KBR, INC.
Form 10-Q
July 30, 2018

false--12-31Q220182018-06-300001357615Large Accelerated
FilerP9Y5000000P22YP35Y3400000040000000329000000355000000P23Y1200000130000000.0010.0013000000003000000
0001357615 2018-01-01 2018-06-30 0001357615 2018-07-12 0001357615 2018-04-01 2018-06-30 0001357615
2017-04-01 2017-06-30 0001357615 2017-01-01 2017-06-30 0001357615 2018-06-30 0001357615 2017-12-31
0001357615 2017-06-30 0001357615 2016-12-31 0001357615 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 2018-06-30
0001357615 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-01-01 2018-06-30
0001357615 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-04-01 2018-06-30
0001357615 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-04-01 2018-06-30
0001357615 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-01-01 0001357615
2018-03-31 0001357615 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-03-31
0001357615 us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-06-30 0001357615
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-06-30 0001357615
us-gaap:AccountingStandardsUpdate201409Member
us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-03-31 0001357615
us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2017-12-31 0001357615 2018-01-01
0001357615 kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2017-01-01 2017-06-30 0001357615
kbr:NonstrategicBusinessMember 2017-04-01 2017-06-30 0001357615
kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2018-01-01 2018-06-30 0001357615
kbr:HydrocarbonServicesMember 2017-01-01 2017-06-30 0001357615 kbr:HydrocarbonServicesMember
2018-01-01 2018-06-30 0001357615 us-gaap:AllOtherSegmentsMember 2017-01-01 2017-06-30 0001357615
kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2017-04-01 2017-06-30 0001357615
kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 us-gaap:AllOtherSegmentsMember
2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember 2017-04-01 2017-06-30 0001357615
kbr:TechnologyMember 2017-01-01 2017-06-30 0001357615
kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2018-04-01 2018-06-30 0001357615
kbr:GovernmentServicesMember 2017-01-01 2017-06-30 0001357615 kbr:TechnologyMember 2017-04-01
2017-06-30 0001357615 kbr:NonstrategicBusinessMember 2017-01-01 2017-06-30 0001357615
kbr:TechnologyMember 2018-04-01 2018-06-30 0001357615 kbr:NonstrategicBusinessMember 2018-04-01
2018-06-30 0001357615 kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615
kbr:TechnologyMember 2018-01-01 2018-06-30 0001357615 us-gaap:AllOtherSegmentsMember 2017-04-01
2017-06-30 0001357615 kbr:NonstrategicBusinessMember 2018-01-01 2018-06-30 0001357615
kbr:HydrocarbonServicesMember 2017-04-01 2017-06-30 0001357615 kbr:GovernmentServicesMember 2018-01-01
2018-06-30 0001357615 us-gaap:AllOtherSegmentsMember 2018-04-01 2018-06-30 0001357615 2023-07-01
2018-06-30 0001357615 kbr:KeyU.S.GovernmentCustomersMember kbr:GovernmentServicesMember 2018-04-01
2018-06-30 0001357615 2018-07-01 2018-01-01 2018-06-30 0001357615
kbr:NonU.S.GovernmentCustomersMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615
2018-07-01 2018-06-30 0001357615 2019-07-01 2018-06-30 0001357615
kbr:KeyU.S.GovernmentCustomersMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615
kbr:NonU.S.GovernmentCustomersMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615
kbr:GovernmentServicesMember us-gaap:AfricaMember 2018-04-01 2018-06-30 0001357615
kbr:GovernmentServicesMember us-gaap:EuropeMember 2018-04-01 2018-06-30 0001357615
kbr:HydrocarbonMember kbr:TechnologyMember kbr:OtherCountriesMember 2018-04-01 2018-06-30 0001357615
kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:CA 2018-04-01 2018-06-30 0001357615
country:AU 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember

