

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

	Years ended December 31,		
	2017	2016	2015
Revenues	\$ 4,171	\$ 4,268	\$ 5,096
Cost of revenues	(3,829)	(4,156)	(4,771)
Gross profit	342	112	325
Equity in earnings of unconsolidated affiliates	72	91	149
General and administrative expenses	(147)	(143)	(155)
Asset impairment and restructuring charges	(6)	(39)	(70)
Gain on disposition of assets	5	7	61
Operating income	266	28	310
Interest expense	(21)	(13)	(11)
Other non-operating income	4	18	13
Income before income taxes and noncontrolling interests	249	33	312
Benefit (provision) for income taxes	193	(84)	(86)
Net income (loss)	442	(51)	226
Net income attributable to noncontrolling interests	(8)	(10)	(23)
Net income (loss) attributable to KBR	\$ 434	\$ (61)	\$ 203
Net income (loss) attributable to KBR per share:			
Basic	\$ 3.06	\$ (0.43)	\$ 1.40
Diluted	\$ 3.06	\$ (0.43)	\$ 1.40
Basic weighted average common shares outstanding	141	142	144
Diluted weighted average common shares outstanding	141	142	144
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,	
	2017	2016
Assets		
Current assets:		
Cash and equivalents	\$ 439	\$ 536
Accounts receivable, net of allowance for doubtful accounts of \$12 and \$14	510	592
Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE")	383	416
Claims receivable	—	400
Other current assets	93	103
Total current assets	1,425	2,047
Claims and accounts receivable	101	131
Property, plant, and equipment, net of accumulated depreciation of \$329 and \$324 (including net PPE of \$34 and \$36 owned by a variable interest entity)	130	145
Goodwill	968	959
Intangible assets, net of accumulated amortization of \$122 and \$100	239	248
Equity in and advances to unconsolidated affiliates	387	369
Deferred income taxes	300	118
Other assets	124	127
Total assets	\$ 3,674	\$ 4,144
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 350	\$ 535
Billings in excess of costs and estimated earnings on uncompleted contracts ("BIE")	368	552
Accrued salaries, wages and benefits	186	171
Nonrecourse project debt	10	9
Other current liabilities	157	292
Total current liabilities	1,071	1,559
Pension obligations	391	526
Employee compensation and benefits	118	113
Income tax payable	85	78
Deferred income taxes	18	149
Nonrecourse project debt	28	34
Revolving credit agreement	470	650
Deferred income from unconsolidated affiliates	101	90
Other liabilities	171	200
Total liabilities	2,453	3,399
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, 176,638,882 and 175,913,310 shares issued, and 140,166,589 and 142,803,782 shares outstanding	—	—
Paid-in capital in excess of par ("PIC")	2,091	2,088
Accumulated other comprehensive loss ("AOCL")	(921)	(1,050)
Retained earnings	877	488
Treasury stock, 36,472,293 shares and 33,109,528 shares, at cost	(818)	(769)
Total KBR shareholders' equity	1,229	757
Noncontrolling interests	(8)	(12)
Total shareholders' equity	1,221	745
Total liabilities and shareholders' equity	\$ 3,674	\$ 4,144

See accompanying notes to consolidated financial statements.

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

	Years ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ 442	\$ (51)	\$ 226
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48	45	39
Equity in earnings of unconsolidated affiliates	(72)	(91)	(149)
Deferred income tax (benefit) expense	(322)	18	14
Gain on disposition of assets	(5)	(7)	(61)
Asset impairment	—	16	31
Other	29	3	21
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable, net of allowance for doubtful accounts	92	121	41
Costs and estimated earnings in excess of billings on uncompleted contracts	40	8	224
Claims receivable	400	—	—
Accounts payable	(193)	(6)	(274)
Billings in excess of costs and estimated earnings on uncompleted contracts	(198)	33	(2)
Accrued salaries, wages and benefits	14	(50)	(8)
Reserve for loss on uncompleted contracts	(48)	(5)	(94)
Payments from (advances to) unconsolidated affiliates, net	11	(1)	10
Distributions of earnings from unconsolidated affiliates	62	56	92
Income taxes payable	—	(52)	26
Pension funding	(37)	(41)	(48)
Retainage payable	(16)	(2)	(2)
Subcontractor advances	—	8	(12)
Net settlement of derivative contracts	3	(9)	(44)
Other assets and liabilities	(57)	68	17
Total cash flows provided by operating activities	193	61	47
Cash flows from investing activities:			
Purchases of property, plant and equipment	(8)	(11)	(10)
Payments for investments in equity method joint ventures	—	(61)	(19)
Proceeds from sale of assets or investments	2	2	130
Acquisitions of businesses, net of cash acquired	(4)	(911)	—
Other	(2)	—	—
Total cash flows (used in) provided by investing activities	\$ (12)	\$ (981)	\$ 101