund to re-plead some of those claims to correct deficiencies in its earlier complaint. In April 2006, the Fund filed its fourth amended consolidated complaint. We filed a motion to dismiss those portions of the complaint that had been re-pled. 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 Chief Executive Officer (CEO). The court ordered that the case proceed against our CEO and us.

In September 2007, the Fund filed a motion for class certification, and our response was filed in November 2007. The district court held a hearing in March 2008, and issued an order in November 2008 denying the motion for class certification. The Fund appealed the district court's order to the Fifth Circuit Court of Appeals. The Fifth Circuit affirmed the district court's order denying class certification. In May 2010, the Fund filed a writ of certiorari in the United States Supreme Court. In January 2011, the Supreme Court granted the writ of certiorari and accepted the appeal. The Court heard oral arguments in April 2011 and issued its decision in June 2011, reversing the Fifth Circuit ruling that the Fund needed to prove loss causation in order to obtain class certification. The Court's ruling was limited to the Fifth Circuit's loss causation requirement, and the case was returned to the Fifth Circuit for further consideration of our other arguments for denying class certification. The Fifth Circuit returned the case to the district court, and in January 2012 the court issued an order certifying the class. We filed a Petition for Leave to Appeal with the Fifth Circuit, which was granted. In April 2013, the Fifth Circuit issued an order affirming the District Court's order certifying the class.

We filed a writ of certiorari with the United States Supreme Court seeking an appeal of the Fifth Circuit decision. In November 2013, the Supreme Court granted our writ. Oral argument was held before the Supreme Court in March 2014. The Supreme Court issued its decision in June 2014, maintaining the presumption of class member reliance through the "fraud on the market" theory, but holding that we are entitled to rebut that presumption by presenting evidence that there was no impact on our stock price from the alleged misrepresentation. Because the district court and the Fifth Circuit denied us that opportunity, the Supreme Court vacated the Fifth Circuit's decision and remanded for further proceedings consistent with the Supreme Court decision. In December 2014, the district court held a hearing to consider whether there was an impact on our stock price from the alleged misrepresentations. Fact discovery has been stayed except as it relates to class certification. The court has not yet issued a ruling on class certification. We cannot predict the outcome or consequences of this case, which we intend to vigorously defend.

Investigations

We are conducting internal investigations of certain areas of our operations in Angola and Iraq, focusing on compliance with certain company policies, including our Code of Business Conduct (COBC), and the FCPA and other applicable laws.

In December 2010, we received an anonymous e-mail alleging that certain current and former personnel violated our COBC and the FCPA, principally through the use of an Angolan vendor. The e-mail also alleges conflicts of interest, self-dealing, and the failure to act on alleged violations of our COBC and the FCPA. We contacted the DOJ to advise them that we were initiating an internal investigation.

During the second quarter of 2012, in connection with a meeting with the DOJ and the SEC regarding the above investigation, we advised the DOJ and the SEC that we were initiating unrelated, internal investigations into payments made to a third-party agent relating to certain customs matters in Angola and to third-party agents relating to certain customs and visa matters in Iraq.

Since the initiation of the investigations described above, we have participated in meetings with the DOJ and the SEC to brief them on the status of the investigations and produced documents to them both voluntarily and as a result of SEC subpoenas to us and certain of our current and former officers and employees.

We expect to continue to have discussions with the DOJ and the SEC regarding issues relevant to the Angola and Iraq matters described above. We have engaged outside counsel and independent forensic accountants to assist us with these investigations.

During the second quarter of 2013, we received a civil investigative demand from the Antitrust Division of the DOJ regarding pressure pumping services. We have engaged in discussions with the DOJ on this matter and have provided responses to the DOJ's information requests. We understand there have been others in our industry that have received similar correspondence from the DOJ, and we do not believe that we are being singled out for any particular scrutiny. We intend to continue to cooperate with the DOJ's and the SEC's inquiries and requests in these investigations. Because these investigations are ongoing, we cannot predict their outcome or the consequences thereof.

Environmental

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 Resource Conservation and Recovery Act;
- the Clean Air Act;
- the Federal Water Pollution Control Act;
- the Toxic Substances Control Act; and
- the Oil Pollution 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. Our Health, Safety, and Environment group has several programs in place to maintain environmental leadership and to help prevent the occurrence of environmental contamination. On occasion, in addition to the matters relating to the Macondo well incident described above, we are involved in other 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. We do not expect costs related to those claims and remediation requirements to have a material adverse effect on our liquidity, consolidated results of operations, or consolidated financial position. Excluding our loss contingency for the Macondo well incident, our accrued liabilities for environmental matters were \$57 million as of December 31, 2014 and \$66 million as of December 31, 2013. Because 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. Our total liability related to environmental matters covers numerous properties.

Additionally, we have subsidiaries that have been named as potentially responsible parties along with other third parties for ten federal and state Superfund sites for which we have established reserves. As of December 31, 2014, those ten sites accounted for approximately \$3 million of our \$57 million total environmental reserve. 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 Superfund sites, we have been named 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.

Guarantee arrangements

In the normal course of business, we have agreements with financial institutions under which approximately \$2.4 billion of letters of credit, bank guarantees, or surety bonds were outstanding as of December 31, 2014, including \$276 million of surety bond guarantees related to our Venezuelan operations. Some of the outstanding letters of credit have triggering events that would entitle a bank to require cash collateralization.

Leases

We are party to numerous operating leases, principally for the use of land, offices, equipment, manufacturing and field facilities, and warehouses. Total rentals on our operating leases, net of sublease rentals, were \$1.0 billion in 2014, \$958 million in 2013, and \$850 million in 2012.

Future total rentals on our noncancellable operating leases are \$969 million in the aggregate, which includes the following: \$283 million in 2015; \$201 million in 2016; \$115 million in 2017; \$79 million in 2018; \$54 million in 2019; and \$237 million thereafter.

Note 10. Income Taxes

The components of the (provision)/benefit for income taxes on continuing operations were:

Millions of dollars	Year Ended December 31		
	2014	2013	2012
Current income taxes:			
Federal	\$(959	)(245	)(695)
Foreign	(734	)(485	)(328)
State	(36	)(49	)(47)
Total current	(1,729	)(779	)(1,070)
Deferred income taxes:			
Federal	83	4	(168)
Foreign	357	125	15
State	14	2	(12)
Total deferred	454	131	(165)
Provision for income taxes	\$(1,275	)(648	)(1,235)

The United States and foreign components of income from continuing operations before income taxes were as follows:

Millions of dollars	Year Ended December 31		
	2014	2013	2012
United States	\$3,020	\$1,070	\$2,826
Foreign	1,692	1,694	996
Total	\$4,712	\$2,764	\$3,822

Reconciliations between the actual provision for income taxes on continuing operations and that computed by applying the United States statutory rate to income from continuing operations before income taxes were as follows:

	Year Ended December 31			
	2014	2013	2012	
United States statutory rate	35.0	% 35.0	% 35.0	%
Impact of foreign income taxed at different rates	(5.7	)(9.3	)(2.5	)
Valuation allowance against tax assets	(3.6	)(0.1	) 1.2	
Domestic manufacturing deduction	(1.9	)(2.0	)(2.2	)
State income taxes	0.8	1.7	1.6	
Adjustments of prior year taxes	0.3	(0.6	)(1.3	)
Other impact of foreign operations	(0.1	)(0.7	)(0.5	)
Other items, net	2.3	(0.5	) 1.0	
Total effective tax rate on continuing operations	27.1	% 23.5	% 32.3	%

Our effective tax rate on continuing operations was 27.1% for 2014, 23.5% for 2013 and 32.3% for 2012. The 2014 effective tax rate on continuing operations was positively impacted by a \$201 million net operating loss valuation allowance released as a result of a reorganization of our legal structure in Brazil. Additionally, our effective tax rate was positively impacted by lower tax rates in certain foreign jurisdictions in which we operate. Partially offsetting these items were total charges of approximately \$150 million for a write-off of certain prepaid tax assets recorded in Iraq, additional tax expenses related the settlement of a research and development credit with the United States authorities, and tax expenses related to other unrecognized tax benefits, which are mostly included in "Other items, net" in the table above.