kbr:OtherCountriesMember 2018-04-01 2018-06-30 0001357615 country:US 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:AfricaMember 2018-04-01 2018-06-30 0001357615 country:CA 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:EuropeMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:MiddleEastMember 2018-04-01 2018-06-30 0001357615 us-gaap:EuropeMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:AU 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:CN 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember us-gaap:MiddleEastMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:CA 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:EuropeMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:US 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:CN 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:AU 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:US 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:CA 2018-04-01 2018-06-30 0001357615 us-gaap:MiddleEastMember 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember kbr:OtherCountriesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:CN 2018-04-01 2018-06-30 0001357615 us-gaap:AfricaMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:AU 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:MiddleEastMember 2018-04-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:US 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:AfricaMember 2018-04-01 2018-06-30 0001357615 kbr:OtherCountriesMember 2018-04-01 2018-06-30 0001357615 country:CN 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:EuropeMember 2018-01-01 2018-06-30 0001357615 kbr:OtherCountriesMember 2018-01-01 2018-06-30 0001357615 us-gaap:AfricaMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:MiddleEastMember 2018-01-01 2018-06-30 0001357615 us-gaap:EuropeMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:US 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember kbr:OtherCountriesMember 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:CN 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember us-gaap:AfricaMember 2018-01-01 2018-06-30 0001357615 country:AU 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember us-gaap:AfricaMember 2018-01-01 2018-06-30 0001357615 country:CN 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:EuropeMember 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:AU 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember kbr:OtherCountriesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:AU 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:MiddleEastMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember kbr:OtherCountriesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:AU 2018-01-01 2018-06-30 0001357615 us-gaap:MiddleEastMember 2018-01-01 2018-06-30 0001357615 country:US 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember us-gaap:EuropeMember 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:CA 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:CN 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:CA 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember country:CA 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember us-gaap:MiddleEastMember 2018-01-01 2018-06-30 0001357615 country:CA 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 kbr:GovernmentServicesMember country:US 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:US 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:TechnologyMember country:CN 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember kbr:HydrocarbonServicesMember us-gaap:AfricaMember 2018-01-01 2018-06-30 0001357615 kbr:EngineeringMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonOnshoreMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 kbr:LogisticsMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonOffshoreMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonOffshoreMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 kbr:EngineeringMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonIndustrialServicesMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 