

# Halliburton to Pay \$559 Million To Settle Bribery Investigation

By RUSSELL GOLD

Halliburton Co. said it has agreed to pay \$559 million to the U.S. to settle charges that one of its former units bribed Nigerian officials during the construction of a gas plant.

The deal needs to be finalized by the U.S. Justice Department. Halliburton declined to say whether the company admitted to or denied the charges as part of the proposed settlement, saying that it would wait to provide specifics until the deal was finalized with the Justice Department.

A Justice Department spokesman declined to comment on the case.

The proposed settlement appears to mark a turning point in the lengthy investigation that began in 2003. Authorities in Europe and Nigeria are still pursuing the matter.

The payment would be the largest paid by a U.S. company in a bribery investigation, far eclipsing the previous record \$44 million fine in 2007 against U.S. oil-field services firm Baker Hughes Inc. for improper payments in Kazakhstan. Baker Hughes didn't admit or deny charges. In December, German industrial conglomerate Siemens AG agreed to pay \$800 million in U.S. fines to settle bribery investigations involving alleged payments to government officials around the world to win infrastructure contracts. As part of the settlement, Siemens didn't admit to bribery allegations but it admitted to having had inadequate controls and keeping improper accounts.

Halliburton's disclosure of the potential settlement came as the oil-field services company reported a 32% drop in fourth-quarter earnings, in part because of charges related to the settlement. Halliburton shares rose 3.4% to \$18.87 Monday on the New York Stock Exchange.

Former Vice President Dick Cheney was chief executive of Houston-based Halliburton from 1995 until 2000. The Justice Department says several of the alleged bribes occurred while Mr. Cheney led Halliburton. Mr. Cheney is not named in the Justice Department charges and there is no evidence Mr. Cheney knew of the bribes. Calls to Mr. Cheney's lawyer for comment weren't immediately returned. In the past his office in Washington declined to comment on pending litigation.

The investigation under the U.S. Foreign Corrupt Practices Act of Halliburton and its former Kellogg, Brown & Root engineering unit stems from the construction of a giant liquefied natural gas plant on the Nigerian coast near Port Harcourt from 1996 through the mid-2000s. The unit was part of a consortium that built the facility, which at the time was the largest industrial investment ever made in Africa.

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The U.S. investigation has grown from a narrow focus on that facility to include a broader look at whether Halliburton executives coordinated bids with unnamed competitors involving multiple construction projects in different countries, according to Halliburton filings. It wasn't clear Monday whether the proposed settlement included all of these investigations or was restricted to the Nigeria matter. Halliburton declined to address any questions about the

settlement.

The U.S. government's case received a boost in September when former Halliburton executive Albert J. "Jack" Stanley agreed to plead guilty to orchestrating \$180 million in bribes to senior Nigerian officials. Mr. Cheney promoted Mr. Stanley to run KBR in 1998.

The charges against Mr. Stanley relate to work done by former Halliburton unit Kellogg, Brown & Root, which was spun off in 2007 into a separate company, KBR Inc. Halliburton agreed to pay penalties stemming from the case even after KBR was independent.

It is unclear whether the proposed settlement will affect KBR's ability to land future government contracts. A KBR spokeswoman said it would discuss the impact of the proposed settlement in February, when it files its earnings.

Under terms of the proposed settlement, Halliburton will pay \$382 million on behalf of KBR to the U.S. Justice Department, and an additional \$177 million to the Securities and Exchange Commission.

In its fourth-quarter results, Halliburton reported earnings of \$468 million, including a \$303 million charge related to settling the bribery investigation. Not including that and an unrelated charge, Halliburton's quarterly earnings would have been \$776 million, up 15% from a year earlier. Revenue rose 17% to \$4.9 billion.

Halliburton beat analysts' expectations thanks to strong overseas growth. But in a conference call with investors, Chief Executive Dave Lesar warned of difficult times ahead as oil producers cut back to counter tumbling energy prices. "The industry's prospects in 2009 are uncertain, but we will take the opportunity to strengthen the long-term health of our franchise," Mr. Lesar said, by capturing market share as competitors struggle.

—Ben Casselman  
contributed to this article.



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