We have not provided United States income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries as of December 31, 2014 because we intend to permanently reinvest such earnings outside the United States. If these foreign earnings were to be repatriated in the future, the related United States tax liability may

be reduced by any foreign income taxes previously paid on these earnings. As of December 31, 2014, the cumulative amount of earnings upon which United States income taxes have not been provided is approximately \$6.7 billion. It is not practicable to estimate the amount of unrecognized deferred tax liability related to these earnings at this time.

The primary components of our deferred tax assets and liabilities were as follows:

	December 31	
Millions of dollars	2014	2013
Gross deferred tax assets:		
Accrued liabilities	\$494	\$600
Net operating loss carryforwards	462	481
Employee compensation and benefits	395	351
Other	315	162
Total gross deferred tax assets	1,666	1,594
Gross deferred tax liabilities:		
Depreciation and amortization	1,005	1,185
Other	111	81
Total gross deferred tax liabilities	1,116	1,266
Valuation allowances – net operating loss carryforwards	184	374
Net deferred income tax asset (liability)	\$366	\$ (46)

At December 31, 2014, we had \$1.6 billion of net operating loss carryforwards, of which \$85 million will expire from 2015 through 2018, \$343 million will expire from 2019 through 2023, and \$211 million will expire from 2024 through 2034. The remaining balance will not expire.

The following table presents a rollforward of our unrecognized tax benefits and associated interest and penalties.

Millions of dollars	Unrecognized Tax Benefits	Interest and Penalties
Balance at January 1, 2012	\$205	\$69
Change in prior year tax positions	16	(1)
Change in current year tax positions	14	1
Cash settlements with taxing authorities	(3)	—
Lapse of statute of limitations	(4)	(1)
Balance at December 31, 2012	\$228	\$68
Change in prior year tax positions	(53)	(9)
Change in current year tax positions	30	1
Cash settlements with taxing authorities	(21)	(17)
Lapse of statute of limitations	(9)	(9)
Balance at December 31, 2013	\$175 (a)	\$34
Change in prior year tax positions	83	24
Change in current year tax positions	84	—
Cash settlements with taxing authorities	(27)	(1)
Lapse of statute of limitations	(1)	(1)
Balance at December 31, 2014	\$314 (a)(b)	\$56

Includes \$46 million as of December 31, 2014 and \$27 million as of December 31, 2013 in foreign unrecognized tax benefits that would give rise to a United States tax credit. Approximately \$194 million, which excludes \$10 (a) million of unrecognized tax benefits covered by an indemnification asset, as of December 31, 2014 and \$138 million as of December 31, 2013, if resolved in our favor, would positively impact the effective tax rate and, therefore, be recognized as additional tax benefits in our statement of operations.

(b) Includes \$42 million that could be resolved within the next 12 months.

We file income tax returns in the United States federal jurisdiction and in various states and foreign jurisdictions. In most cases, we are no longer subject to state, local, or non-United States income tax examination by tax authorities for years before 2005. Tax filings of our subsidiaries, unconsolidated affiliates, and related entities are routinely examined in the normal course of business by tax authorities. Currently, our United States federal tax filings for the tax years 2012 through 2013 are open for review, 2003 through 2009 are under appeal pending final calculation of certain tax

attribute carryforwards, and 2010 through 2011 are under examination by the Internal Revenue Service.

Note 11. Shareholders' Equity

Shares of common stock

The following table summarizes total shares of common stock outstanding:

Millions of shares	December 31	
	2014	2013
Issued	1,071	1,072
In treasury	(223)	(223)
Total shares of common stock outstanding	848	849

Our Board of Directors has authorized a program to repurchase our common stock from time to time. During the year ended December 31, 2014, under that program we repurchased approximately 13.3 million shares of our common stock for a total cost of \$800 million. In July 2014, our Board of Directors increased the authorization to repurchase our common stock by approximately \$4.8 billion. Approximately \$5.7 billion remains authorized for repurchases as of December 31, 2014. The program does not require a specific number of shares to be purchased and the program may be effected through solicited or unsolicited transactions in the market or in privately negotiated transactions. The program may be terminated or suspended at any time. From the inception of this program in February 2006 through December 31, 2014, we repurchased approximately 201 million shares of our common stock for a total cost of approximately \$8.4 billion.

Preferred stock

Our preferred stock consists of five million total authorized shares at December 31, 2014, of which none are issued.

Accumulated other comprehensive loss

Accumulated other comprehensive loss consisted of the following:

Millions of dollars	December 31	
	2014	2013
Defined benefit and other postretirement liability adjustments (a)	\$(326)	\$(241)
Cumulative translation adjustment	(70)	(69)
Other	(3)	3
Total accumulated other comprehensive loss	\$(399)	\$(307)

(a) Included net actuarial losses for our international pension plans of \$298 million at December 31, 2014 and \$222 million at December 31, 2013.

Note 12. Stock-based Compensation

The following table summarizes stock-based compensation costs for the years ended December 31, 2014, 2013, and 2012.

Millions of dollars	Year Ended December 31		
	2014	2013	2012
Stock-based compensation cost	\$298	\$264	\$217
Tax benefit	(90)	(81)	(67)
Stock-based compensation cost, net of tax	\$208	\$183	\$150

Our Stock and Incentive Plan, as amended (Stock Plan), provides for the grant of any or all of the following types of stock-based awards:

- stock options, including incentive stock options and nonqualified stock options;
- restricted stock awards;
- restricted stock unit awards;
- stock appreciation rights; and
- stock value equivalent awards.

There are currently no stock appreciation rights, stock value equivalent awards, or incentive stock options outstanding.

Under the terms of the Stock Plan, approximately 172 million shares of common stock have been reserved for issuance to employees and non-employee directors. At December 31, 2014, approximately 15 million shares were available for future grants under the Stock Plan. The stock to be offered pursuant to the grant of an award under the Stock Plan may be authorized but unissued common shares or treasury shares.

In addition to the provisions of the Stock Plan, we also have stock-based compensation provisions under our Restricted Stock Plan for Non-Employee Directors and our Employee Stock Purchase Plan (ESPP). Each of the active stock-based compensation arrangements is discussed below.

Stock options

The majority of our options are generally issued during the second quarter of the year. All stock options under the Stock 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. 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 2014.

	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, 2014	18.1	\$36.57		
Granted	5.2	59.43		
Exercised	(5.4)	34.62		
Forfeited/expired	(0.5)	44.17		
Outstanding at December 31, 2014	17.4	\$43.74	7.3	\$56
Exercisable at December 31, 2014	7.7	\$35.83	5.6	\$45

The total intrinsic value of options exercised was \$151 million in 2014, \$93 million in 2013, and \$12 million in 2012. As of December 31, 2014, there was \$109 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 two years.

Cash received from option exercises was \$332 million during 2014, \$277 million during 2013, and \$107 million during 2012.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility of options granted was a blended rate based upon implied volatility calculated on actively traded options on our common stock and upon the historical volatility of our common stock. The expected term of options granted was based upon historical observation of actual time elapsed between date of grant and exercise of options for all employees. The assumptions and resulting fair values of options granted were as follows:

	Year Ended December 31		
	2014	2013	2012
Expected term (in years)	5.23	5.27	5.21
Expected volatility	37%	40%	46%
Expected dividend yield	0.94 - 1.77%	0.94 - 1.33%	0.99 - 1.24%
Risk-free interest rate	1.57 - 1.86%	0.77 - 1.73%	0.65 - 1.15%
Weighted average grant-date fair value per share	\$19.26	\$14.34	\$11.99

Restricted stock

Restricted shares issued under the Stock 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.