kbr:LogisticsMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonIndustrialServicesMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonOnshoreMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonConsultingMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonConsultingMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 kbr:ServicesSpaceandScienceMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 kbr:ServicesSpaceandScienceMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615 kbr:HydrocarbonMember 2018-04-01 2018-06-30 0001357615 kbr:HydrocarbonMember 2018-01-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-01-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember 2018-01-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:HydrocarbonMember kbr:TechnologyMember 2018-01-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:GovernmentServicesMember 2018-01-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember 2018-01-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:HydrocarbonMember kbr:TechnologyMember 2018-01-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember 2018-04-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember 2018-04-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:GovernmentServicesMember 2018-04-01 2018-06-30 0001357615 us-gaap:FixedPriceContractMember kbr:HydrocarbonMember kbr:TechnologyMember 2018-04-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:HydrocarbonMember kbr:TechnologyMember 2018-04-01 2018-06-30 0001357615 us-gaap:TimeAndMaterialsContractMember kbr:HydrocarbonMember kbr:HydrocarbonServicesMember 2018-04-01 2018-06-30 0001357615 2023-07-01 2018-01-01 2018-06-30 0001357615 2019-07-01 2018-01-01 2018-06-30 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-04-01 2018-06-30 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-01-01 2018-06-30 0001357615 kbr:StingerGhaffarianTechnologiesMember 2018-01-01 2018-06-30 0001357615 kbr:SigmaBravoPtyLtdMember 2017-12-31 0001357615 kbr:StingerGhaffarianTechnologiesMember 2018-04-25 0001357615 us-gaap:ContractBasedIntangibleAssetsMember us-gaap:MaximumMember 2018-01-15 2018-01-15 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-04-18 2018-04-18 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-01-15 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-01-01 2018-03-31 0001357615 kbr:SigmaBravoPtyLtdMember 2017-10-01 2017-12-31 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2017-12-31 0001357615 kbr:AspireDefencesubcontractingjointventuresMember 2018-01-15 0001357615 us-gaap:ContractBasedIntangibleAssetsMember us-gaap:MinimumMember 2018-01-15 2018-01-15 0001357615 kbr:StingerGhaffarianTechnologiesMember 2018-04-25 2018-06-30 0001357615 kbr:StingerGhaffarianTechnologiesMember 2018-04-25 2018-04-25 0001357615

kbr:StingerGhaffarianTechnologiesMember 2018-04-01 2018-06-30 0001357615
kbr:SGTAndTheAspireDefenceMember 2018-04-01 2018-06-30 0001357615
kbr:SGTAndTheAspireDefenceMember 2018-01-01 2018-06-30 0001357615
kbr:SGTAndTheAspireDefenceMember 2017-01-01 2017-06-30 0001357615
kbr:SGTAndTheAspireDefenceMember 2017-04-01 2017-06-30 0001357615
kbr:AspireDefencesubcontractingjointventuresMember 2018-01-15 2018-01-15 0001357615
us-gaap:AccruedLiabilitiesMember kbr:AspireDefencesubcontractingjointventuresMember 2018-01-15 0001357615
us-gaap:BankTimeDepositsMember kbr:InternationalMember 2018-06-30 0001357615 kbr:InternationalMember
2018-06-30 0001357615 kbr:CashHeldinJointVentureMember kbr:DomesticMember 2018-06-30 0001357615
us-gaap:BankTimeDepositsMember 2018-06-30 0001357615 us-gaap:BankTimeDepositsMember
kbr:DomesticMember 2018-06-30 0001357615 kbr:DomesticMember 2018-06-30 0001357615 us-gaap:CashMember
2018-06-30 0001357615 us-gaap:CashMember kbr:DomesticMember 2018-06-30 0001357615
kbr:CashHeldinJointVentureMember kbr:InternationalMember 2018-06-30 0001357615 us-gaap:CashMember
kbr:InternationalMember 2018-06-30 0001357615 kbr:CashHeldinJointVentureMember 2018-06-30 0001357615
us-gaap:BankTimeDepositsMember kbr:DomesticMember 2017-12-31 0001357615
