

KBR, Inc.
Consolidated Statements of Operations
(In millions, except for per share data)

	Years ended December 31,		
	2018	2017	2016
Revenues	\$ 4,913	\$ 4,171	\$ 4,268
Cost of revenues	(4,457)	(3,829)	(4,156)
Gross profit	456	342	112
Equity in earnings of unconsolidated affiliates	81	72	91
General and administrative expenses	(166)	(147)	(133)
Acquisition and integration costs	(7)	—	(10)
Asset impairment and restructuring charges	—	(6)	(39)
(Loss) gain on disposition of assets	(2)	5	7
Gain on consolidation of Aspire entities	108	—	—
Operating income	470	266	28
Interest expense	(66)	(21)	(13)
Other non-operating (loss) income	(6)	4	18
Income before income taxes and noncontrolling interests	398	249	33
(Provision) benefit for income taxes	(88)	193	(84)
Net income (loss)	310	442	(51)
Net income attributable to noncontrolling interests	(29)	(8)	(10)
Net income (loss) attributable to KBR	\$ 281	\$ 434	\$ (61)
Net income (loss) attributable to KBR per share:			
Basic	\$ 1.99	\$ 3.06	\$ (0.43)
Diluted	\$ 1.99	\$ 3.06	\$ (0.43)
Basic weighted average common shares outstanding	140	141	142
Diluted weighted average common shares outstanding	141	141	142
Cash dividends declared per share	\$ 0.32	\$ 0.32	\$ 0.32

See accompanying notes to consolidated financial statements.

KBR, Inc.
Consolidated Balance Sheets
(In millions, except share data)

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and equivalents	\$ 739	\$ 439
Accounts receivable, net of allowance for doubtful accounts of \$9 and \$12	927	510
Contract assets	185	383
Other current assets	108	93
Total current assets	1,959	1,425
Claims and accounts receivable	98	101
Property, plant, and equipment, net of accumulated depreciation of \$355 and \$329 (including net PPE of \$35 and \$34 owned by a variable interest entity)	121	130
Goodwill	1,265	968
Intangible assets, net of accumulated amortization of \$151 and \$122	516	239
Equity in and advances to unconsolidated affiliates	744	387
Deferred income taxes	222	300
Other assets	147	124
Total assets	\$ 5,072	\$ 3,674
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 546	\$ 350
Contract liabilities	463	368
Accrued salaries, wages and benefits	221	186
Nonrecourse project debt	10	10
Other current liabilities	179	157
Total current liabilities	1,419	1,071
Pension obligations	250	391
Employee compensation and benefits	109	118
Income tax payable	84	85
Deferred income taxes	27	18
Nonrecourse project debt	17	28
Long term debt	1,226	470
Deferred income from unconsolidated affiliates	—	101
Other liabilities	202	171
Total liabilities	3,334	2,453
KBR shareholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value 300,000,000 shares authorized, 177,383,302 and 176,638,882 shares issued, and 140,900,032 and 140,166,589 shares outstanding	—	—
PIC	2,190	2,091
AOCL	(913)	(921)
Retained earnings	1,258	877
Treasury stock, 36,483,270 shares and 36,472,293 shares, at cost	(817)	(818)
Total KBR shareholders' equity	1,718	1,229
Noncontrolling interests	20	(8)
Total shareholders' equity	1,738	1,221
Total liabilities and shareholders' equity	\$ 5,072	\$ 3,674

See accompanying notes to consolidated financial statements.

KBR, Inc.
Consolidated Statements of Cash Flows
(In millions)

	Years ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income (loss)	\$ 310	\$ 442	\$ (51)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	63	48	45
Equity in earnings of unconsolidated affiliates	(81)	(72)	(91)
Deferred income tax (benefit) expense	28	(322)	18
Loss (Gain) on disposition of assets	2	(5)	(7)
Gain on consolidation of Aspire entities	(108)	—	—
Asset impairment	—	—	16
Other	24	29	3
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable, net of allowance for doubtful accounts	(203)	92	121
Contract assets	25	40	8
Claims receivable	—	400	—
Accounts payable	112	(193)	(6)
Contract liabilities	(60)	(198)	33
Accrued salaries, wages and benefits	11	14	(50)
Reserve for loss on uncompleted contracts	(9)	(48)	(5)
Payments from (advances to) unconsolidated affiliates, net	12	11	(1)
Distributions of earnings from unconsolidated affiliates	75	62	56
Income taxes payable	43	—	(52)
Pension funding	(41)	(37)	(41)
Retainage payable	2	(16)	(2)
Subcontractor advances	(3)	—	8
Net settlement of derivative contracts	(7)	3	(9)
Other assets and liabilities	(30)	(57)	68
Total cash flows provided by operating activities	165	193	61
Cash flows from investing activities:			
Purchases of property, plant and equipment	(17)	(8)	(11)
Investments in equity method joint ventures	(344)	—	(61)
Proceeds from sale of assets or investments	25	2	2
Acquisitions of businesses, net of cash acquired	(354)	(4)	(911)
Adjustments to cash due to consolidation of Aspire entities	197	—	—
Other	2	(2)	—
Total cash flows used in investing activities	\$ (491)	\$ (12)	\$ (981)