The following table represents our restricted stock awards and restricted stock units granted, vested, and forfeited during 2014.

	Number of Shares (in millions)	Weighted Average Grant-Date Fair Value per Share
Nonvested shares at January 1, 2014	15.7	\$37.43
Granted	6.2	58.21
Vested	(4.7)	)35.10
Forfeited	(1.1)	)41.63
Nonvested shares at December 31, 2014	16.1	\$45.88

The weighted average grant-date fair value of shares granted during 2013 was \$42.93 and during 2012 was \$32.17. The total fair value of shares vested during 2014 was \$278 million, during 2013 was \$208 million, and during 2012 was \$126 million. As of December 31, 2014, there was \$530 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 four years.

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. For the year ended December 31, 2012, the ESPP contained two six-month offering periods commencing on January 1 and July 1. Beginning in 2013, the ESPP contained four three-month offering periods commencing on January 1, April 1, July 1, and October 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, 44 million shares of common stock have been reserved for issuance. The stock to be offered may be authorized but unissued common shares or treasury shares. As of December 31, 2014, 35 million shares have been sold through the ESPP since the inception of the plan and 9 million shares are available for future issuance.

The fair value of ESPP shares was estimated using the Black-Scholes option pricing model. The expected volatility was a one-year historical volatility of our common stock. The assumptions and resulting fair values were as follows:

	Year Ended December 31			
	2014	2013	2012	
Expected volatility	23	%27	%49	%
Expected dividend yield	1.07	%1.12	%1.16	%
Risk-free interest rate	0.04	%0.06	%0.11	%
Weighted average grant-date fair value per share	\$11.80	\$8.40	\$8.93	

Note 13. Income per Share

Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Differences between basic and diluted weighted average common shares outstanding for all periods presented resulted from the dilutive effect of awards granted under our stock incentive plans.

Excluded from the computation of diluted income per share are options to purchase two million shares of common stock that were outstanding in 2014, three million shares of common stock that were outstanding in 2013, and seven million shares of common stock that were outstanding in 2012. These options were outstanding during these years but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common shares.

Note 14. Financial Instruments and Risk Management

At December 31, 2014, we held \$103 million of investments in fixed income securities with maturities ranging from less than one year to November 2019, compared to \$373 million of investments in fixed income securities held at December 31, 2013. These securities are accounted for as available-for-sale and recorded at fair value as follows:

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Millions of dollars	December 31, 2014			December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Fixed Income Securities:						
U.S. treasuries (a)	\$—	\$—	\$—	\$100	\$—	\$100
Other (b)	—	103	103	—	273	273
Total	\$—	\$103	\$103	\$100	\$273	\$373

(a) These securities are classified as "Other current assets" in our consolidated balance sheets.

Of these securities, \$56 million are classified as "Other current assets" and \$47 million are classified as "Other assets" on our consolidated balance sheets as of December 31, 2014, compared to \$139 million classified as "Other current assets" and \$134 million classified as "Other assets" as of December 31, 2013. These securities consist primarily of municipal bonds, corporate bonds, and other debt instruments.

Our Level 1 asset fair values are based on quoted prices in active markets and our Level 2 asset fair values are based on quoted prices for identical assets in less active markets. We have no financial instruments measured at fair value using unobservable inputs (Level 3). The carrying amount of cash and equivalents, receivables, and accounts payable, as reflected in the consolidated balance sheets, approximates fair value due to the short maturities of these instruments.

The carrying amount and fair value of our long-term debt is as follows:

Millions of dollars	December 31, 2014				December 31, 2013			
	Level 1	Level 2	Total fair value	Carrying value	Level 1	Level 2	Total fair value	Carrying value
Long-term debt	\$4,822	\$4,257	\$9,079	\$7,840	\$8,405	\$292	\$8,697	\$7,816

Our Level 1 debt fair values are calculated using quoted prices in active markets for identical liabilities with transactions occurring on the last two days of year-end. Our Level 2 debt fair values are calculated using significant observable inputs for similar liabilities where estimated values are determined from observable data points on our other bonds and on other similarly rated corporate debt or from observable data points of transactions occurring prior to two days from year-end and adjusting for changes in market conditions. We have no debt measured at fair value using unobservable inputs (Level 3).

We are exposed to market risk from changes in foreign currency exchange rates and interest rates. We selectively manage these exposures through the use of derivative instruments, including forward foreign exchange contracts, foreign exchange options, and interest rate swaps. The objective of our risk management strategy is to minimize the volatility from fluctuations in foreign currency and interest rates. We do not use derivative instruments for trading purposes. The fair value of our forward contracts, options, and interest rate swaps was not material as of December 31, 2014 or December 31, 2013. The counterparties to our derivatives are global commercial and investment banks.

Foreign currency exchange risk

We have operations in many international locations and are involved in transactions denominated in currencies other than the United States dollar, our functional currency, which exposes us to foreign currency exchange rate risk.

Techniques in managing foreign currency exchange risk include, but are not limited to, foreign currency borrowing and investing and the use of currency exchange instruments. We attempt to selectively manage significant exposures to potential foreign currency exchange losses based on current market conditions, future operating activities, and the associated cost in relation to the perceived risk of loss. The purpose of our foreign currency risk management activities is to minimize the risk that our cash flows from the sale and purchase of services and products in foreign currencies will be adversely affected by changes in exchange rates.

We use forward contracts and options to manage our exposure to fluctuations in the currencies of certain countries in which we do business internationally. These instruments are not treated as hedges for accounting purposes, generally have an expiration date of one year or less, and are not exchange traded. While these instruments are subject to fluctuations in value, the fluctuations are generally offset by the value of the underlying exposures being managed.

The use of some of these instruments may limit our ability to benefit from favorable fluctuations in foreign currency exchange rates.

Derivatives are not utilized to manage exposures in some currencies due primarily to the lack of available markets or cost considerations (non-traded currencies). We attempt to manage our working capital position to minimize foreign currency exposure in non-traded currencies and recognize that pricing for the services and products offered in these countries should account for the cost of exchange rate devaluations. We have historically incurred transaction losses in non-traded currencies.

The notional amounts of open foreign exchange derivatives were \$662 million at December 31, 2014 and \$769 million at December 31, 2013. The notional amounts of these instruments do not generally represent amounts exchanged by the parties, and thus are not a measure of our exposure or of the cash requirements related to these contracts. As such, cash flows related to these contracts are typically not material. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the contracts, such as exchange rates.

Interest rate risk

We are subject to interest rate risk on our existing long-term debt, debt potentially issued in the future, and some of our long-term investments in fixed income securities. Our short-term borrowings and short-term investments in fixed income securities do not give rise to significant interest rate risk due to their short-term nature. We had fixed rate long-term debt totaling \$7.8 billion at December 31, 2014 and December 31, 2013, with none maturing before 2016. We also had \$47 million of long-term investments in fixed income securities at December 31, 2014 with maturities that extend through November 2019.