us-gaap:BankTimeDepositsMember kbr:InternationalMember 2017-12-31 0001357615
kbr:CashHeldinJointVentureMember kbr:InternationalMember 2017-12-31 0001357615
kbr:CashHeldinJointVentureMember 2017-12-31 0001357615 us-gaap:CashMember 2017-12-31 0001357615
kbr:CashHeldinJointVentureMember kbr:DomesticMember 2017-12-31 0001357615
us-gaap:BankTimeDepositsMember 2017-12-31 0001357615 us-gaap:CashMember kbr:DomesticMember
2017-12-31 0001357615 kbr:InternationalMember 2017-12-31 0001357615 us-gaap:CashMember
kbr:InternationalMember 2017-12-31 0001357615 kbr:DomesticMember 2017-12-31 0001357615
us-gaap:TradeAccountsReceivableMember kbr:TechnologyMember 2018-06-30 0001357615
us-gaap:TradeAccountsReceivableMember kbr:NonstrategicBusinessMember 2018-06-30 0001357615
us-gaap:TradeAccountsReceivableMember kbr:HydrocarbonServicesMember 2018-06-30 0001357615
kbr:TechnologyMember 2018-06-30 0001357615 us-gaap:UnbilledRevenuesMember
kbr:NonstrategicBusinessMember 2018-06-30 0001357615 us-gaap:UnbilledRevenuesMember
kbr:TechnologyMember 2018-06-30 0001357615 us-gaap:UnbilledRevenuesMember
kbr:GovernmentServicesMember 2018-06-30 0001357615 us-gaap:UnbilledRevenuesMember
kbr:HydrocarbonServicesMember 2018-06-30 0001357615 kbr:GovernmentServicesMember 2018-06-30
0001357615 us-gaap:TradeAccountsReceivableMember 2018-06-30 0001357615
us-gaap:TradeAccountsReceivableMember kbr:GovernmentServicesMember 2018-06-30 0001357615
us-gaap:TradeAccountsReceivableMember kbr:OperatingSegmentExcludingNonstrategicBusinessMember
2018-06-30 0001357615 kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2018-06-30 0001357615
us-gaap:UnbilledRevenuesMember 2018-06-30 0001357615 kbr:NonstrategicBusinessMember 2018-06-30
0001357615 kbr:HydrocarbonServicesMember 2018-06-30 0001357615 us-gaap:UnbilledRevenuesMember
kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2018-06-30 0001357615
us-gaap:TradeAccountsReceivableMember kbr:GovernmentServicesMember 2017-12-31 0001357615
kbr:NonstrategicBusinessMember 2017-12-31 0001357615 us-gaap:TradeAccountsReceivableMember
kbr:HydrocarbonServicesMember 2017-12-31 0001357615 us-gaap:TradeAccountsReceivableMember
kbr:TechnologyMember 2017-12-31 0001357615 kbr:HydrocarbonServicesMember 2017-12-31 0001357615
us-gaap:TradeAccountsReceivableMember kbr:NonstrategicBusinessMember 2017-12-31 0001357615
us-gaap:TradeAccountsReceivableMember 2017-12-31 0001357615
kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2017-12-31 0001357615
us-gaap:TradeAccountsReceivableMember kbr:OperatingSegmentExcludingNonstrategicBusinessMember
2017-12-31 0001357615 kbr:RetainageMember kbr:GovernmentServicesMember 2017-12-31 0001357615
kbr:RetainageMember kbr:OperatingSegmentExcludingNonstrategicBusinessMember 2017-12-31 0001357615
kbr:RetainageMember kbr:TechnologyMember 2017-12-31 0001357615 kbr:RetainageMember 2017-12-31
0001357615 kbr:RetainageMember kbr:NonstrategicBusinessMember 2017-12-31 0001357615
kbr:GovernmentServicesMember 2017-12-31 0001357615 kbr:RetainageMember kbr:HydrocarbonServicesMember
2017-12-31 0001357615 kbr:TechnologyMember 2017-12-31 0001357615 kbr:IchthysLNGProjectMember

2018-01-01 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember 2017-12-31 0001357615 us-gaap:EmployeeSeveranceMember 2017-12-31 0001357615 us-gaap:EmployeeSeveranceMember 2016-12-31 0001357615 us-gaap:EmployeeSeveranceMember 2017-06-30 0001357615 us-gaap:EmployeeSeveranceMember 2018-06-30 0001357615 us-gaap:EmployeeSeveranceMember 2017-01-01 2017-06-30 0001357615 us-gaap:EmployeeSeveranceMember 2018-01-01 2018-06-30 0001357615 kbr:FasttraxLimitedProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:GorgonLngProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:EscravosGasToLiquidsProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2017-12-31 0001357615 us-gaap:EquityMethodInvestmentsMember 2018-01-01 2018-06-30 0001357615 us-gaap:EquityMethodInvestmentsMember 2017-12-31 0001357615 us-gaap:EquityMethodInvestmentsMember 2017-01-01 2017-12-31 0001357615 us-gaap:EquityMethodInvestmentsMember 2018-06-30 0001357615 us-gaap:EquityMethodInvestmentsMember 2016-12-31 0001357615 kbr:BrownRootJVMember 2018-01-01 2018-06-30 0001357615 kbr:TransactionswithRelatedPartiesMember 2018-01-01 2018-06-30 0001357615 kbr:BrownRootJVMember 2017-01-01 2017-06-30 0001357615 kbr:IchthysLNGProjectMember us-gaap:MaximumMember 2018-06-30 0001357615 kbr:BrownRootJVMember 2017-12-31 0001357615 kbr:TransactionswithRelatedPartiesMember 2017-01-01 2017-06-30 0001357615 kbr:EPICPipingLLCMember 2018-01-01 2018-06-30 0001357615 kbr:EPICPipingLLCMember 2017-01-01 2017-06-30 0001357615 kbr:IchthysLNGProjectMember us-gaap:MinimumMember 2018-06-30 0001357615 kbr:BrownRootJVMember 2018-06-30 0001357615 kbr:AspireDefenceProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-03-31 0001357615 kbr:GorgonLngProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-03-31 0001357615 kbr:EscravosGasToLiquidsProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-03-31 0001357615 kbr:FasttraxLimitedProjectMember us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-03-31 0001357615 kbr:UKRoadProjectsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-06-30 0001357615 kbr:EbicAmmoniaProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-06-30 0001357615 kbr:AffinityProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-06-30 0001357615 kbr:AspireDefenceProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-06-30 0001357615 kbr:IchthysLNGProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-06-30 0001357615 kbr:IchthysLNGProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:AspireDefenceProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:EbicAmmoniaProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:AffinityProjectMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:UKRoadProjectsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-12-31 0001357615 kbr:TransactionswithRelatedPartiesMember 2017-12-31 0001357615 kbr:TransactionswithRelatedPartiesMember 2018-06-30 0001357615 kbr:AllenbyConnaughtProjectMember 2006-04-01 2006-04-30 0001357615 kbr:CarillionPlcMember 2018-01-15 2018-03-31 0001357615 country:US us-gaap:PensionPlansDefinedBenefitMember 2018-04-01 2018-06-30 0001357615 us-gaap:ForeignPlanMember us-gaap:PensionPlansDefinedBenefitMember 2018-04-01 2018-06-30 0001357615 country:US us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-06-30 0001357615 country:US us-gaap:PensionPlansDefinedBenefitMember 2017-01-01 2017-06-30 0001357615 country:US us-gaap:PensionPlansDefinedBenefitMember 2017-04-01 2017-06-30 0001357615 us-gaap:ForeignPlanMember us-gaap:PensionPlansDefinedBenefitMember 2017-04-01 2017-06-30 0001357615 us-gaap:ForeignPlanMember us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-06-30 0001357615 us-gaap:ForeignPlanMember us-gaap:PensionPlansDefinedBenefitMember 2017-01-01 2017-06-30 0001357615 us-gaap:PensionPlansDefinedBenefitMember 2017-12-31 0001357615 us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-06-30 0001357615 kbr:ClassThreePointFivePercentageIndexLinkedBondsMember 2018-06-30 0001357615 currency:USD kbr:ClassThreePointFivePercentageIndexLinkedBondsMember 2018-06-30 0001357615 us-gaap:MinimumMember 2018-01-01 2018-06-30 0001357615 kbr:DelayedDrawTermLoanAMember us-gaap:SecuredDebtMember 2018-04-25 0001357615 currency:GBP kbr:NonrecourseProjectFinanceDebtMember 2018-06-30 0001357615 us-gaap:LineOfCreditMember 2018-04-25 0001357615 kbr:TermLoanBMember us-gaap:SecuredDebtMember 2018-04-25 0001357615 us-gaap:LetterOfCreditMember us-gaap:LineOfCreditMember 2018-04-25 0001357615 currency:GBP kbr:ClassThreePointFivePercentageIndexLinkedBondsMember 2018-06-30 0001357615 kbr:ClassBFivePointNinePercentageFixedRateBondsMember 2018-06-30 0001357615 currency:USD kbr:ClassBFivePointNinePercentageFixedRateBondsMember 2018-06-30 0001357615 kbr:DelayedDrawTermLoanAMember us-gaap:SecuredDebtMember 2018-04-12 0001357615 currency:GBP kbr:ClassBFivePointNinePercentageFixedRateBondsMember 2018-06-30 0001357615 