We maintain an interest rate management strategy that is intended to mitigate the exposure to changes in interest rates in the aggregate for our debt portfolio. We hold a series of interest rate swaps relating to three of our debt instruments with a total notional amount of \$1.5 billion at a weighted-average, LIBOR-based, floating rate of 3.8% as of December 31, 2014. We utilize interest rate swaps to effectively convert a portion of our fixed rate debt to floating rates. These interest rate swaps, which expire when the underlying debt matures, are designated as fair value hedges of the underlying debt and are determined to be highly effective. The fair value of our interest rate swaps is included in "Other assets" in our consolidated balance sheets as of December 31, 2014 and December 31, 2013. The fair value of our interest rate swaps was determined using an income approach model with inputs, such as the notional amount, LIBOR rate spread, and settlement terms that are observable in the market or can be derived from or corroborated by observable data (Level 2). These derivative instruments are marked to market with gains and losses recognized currently in interest expense to offset the respective gains and losses recognized on changes in the fair value of the hedged debt. At December 31, 2014, we had fixed rate debt aggregating \$6.3 billion and variable rate debt aggregating \$1.5 billion, after taking into account the effects of the interest rate swaps.

Credit risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash equivalents, investments in fixed income securities, and trade receivables. It is our practice to place our cash equivalents and investments in fixed income securities in high quality investments with various institutions. We derive the majority of our revenue from selling products and providing services to the energy industry. Within the energy industry, our trade receivables are generated from a broad and diverse group of customers. As of December 31, 2014, 39% of our gross trade receivables were in the United States and 9% were in Venezuela, compared to 34% in the United States and 8% in Venezuela at December 31, 2013. We maintain an allowance for losses based upon the expected collectability of all trade accounts receivable.

We do not have any significant concentrations of credit risk with any individual counterparty to our derivative contracts. We select counterparties to those contracts based on our belief that each counterparty's profitability, balance sheet, and capacity for timely payment of financial commitments is unlikely to be materially adversely affected by foreseeable events.

Note 15. Retirement Plans

Our company and subsidiaries have various plans that cover a significant number of our employees. These plans include defined contribution plans, defined benefit plans, and other postretirement plans:

- our defined contribution plans provide retirement benefits in return for services rendered. These plans provide an individual account for each participant and have terms that specify how contributions to the participant's account are to be determined rather than the amount of pension benefits the participant is to receive. Contributions to these plans are based on pretax income and/or discretionary amounts determined on an annual basis. Our expense for the defined contribution plans for continuing operations totaled \$347 million in 2014, \$313 million in 2013, and \$293 million in 2012;

our defined benefit plans, which include both funded and unfunded pension plans, define an amount of pension benefit to be provided, usually as a function of age, years of service, and/or compensation. The unfunded obligations and net periodic benefit cost of our United States defined benefit plans were not material for the periods presented; and

our postretirement plans other than pensions are offered to specific eligible employees. The accumulated benefit obligations and net periodic benefit cost for these plans were not material for the periods presented.

Funded status

For our international pension plans, at December 31, 2014, the projected benefit obligation was \$1.2 billion and the fair value of plan assets was \$891 million, which resulted in an unfunded obligation of \$347 million. At December 31, 2013, the projected benefit obligation was \$1.2 billion and the fair value of plan assets was \$887 million, which resulted in an unfunded obligation of \$268 million. The accumulated benefit obligation for our international plans was \$1.2 billion at December 31, 2014 and \$1.1 billion at December 31, 2013.

The following table presents additional information about our international pension plans.

Millions of dollars	December 31	
	2014	2013
Amounts recognized on the Consolidated Balance Sheets		
Accrued employee compensation and benefits	\$22	\$17
Employee compensation and benefits	325	251
Pension plans in which projected benefit obligation exceeded plan assets		
Projected benefit obligation	\$1,232	\$1,123
Fair value of plan assets	884	854
Pension plans in which accumulated benefit obligation exceeded plan assets		
Accumulated benefit obligation	\$1,120	\$1,046
Fair value of plan assets	860	854

Fair value measurements of plan assets

Our Level 1 plan asset fair values are based on quoted prices in active markets for identical assets, our Level 2 plan asset fair values are based on significant observable inputs for similar assets, and our Level 3 plan asset fair values are based on significant unobservable inputs.

The following table sets forth by level within the fair value hierarchy the fair value of assets held by our international pension plans.

Millions of dollars	Level 1	Level 2	Level 3	Total
Common/collective trust funds				
Equity funds (a)	\$—	\$320	\$—	\$320
Bond funds (b)	—	197	70	267
Alternatives fund (c)	—	148	—	148
Real estate funds (d)	—	86	—	86
Other assets	6	33	31	70
Fair value of plan assets at December 31, 2014	\$6	\$784	\$101	\$891

Common/collective trust funds (e)

Equity funds	\$—	\$247	\$—	\$247
Bond funds	—	118	—	118
Balanced funds	—	13	—	13
Non-United States equity securities	165	—	—	165
United States equity securities	139	—	—	139
Corporate bonds	—	110	—	110
Other assets	2	59	34	95
Fair value of plan assets at December 31, 2013	\$306	\$547	\$34	\$887

(a) Strategy is to invest in diversified funds of global common stocks.

(b) Strategy is to invest in diversified funds of fixed income securities of varying geographies and credit quality and whose cash flows approximate the maturities of the benefit obligation.

(c) Strategy is to invest in a fund of diversifying investments, including but not limited to reinsurance, commodities, and currencies.

(d) Strategy is to invest in diversified funds of real estate investment trusts and private real estate.

(e) Strategies are generally to invest in equity or debt securities, or a combination thereof, that match or outperform certain predefined indices.

Common/collective trust funds are valued at the net asset value of units held by the plans at year-end.

Equity securities are traded in active markets and valued based on their quoted fair value by independent pricing vendors. Corporate bonds are valued using quotes from independent pricing vendors based on recent trading activity

and other relevant information, including other observable inputs such as market interest rate curves, referenced credit spreads, and estimated prepayment rates, where applicable.

Our investment strategy varies by country depending on the circumstances of the underlying plan. Risk management practices include diversification by issuer, industry, and geography, as well as the use of multiple asset classes and investment managers within each asset class. For our United Kingdom pension plan, which constituted 80% of our international pension plans' projected benefit obligation at December 31, 2014 and is no longer accruing service benefits, we implemented an investment strategy in 2014 that aims to achieve full funding of the benefit obligation, with the plan's assets increasingly composed of investments whose cash flows match the maturities of the obligation.

Net periodic benefit cost

Net periodic benefit cost for our international pension plans was \$36 million in 2014, \$32 million in 2013, and \$26 million in 2012.

Actuarial assumptions

Certain weighted-average actuarial assumptions used to determine benefit obligations of our international pension plans at December 31 were as follows:

	2014	2013
Discount rate	4.1%	4.8%
Rate of compensation increase	5.3%	5.5%

Certain weighted-average actuarial assumptions used to determine net periodic benefit cost of our international pension plans for the years ended December 31 were as follows:

	2014	2013	2012
Discount rate	4.8%	4.8%	5.2%
Expected long-term return on plan assets	6.4%	6.4%	6.5%
Rate of compensation increase	5.4%	5.5%	5.4%

Assumed long-term rates of return on plan assets, discount rates for estimating benefit obligations, and rates of compensation increases vary by plan according to local economic conditions. Discount rates were determined based on the prevailing market rates of a portfolio of high-quality debt instruments with maturities matching the expected timing of the payment of the benefit obligations. Expected long-term rates of return on plan assets were determined based upon an evaluation of our plan assets and historical trends and experience, taking into account current and expected market conditions.

Other information

Contributions. Funding requirements for each plan are determined based on the local laws of the country where such plan resides. In certain countries the funding requirements are mandatory, while in other countries they are discretionary. We currently expect to contribute \$14 million to our international pension plans in 2015.

Benefit payments. The following table presents expected benefit payments over the next 10 years for our international pension plans.

Millions of dollars	
2015	\$46
2016	35
2017	37
2018	36
2019	43
Years 2020 - 2024	341

Note 16. New Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance under United States generally accepted accounting principles (U.S. GAAP) and International Financial

Reporting Standards (IFRS). The issuance of this guidance completes the joint effort by the FASB and the IASB to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS.