us-gaap:RevolvingCreditFacilityMember us-gaap:LineOfCreditMember 2018-04-25 0001357615 kbr:FasttraxLimitedProjectMember currency:USD kbr:NonrecourseProjectFinanceDebtMember 2018-06-30 0001357615 currency:GBP 2018-06-30 0001357615 2018-04-25 2018-04-25 0001357615 kbr:NonrecourseProjectFinanceDebtMember 2018-06-30 0001357615 kbr:DelayedDrawTermLoanAMember us-gaap:SecuredDebtMember us-gaap:MaximumMember 2018-04-25 0001357615 kbr:NonrecourseProjectFinanceDebtMember 2018-01-01 2018-06-30 0001357615 us-gaap:MaximumMember 2018-01-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan2.00to1.00Member 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan2.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:BaseRateMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan4.00to1.00butgreaterthanorequalto3.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan2.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioGreaterthanor4.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:BaseRateMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan3.00to1.00butGreaterthantoequalto2.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:BaseRateMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan3.00to1.00butGreaterthantoequalto2.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan3.00to1.00butGreaterthantoequalto2.00to1.00Member us-gaap:LetterOfCreditMember us-gaap:LineOfCreditMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan4.00to1.00butgreaterthanorequalto3.00to1.00Member us-gaap:LetterOfCreditMember us-gaap:LineOfCreditMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan3.00to1.00butGreaterthantoequalto2.00to1.00Member 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan2.00to1.00Member us-gaap:LetterOfCreditMember us-gaap:LineOfCreditMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioGreaterthanor4.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:LondonInterbankOfferedRateLIBORMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan4.00to1.00butgreaterthanorequalto3.00to1.00Member kbr:LineofCreditandSecuredDebtMember us-gaap:BaseRateMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioGreaterthanor4.00to1.00Member 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioGreaterthanor4.00to1.00Member us-gaap:LetterOfCreditMember us-gaap:LineOfCreditMember 2018-04-01 2018-06-30 0001357615 kbr:ConsolidatedLeverageRatioLessthan4.00to1.00butgreaterthanorequalto3.00to1.00Member 2018-04-01 2018-06-30 0001357615 kbr:TermLoanBMember us-gaap:SecuredDebtMember 2018-06-30 0001357615 kbr:RevolvingCreditAgreementTerminatedApril2018Member 2018-06-30 0001357615 kbr:DelayedDrawTermLoanAMember us-gaap:SecuredDebtMember 2018-06-30 0001357615 kbr:TermLoanBMember 2017-12-31 0001357615 kbr:DelayedDrawTermLoanAMember 2018-06-30 0001357615 kbr:RevolvingCreditAgreementTerminatedApril2018Member 2017-12-31 0001357615 kbr:DelayedDrawTermLoanAMember us-gaap:SecuredDebtMember 2017-12-31 0001357615 us-gaap:RevolvingCreditFacilityMember 2018-06-30 0001357615 kbr:TermLoanBMember us-gaap:SecuredDebtMember 2017-12-31 0001357615 us-gaap:RevolvingCreditFacilityMember 2017-12-31

0001357615 kbr:TermLoanBMember 2018-06-30 0001357615 kbr:DelayedDrawTermLoanAMember 2017-12-31 0001357615 kbr:HowardquitamMember 2011-03-31 0001357615 kbr:DOJFCAMember 2018-01-01 2018-06-30 0001357615 kbr:FirstKuwaitiTradingCompanyArbitrationMember 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember 2018-01-01 2018-06-30 0001357615 kbr:QuitamsMember 2018-06-30 0001357615 kbr:QuitamsMember 2018-01-01 2018-06-30 0001357615 kbr:PrivateSecurityMember 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember us-gaap:AccountsReceivableMember 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember kbr:ClaimsReceivableMember 2018-06-30 0001357615 kbr:ReserveForPotentiallyDisallowableCostsIncurredUnderGovernmentContractsMember 2017-12-31 0001357615 kbr:PrivateSecurityMember 2018-01-01 2018-06-30 0001357615 kbr:AllDefenseContractAuditAgencyAuditIssuesMember kbr:ContractAssetsMember 2018-06-30 