The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard creates a five-step model that requires companies to exercise judgment

when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition methods: (a) a full retrospective adoption in which the standard is applied to all of the periods presented, or (b) a modified retrospective adoption in which the standard is applied only to the most current period presented in the financial statements, including additional disclosures of the standard's application impact to individual financial statement line items.

This standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We are currently evaluating this standard and our existing revenue recognition policies to determine which contracts in the scope of the guidance will be affected by the new requirements and what impact they would have on our consolidated financial statements upon adoption of this standard. We have not yet determined which transition method we will utilize upon adoption.

Discontinued Operations

In April 2014, the FASB issued a new accounting standard update related to discontinued operations, which added criteria where only disposals that represent a strategic shift in operations should be presented as discontinued operations. It also allows an entity to present a disposal as discontinued operations even when it has continuing cash flows and significant continuing involvement with the disposed component. The update will also require expanded disclosures for discontinued operations and individually significant components of an entity that does not qualify for discontinued operations reporting. The standard is effective for annual periods beginning on or after December 15, 2014 and interim periods within that year. We are evaluating the new standard and do not expect it will have a material effect on our consolidated financial statements upon adoption based on our current business. Subject to certain conditions and events that may occur in 2015 related to the pending acquisition of Baker Hughes, this new pronouncement may have a material impact to our consolidated financial statements in regards to our presentation of discontinued operations. See Note 2 to the consolidated financial statements for further information about the pending acquisition.

HALLIBURTON COMPANY

Selected Financial Data

(Unaudited)

Millions of dollars and shares except per share and employee data	Year ended December 31				
	2014	2013	2012	2011	2010
Total revenue	\$32,870	\$29,402	\$28,503	\$24,829	\$17,973
Total operating income	\$5,097	\$3,138	\$4,159	\$4,737	\$3,009
Nonoperating expense, net	(385)	(374)	(337)	(288)	(354)
Income from continuing operations before income taxes	4,712	2,764	3,822	4,449	2,655
Provision for income taxes	(1,275)	(648)	(1,235)	(1,439)	(853)
Income from continuing operations	\$3,437	\$2,116	\$2,587	\$3,010	\$1,802
Income (loss) from discontinued operations, net	64	19	58	(166)	40
Net income	\$3,501	\$2,135	\$2,645	\$2,844	\$1,842
Noncontrolling interest in net income of subsidiaries	(1)	(10)	(10)	(5)	(7)
Net income attributable to company	\$3,500	\$2,125	\$2,635	\$2,839	\$1,835
Amounts attributable to company shareholders:					
Income from continuing operations	\$3,436	\$2,106	\$2,577	\$3,005	\$1,795
Income (loss) from discontinued operations, net	64	19	58	(166)	40
Net income	3,500	2,125	2,635	2,839	1,835
Basic income per share attributable to shareholders:					
Income from continuing operations	\$4.05	\$2.35	\$2.78	\$3.27	\$1.98
Net income	4.13	2.37	2.85	3.09	2.02
Diluted income per share attributable to shareholders:					
Income from continuing operations	4.03	2.33	2.78	3.26	1.97
Net income	4.11	2.36	2.84	3.08	2.01
Cash dividends per share	0.63	0.525	0.36	0.36	0.36
Return on average shareholders' equity	23.40	% 14.45	% 18.17	% 24.06	% 19.17
Financial position:					
Net working capital	\$9,185	\$8,678	\$8,334	\$7,456	\$6,129
Total assets	32,240	29,223	27,410	23,677	18,297
Property, plant, and equipment, net	12,475	11,322	10,257	8,492	6,842
Long-term debt (including current maturities)	7,854	7,816	4,820	4,820	3,824
Total shareholders' equity	16,298	13,615	15,790	13,216	10,387
Total capitalization	24,271	21,569	20,764	18,097	14,241
Basic weighted average common shares outstanding	848	898	926	918	908
Diluted weighted average common shares outstanding	852	902	928	922	911
Other financial data:					
Capital expenditures	\$3,283	\$2,934	\$3,566	\$2,953	\$2,069
Long-term borrowings (repayments), net	—	2,968	—	978	(790)
Depreciation, depletion, and amortization	2,126	1,900	1,628	1,359	1,119
Payroll and employee benefits	9,026	8,421	7,722	6,756	5,370
Number of employees	80,000	77,000	73,000	68,000	58,000

HALLIBURTON COMPANY

Quarterly Data and Market Price Information
(Unaudited)

Millions of dollars except per share data	Quarter First ⁽¹⁾	Second	Third	Fourth	Year
2014					
Revenue	\$ 7,348	\$ 8,051	\$ 8,701	\$ 8,770	\$ 32,870
Operating income	970	1,194	1,634	1,299	5,097
Net income	616	775	1,205	905	3,501
Amounts attributable to company shareholders:					
Income from continuing operations	623	776	1,137	900	3,436
Income (loss) from discontinued operations	(1	)(2	)66	1	64
Net income attributable to company	622	774	1,203	901	3,500
Basic income per share attributable to company shareholders:					
Income from continuing operations	0.73	0.92	1.34	1.06	4.05
Income from discontinued operations	—	—	0.08	—	0.08
Net income	0.73	0.92	1.42	1.06	4.13
Diluted income per share attributable to company shareholders:					
Income from continuing operations	0.73	0.91	1.33	1.06	4.03
Income from discontinued operations	—	—	0.08	—	0.08
Net income	0.73	0.91	1.41	1.06	4.11
Cash dividends paid per share	0.15	0.15	0.15	0.18	0.63
Common stock prices ⁽²⁾					
High	59.99	71.26	74.33	64.88	74.33
Low	47.60	57.13	63.06	37.21	37.21
2013					
Revenue	\$ 6,974	\$ 7,317	\$ 7,472	\$ 7,639	\$ 29,402
Operating income (loss)	(98	)984	1,108	1,144	3,138
Net income (loss)	(16	)648	708	795	2,135
Amounts attributable to company shareholders:					
Income (loss) from continuing operations	(13	)642	707	770	2,106
Income (loss) from discontinued operations	(5	)2	(1	)23	19
Net income (loss) attributable to company	(18	)644	706	793	2,125
Basic income per share attributable to company shareholders:					
Income (loss) from continuing operations	(0.01	)0.69	0.79	0.91	2.35
Income (loss) from discontinued operations	(0.01	)0.01	—	0.02	0.02
Net income (loss)	(0.02	)0.70	0.79	0.93	2.37
Diluted income per share attributable to company shareholders:					
Income (loss) from continuing operations	(0.01	)0.69	0.79	0.90	2.33
Income (loss) from discontinued operations	(0.01	)—	—	0.03	0.03
Net income (loss)	(0.02	)0.69	0.79	0.93	2.36
Cash dividends paid per share	0.125	0.125	0.125	0.15	0.525
Common stock prices ⁽²⁾					
High	43.96	45.75	50.50	56.52	56.52
Low	35.07	36.77	41.86	47.99	35.07

- (1) Includes a \$1.0 billion, pre-tax, charge in the first quarter of 2013 related to the Macondo well incident.
- (2) New York Stock Exchange – composite transactions high and low intraday price.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The information required for the directors of the Registrant is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the captions “Election of Directors” and “Involvement in Certain Legal Proceedings.” The information required for the executive officers of the Registrant is included under Part I on pages 4 through 5 of this annual report. The information required for a delinquent form required under Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Section 16(a) Beneficial Ownership Reporting Compliance,” to the extent any disclosure is required. The information for our code of ethics is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Corporate Governance.” The information regarding our Audit Committee and the independence of its members, along with information about the audit committee financial expert(s) serving on the Audit Committee, is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “The Board of Directors and Standing Committees of Directors.”

Item 11. Executive Compensation.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the captions “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Summary Compensation Table,” “Grants of Plan-Based Awards in Fiscal 2014,” “Outstanding Equity Awards at Fiscal Year End 2014,” “2014 Option Exercises and Stock Vested,” “2014 Nonqualified Deferred Compensation,” “Employment Contracts and Change-in-Control Arrangements,” “Post-Termination or Change-in-Control Payments,” “Equity Compensation Plan Information,” and “Directors’ Compensation.”

Item 12(a). Security Ownership of Certain Beneficial Owners.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Stock Ownership of Certain Beneficial Owners and Management.”

Item 12(b). Security Ownership of Management.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Stock Ownership of Certain Beneficial Owners and Management.”

Item 12(c). Changes in Control.

Not applicable.

Item 12(d). Securities Authorized for Issuance Under Equity Compensation Plans.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Equity Compensation Plan Information.”

Item 13. Certain Relationships and Related Transactions, and Director Independence.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Corporate Governance” to the extent any disclosure is required and under the caption “The Board of Directors and Standing Committees of Directors.”

Item 14. Principal Accounting Fees and Services.

This information is incorporated by reference to the Halliburton Company Proxy Statement for our 2015 Annual Meeting of Stockholders (File No. 001-03492) under the caption “Fees Paid to KPMG LLP.”

PART IV

Item 15. Exhibits.

1. Financial Statements:
The reports of the Independent Registered Public Accounting Firm and the financial statements of Halliburton Company as required by Part II, Item 8, are included on pages 41 and 42 and pages 43 through 73 of this annual report. See index on page (i).
2. Financial Statement Schedules:
The schedules listed in Rule 5-04 of Regulation S-X (17 CFR 210.5-04) have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits:

Exhibit

Number Exhibits

- | | |
|-----|--|
| 2.1 | Agreement and Plan of Merger, dated as of November 16, 2014, among Halliburton Company, Red Tiger LLC and Baker Hughes Incorporated (incorporated by reference to Exhibit 2.1 to Halliburton's Form 8-K filed November 18, 2014, File No. 001-03492). |
| 3.1 | Restated Certificate of Incorporation of Halliburton Company filed with the Secretary of State of Delaware on May 30, 2006 (incorporated by reference to Exhibit 3.1 to Halliburton's Form 8-K filed June 5, 2006, File No. 001-03492). |
| 3.2 | By-laws of Halliburton Company revised effective February 12, 2014 (incorporated by reference to Exhibit 3.1 to Halliburton's Form 8-K filed February 18, 2014, File No. 001-03492). |
| 4.1 | Form of debt security of 8.75% Debentures due February 12, 2021 (incorporated by reference to Exhibit 4(a) to the Form 8-K of Halliburton Company, now known as Halliburton Energy Services, Inc. (the Predecessor), dated as of February 20, 1991, File No. 001-03492). |
| 4.2 | Senior Indenture dated as of January 2, 1991 between the Predecessor and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Predecessor's Registration Statement on Form S-3 (Registration No. 33-38394) originally filed with the Securities and Exchange Commission on December 21, 1990), as supplemented and amended by the First Supplemental Indenture dated as of December 12, 1996 among the Predecessor, Halliburton and the Trustee (incorporated by reference to Exhibit 4.1 of Halliburton's Registration Statement on Form 8-B dated December 12, 1996, File No. 001-03492). |
| 4.3 | Resolutions of the Predecessor's Board of Directors adopted at a meeting held on February 11, 1991 and of the special pricing committee of the Board of Directors of the Predecessor adopted at a meeting held on February 11, 1991 and the special pricing committee's consent in lieu of meeting dated February 12, 1991 (incorporated by reference to Exhibit 4(c) to the Predecessor's Form 8-K dated as of February 20, 1991, File No. 001-03492). |
| 4.4 | |

Second Senior Indenture dated as of December 1, 1996 between the Predecessor and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), as Trustee, as supplemented and amended by the First Supplemental Indenture dated as of December 5, 1996 between the Predecessor and the Trustee and the Second Supplemental Indenture dated as of December 12, 1996 among the Predecessor, Halliburton and the Trustee (incorporated by reference to Exhibit 4.2 of Halliburton's Registration Statement on Form 8-B dated December 12, 1996, File No. 001-03492).

- 4.5 Third Supplemental Indenture dated as of August 1, 1997 between Halliburton and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), as Trustee, to the Second Senior Indenture dated as of December 1, 1996 (incorporated by reference to Exhibit 4.7 to Halliburton's Form 10-K for the year ended December 31, 1998, File No. 001-03492).
- 4.6 Fourth Supplemental Indenture dated as of September 29, 1998 between Halliburton and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), as Trustee, to the Second Senior Indenture dated as of December 1, 1996 (incorporated by reference to Exhibit 4.8 to Halliburton's Form 10-K for the year ended December 31, 1998, File No. 001-03492).
- 4.7 Resolutions of Halliburton's Board of Directors adopted by unanimous consent dated December 5, 1996 (incorporated by reference to Exhibit 4(g) of Halliburton's Form 10-K for the year ended December 31, 1996, File No. 001-03492).
- 4.8 Form of debt security of 6.75% Notes due February 1, 2027 (incorporated by reference to Exhibit 4.1 to Halliburton's Form 8-K dated as of February 11, 1997, File No. 001-03492).
- 4.9 Copies of instruments that define the rights of holders of miscellaneous long-term notes of Halliburton Company and its subsidiaries have not been filed with the Commission. Halliburton Company agrees to furnish copies of these instruments upon request.
- 4.10 Form of debt security of 7.53% Notes due May 12, 2017 (incorporated by reference to Exhibit 4.4 to Halliburton's Form 10-Q for the quarter ended March 31, 1997, File No. 001-03492).
- 4.11 Form of Indenture dated as of April 18, 1996 between Dresser and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), as Trustee (incorporated by reference to Exhibit 4 to Dresser's Registration Statement on Form S-3/A filed on April 19, 1996, Registration No. 333-01303), as supplemented and amended by Form of First Supplemental Indenture dated as of August 6, 1996 between Dresser and The Bank of New York Trust Company, N.A. (as successor to Texas Commerce Bank National Association), Trustee, for 7.60% Debentures due 2096 (incorporated by reference to Exhibit 4.1 to Dresser's Form 8-K filed on August 9, 1996, File No. 1-4003).
- 4.12 Second Supplemental Indenture dated as of October 27, 2003 between DII Industries, LLC and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as Trustee, to the Indenture dated as of April 18, 1996 (incorporated by reference to Exhibit 4.15 to Halliburton's Form 10-K for the year ended December 31, 2003, File No. 001-03492).
- 4.13 Third Supplemental Indenture dated as of December 12, 2003 among DII Industries, LLC, Halliburton Company and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as Trustee, to the Indenture dated as of April 18, 1996, (incorporated by reference to Exhibit 4.16 to Halliburton's Form 10-K for the year ended December 31, 2003, File No. 001-03492).
- 4.14 Indenture dated as of October 17, 2003 between Halliburton Company and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as Trustee (incorporated by reference to Exhibit 4.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 001-03492).
- 4.15 Second Supplemental Indenture dated as of December 15, 2003 between Halliburton Company and The Bank of New York Trust Company, N.A. (as successor to JPMorgan Chase Bank), as Trustee, to the

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Senior Indenture dated as of October 17, 2003 (incorporated by reference to Exhibit 4.27 to Halliburton's Form 10-K for the year ended December 31, 2003, File No. 001-03492).

- 4.16 Form of note of 7.6% debentures due 2096 (included as Exhibit A to Exhibit 4.15 above).

- 4.17 Fourth Supplemental Indenture, dated as of September 12, 2008, between Halliburton Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, to the Senior Indenture dated as of October 17, 2003 (incorporated by reference to Exhibit 4.2 to Halliburton's Form 8-K filed September 12, 2008, File No. 001-03492).
- 4.18 Form of Global Note for Halliburton's 5.90% Senior Notes due 2018 (included as part of Exhibit 4.17).
- 4.19 Form of Global Note for Halliburton's 6.70% Senior Notes due 2038 (included as part of Exhibit 4.17).
- 4.20 Fifth Supplemental Indenture, dated as of March 13, 2009, between Halliburton Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, to the Senior Indenture dated as of October 17, 2003 (incorporated by reference to Exhibit 4.2 to Halliburton's Form 8-K filed March 13, 2009, File No. 001-03492).
- 4.21 Form of Global Note for Halliburton's 6.15% Senior Notes due 2019 (included as part of Exhibit 4.20).
- 4.22 Form of Global Note for Halliburton's 7.45% Senior Notes due 2039 (included as part of Exhibit 4.20).
- 4.23 Sixth Supplemental Indenture, dated as of November 14, 2011, between Halliburton Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, to the Senior Indenture dated as of October 17, 2003 (incorporated by reference to Exhibit 4.2 to Halliburton's Form 8-K filed November 14, 2011, File No. 001-03492).
- 4.24 Form of Global Note for Halliburton's 3.25% Senior Notes due 2021 (included as part of Exhibit 4.23).
- 4.25 Form of Global Note for Halliburton's 4.50% Senior Notes due 2041 (included as part of Exhibit 4.23).
- 4.26 Seventh Supplemental Indenture, dated as of August 5, 2013, between Halliburton Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank (incorporated by reference to Exhibit 4.2 of Halliburton's Form 8-K filed August 5, 2013, File No. 001-03492).
- 4.27 Form of Global Note for Halliburton's 1.00% Senior Notes due 2016 (included as part of Exhibit 4.26).
- 4.28 Form of Global Note for Halliburton's 2.00% Senior Notes due 2018 (included as part of Exhibit 4.26).
- 4.29 Form of Global Note for Halliburton's 3.50% Senior Notes due 2023 (included as part of Exhibit 4.26).
- 4.30 Form of Global Note for Halliburton's 4.75% Senior Notes due 2043 (included as part of Exhibit 4.26).
- † 10.1 Halliburton Company Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Appendix B of the Predecessor's proxy statement dated March 23, 1993, File No. 001-03492).
- † 10.2 Dresser Industries, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.16 to Halliburton's Form 10-K for the year ended December 31, 2000, File No. 001-03492).
- † 10.3

ERISA Excess Benefit Plan for Dresser Industries, Inc., as amended and restated effective June 1, 1995 (incorporated by reference to Exhibit 10.7 to Dresser's Form 10-K for the year ended October 31, 1995, File No. 1-4003).

- † 10.4 ERISA Compensation Limit Benefit Plan for Dresser Industries, Inc., as amended and restated effective June 1, 1995 (incorporated by reference to Exhibit 10.8 to Dresser's Form 10-K for the year ended October 31, 1995, File No. 1-4003).
- † 10.5 Employment Agreement (David J. Lesar) (incorporated by reference to Exhibit 10(n) to the Predecessor's Form 10-K for the year ended December 31, 1995, File No. 001-03492).
- † 10.6 Employment Agreement (Mark A. McCollum) (incorporated by reference to Exhibit 10.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2003, File No. 001-03492).
- † 10.7 Halliburton Company Performance Unit Program (incorporated by reference to Exhibit 10.2 to Halliburton's Form 10-Q for the quarter ended September 30, 2001, File No. 001-03492).
- 10.8 Form of Indemnification Agreement for Officers (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed August 3, 2007, File No. 001-03492).
- 10.9 Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit 10.2 to Halliburton's Form 8-K filed August 3, 2007, File No. 001-03492).
- 10.10 Form of Indemnification Agreement for Officers (first elected after January 1, 2013) (incorporated by reference to Exhibit 10.2 to Halliburton's Form 10-Q for the quarter ended March 31, 2013, File No. 001-03492).
- 10.11 Form of Indemnification Agreement for Directors (first elected after January 1, 2013) (incorporated by reference to Exhibit 10.1 of Halliburton's Form 8-K filed March 22, 2013, File No. 001-03492).
- † 10.12 2008 Halliburton Elective Deferral Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.3 to Halliburton's Form 10-Q for the quarter ended September 30, 2007, File No. 001-03492).
- † 10.13 Halliburton Company Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.4 to Halliburton's Form 10-Q for the quarter ended September 30, 2007, File No. 001-03492).
- † 10.14 Halliburton Company Benefit Restoration Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.5 to Halliburton's Form 10-Q for the quarter ended September 30, 2007, File No. 001-03492).
- † 10.15 Halliburton Company Pension Equalizer Plan, as amended and restated effective March 1, 2007 (incorporated by reference to Exhibit 10.8 to Halliburton's Form 10-Q for the quarter ended September 30, 2007, File No. 001-03492).
- † 10.16 Halliburton Company Directors' Deferred Compensation Plan, as amended and restated effective as of May 16, 2012 (incorporated by reference to Exhibit 10.5 to Halliburton's Form 10-Q for the quarter ended June 30, 2012, File No. 001-03492).
- † 10.17 Retirement Plan for the Directors of Halliburton Company, as amended and restated effective July 1, 2007 (incorporated by reference to Exhibit 10.10 to Halliburton's Form 10-Q for the quarter ended September 30, 2007, File No. 001-03492).

† 10.18 Employment Agreement (James S. Brown) (incorporated by reference to Exhibit 10.36 to Halliburton's Form 10-K for the year ended December 31, 2007, File No. 001-03492).

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- † 10.19 Executive Agreement (Lawrence J. Pope) (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed December 12, 2008, File No. 001-03492).
- † 10.20 Halliburton Company Stock and Incentive Plan, as amended and restated effective February 20, 2013 (incorporated by reference to Appendix B of Halliburton's proxy statement filed April 2, 2013, File No. 001-03492).
- † 10.21 Halliburton Company Employee Stock Purchase Plan, as amended and restated effective February 11, 2009 (incorporated by reference to Appendix C of Halliburton's proxy statement filed April 6, 2009, File No. 001-03492).
- † 10.22 Form of Nonstatutory Stock Option Agreement (incorporated by reference to Exhibit 10.4 of Halliburton's Form 10-Q for the quarter ended September 30, 2009, File No. 001-03492).
- † 10.23 Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.5 of Halliburton's Form 10-Q for the quarter ended September 30, 2009, File No. 001-03492).
- † 10.24 Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.6 of Halliburton's Form 10-Q for the quarter ended September 30, 2009, File No. 001-03492).
- † 10.25 Form of Non-Employee Director Restricted Stock Unit Agreement (Director Plan) (incorporated by reference to Exhibit 99.8 of Halliburton's Form S-8 filed June 22, 2012, Registration No. 333-182284).
- † 10.26 First Amendment to Halliburton Company Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed September 21, 2009, File No. 001-03492).
- † 10.27 Amendment No. 1 to Halliburton Company Benefit Restoration Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.2 to Halliburton's Form 8-K filed September 21, 2009, File No. 001-03492).
- † 10.28 Halliburton Annual Performance Pay Plan, as amended and restated effective January 1, 2010 (incorporated by reference to Exhibit 10.3 to Halliburton's Form 8-K filed September 21, 2009, File No. 001-03492).
- † 10.29 Amendment to Executive Employment Agreement (James S. Brown) (incorporated by reference to Exhibit 10.39 to Halliburton's Form 10-K for the year ended December 31, 2008, File No. 001-03492).
- † 10.30 Amendment to Executive Employment Agreement (Mark A. McCollum) (incorporated by reference to Exhibit 10.43 to Halliburton's Form 10-K for the year ended December 31, 2008, File No. 001-03492).
- † 10.31 Amendment No. 1 to 2008 Halliburton Elective Deferral Plan, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.41 to Halliburton's Form 10-K for the year ended December 31, 2010, File No. 001-03492).
- † 10.32 Executive Agreement (Joe D. Rainey) (incorporated by reference to Exhibit 10.43 to Halliburton's Form 10-K for the year ended December 31, 2010, File No. 001-03492).
- 10.33

U.S. \$2,000,000,000 Five Year Revolving Credit Agreement among Halliburton Company, as Borrower, the Banks party thereto, and Citibank, N.A., as Agent (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed February 23, 2011, File No. 001-03492).

- † 10.34 First Amendment dated February 10, 2011 to Halliburton Company Employee Stock Purchase Plan, as amended and restated effective February 11, 2009 (incorporated by reference to Exhibit 10.2 to Halliburton's Form 10-Q for the quarter ended March 31, 2011, File No. 001-03492).
- † 10.35 First Amendment to the Retirement Plan for the Directors of Halliburton Company, effective September 1, 2007 (incorporated by reference to Exhibit 10.3 to Halliburton's Form 10-Q for the quarter ended March 31, 2011, File No. 001-03492).
- † 10.36 Executive Agreement (Christian A. Garcia) (incorporated by reference to Exhibit 10.40 to Halliburton's Form 10-K for the year ended December 31, 2011, File No. 001-03492).
- † 10.37 First Amendment to Halliburton Company Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.41 to Halliburton's Form 10-K for the year ended December 31, 2011, File No. 001-03492).
- † 10.38 Form of Restricted Stock Agreement (Section 16 officers) (incorporated by reference to Exhibit 10.42 to Halliburton's Form 10-K for the year ended December 31, 2011, File No. 001-03492).
- † 10.39 Form of Non-Employee Director Restricted Stock Unit Agreement (Stock and Incentive Plan) (incorporated by reference to Exhibit 99.9 of Halliburton's Form S-8 filed June 22, 2012, Registration No. 333-182284).
- † 10.40 Second Amendment to Restricted Stock Plan for Non-Employee Directors of Halliburton Company (incorporated by reference to Exhibit 10.4 to Halliburton's Form 10-Q for the quarter ended June 30, 2012, File No. 001-03492).
- † 10.41 Third Amendment to Restricted Stock Plan for Non-Employee Directors of Halliburton Company effective December 1, 2012 (incorporated by reference to Exhibit 10.44 to Halliburton's Form 10-K for the year ended December 31, 2012, File No. 001-03492).
- † 10.42 First Amendment dated December 1, 2012 to Halliburton Company Directors' Deferred Compensation Plan, as amended and restated effective May 16, 2012 (incorporated by reference to Exhibit 10.45 to Halliburton's Form 10-K for the year ended December 31, 2012, File No. 001-03492).
- † 10.43 Executive Agreement (Jeffrey A. Miller) (incorporated by reference to Exhibit 10.1 to Halliburton's Form 8-K filed September 21, 2012, File No. 001-03492).
- † 10.44 Second Amendment dated December 11, 2012 to Halliburton Company Employee Stock Purchase Plan, as amended and restated effective February 11, 2009 (incorporated by reference to Exhibit 10.47 to Halliburton's Form 10-K for the year ended December 31, 2012, File No. 001-03492).
- † 10.45 Executive Agreement (Myrtle L. Jones) (incorporated by reference to Exhibit 10.1 to Halliburton's Form 10-Q for the quarter ended March 31, 2013, File No. 001-03492).
- 10.46 First Amendment dated April 23, 2013 of the Five Year Revolving Credit Agreement among Halliburton Company, as Borrower, the Banks party thereto, and Citibank, N.A., as Agent effective February 22, 2011 (incorporated by reference to Exhibit 10.4 to Halliburton's Form 10-Q for the quarter ended March 31, 2013, File No. 001-03492).

10.47 Underwriting Agreement, dated July 29, 2013, among Halliburton Company and Citigroup Global Markets Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., RBS Securities Inc. and the several other underwriters identified therein (incorporated by reference to Exhibit 1.1 of Halliburton's Form 8-K filed August 1, 2013, File No. 001-03492).

† 10.48 Executive Agreement (Robb L. Voyles) (incorporated by reference to Exhibit 10.48 to Halliburton's Form 10-K filed February 7, 2014, File No. 001-03492).

- † 10.49 Executive Agreement (Timothy McKeon) (incorporated by reference to Exhibit 10.49 to Halliburton's Form 10-K filed February 7, 2014, File No. 001-03492).
- † 10.50 Executive Agreement (Charles E. Geer, Jr.) (incorporated by reference to Exhibit 10.2 to Halliburton's Form 8-K filed December 9, 2014, File No. 001-03492).
- 10.51 HESI Punitive Damages and Assigned Claims Settlement Agreement dated September 2, 2014, entered into between Halliburton Company and Halliburton Energy Services, Inc. and counsel for The Plaintiffs Steering Committee in MDL 2179 and the Deepwater Horizon Economic and Property Damages Settlement Class (incorporated by reference to Exhibit 10.1 to Halliburton's Form 10-Q for the quarter ended September 30, 2014, File No. 001-03492).
- * 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges.
- * 21.1 Subsidiaries of the Registrant.
- * 23.1 Consent of KPMG LLP.
- * 24.1 Powers of attorney for the following directors signed in January 2015:

 Abdulaziz F. Al Khayyal
 Alan M. Bennett
 James R. Boyd
 Milton Carroll
 Nance K. Dicciani
 Murry S. Gerber
 José C. Grubisich

 Abdallah S. Jum'ah
 Robert A. Malone
 J. Landis Martin
 Jeffrey A. Miller
 Debra L. Reed
- * 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- * 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- ** 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- ** 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- * 95 Mine Safety Disclosures.
- * 101.INS XBRL Instance Document
- * 101.SCH XBRL Taxonomy Extension Schema Document

* 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

- * 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- * 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- * 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

* Filed with this Form 10-K.

** Furnished with this Form 10-K.

† Management contracts or compensatory plans or arrangements.

SIGNATURES

As required by Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on its behalf by the undersigned authorized individuals on this 24th day of February, 2015.

HALLIBURTON COMPANY

By	/s/ David J. Lesar David J. Lesar Chairman of the Board and Chief Executive Officer
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As required by the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated on this 24th day of February, 2015.

Signature	Title
/s/ David J. Lesar David J. Lesar	Chairman of the Board, Director, and Chief Executive Officer
/s/ Christian A. Garcia Christian A. Garcia	Senior Vice President, Finance and Acting Chief Financial Officer
/s/ Charles E. Geer, Jr. Charles E. Geer, Jr.	Vice President and Corporate Controller

Signature	Title
* Abdulaziz F. Al Khayyal Abdulaziz F. Al Khayyal	Director
* Alan M. Bennett Alan M. Bennett	Director
* James R. Boyd James R. Boyd	Director
* Milton Carroll Milton Carroll	Director
* Nance K. Dicciani Nance K. Dicciani	Director
* Murry S. Gerber Murry S. Gerber	Director
* José C. Grubisich José C. Grubisich	Director
* Abdallah S. Jum'ah Abdallah S. Jum'ah	Director
* Robert A. Malone Robert A. Malone	Director
* J. Landis Martin J. Landis Martin	Director
* Jeffrey A. Miller Jeffrey A. Miller	President and Director
* Debra L. Reed Debra L. Reed	Director

/s/ Christina M. Ibrahim

*By Christina M. Ibrahim, Attorney-in-fact