0001357615 kbr:BurnPitLitigationMember us-gaap:MinimumMember 2018-06-30 0001357615 kbr:PrivateSecurityMember 2017-06-12 0001357615 kbr:FirstKuwaitiTradingCompanyArbitrationMember 2018-01-01 2018-06-30 0001357615 kbr:ReserveForPotentiallyDisallowableCostsIncurredUnderGovernmentContractsMember 2018-06-30 0001357615 kbr:FirstKuwaitiTradingCompanyArbitrationMember kbr:PayWhenPaidTermsMember 2018-01-01 2018-06-30 0001357615 kbr:LitigationCaseWithPEMEXAndPEPMember 2017-04-06 2017-04-06 0001357615 kbr:CostReimbursableMember 2017-01-01 2017-12-31 0001357615 2017-11-30 0001357615 kbr:CostReimbursableMember 2018-01-01 2018-06-30 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-06-30 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2016-12-31 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2017-01-01 2017-06-30 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2016-12-31 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-06-30 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-06-30 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-01-01 2017-06-30 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-01-01 2017-06-30 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-06-30 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2017-06-30 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2016-12-31 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2018-06-30 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-06-30 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-06-30 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-12-31 0001357615 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-01-01 2018-06-30 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-31 0001357615 us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-06-30 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-06-30 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-30 0001357615 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-12-31 0001357615 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-06-30 0001357615 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedForeignCurrencyAdjustmentIncludingPortionAttributableToNoncontrollingInterestMember 2018-01-01 2018-06-30 0001357615 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedForeignCurrencyAdjustmentIncludingPortionAttributableToNoncontrollingInterestMember 2017-01-01 2017-06-30 0001357615 us-gaap:NoncontrollingInterestMember 2017-01-01 2017-06-30 0001357615 us-gaap:NoncontrollingInterestMember 2016-12-31 0001357615 us-gaap:RetainedEarningsMember 2018-01-01 2018-06-30 0001357615 us-gaap:TreasuryStockMember 2018-01-01 2018-06-30 0001357615 us-gaap:TreasuryStockMember 2017-01-01 2017-06-30 0001357615 us-gaap:TreasuryStockMember 2017-12-31

0001357615 us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-06-30 0001357615 us-gaap:TreasuryStockMember 2016-12-31 0001357615 us-gaap:TreasuryStockMember 2018-06-30 0001357615 us-gaap:NoncontrollingInterestMember 2018-01-01 2018-06-30 0001357615 us-gaap:RetainedEarningsMember 2018-06-30 0001357615 us-gaap:RetainedEarningsMember 2017-01-01 2017-06-30 0001357615 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001357615 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-06-30 0001357615 us-gaap:NoncontrollingInterestMember 2017-12-31 0001357615 us-gaap:AdditionalPaidInCapitalMember 2017-06-30 0001357615 us-gaap:RetainedEarningsMember 2017-06-30 0001357615 us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0001357615 us-gaap:RetainedEarningsMember 2017-12-31 0001357615 us-gaap:NoncontrollingInterestMember 2017-06-30 0001357615 us-gaap:AdditionalPaidInCapitalMember 2018-06-30 0001357615 us-gaap:RetainedEarningsMember 2016-12-31 0001357615 us-gaap:NoncontrollingInterestMember 2018-06-30 0001357615 us-gaap:TreasuryStockMember 2017-06-30 0001357615 2018-01-01 2018-01-01 0001357615 kbr:ShareRepurchaseProgramTwentyFourteenMember 2014-02-25 0001357615 kbr:ShareRepurchaseProgramTwentyFourteenMember 2018-01-01 2018-06-30 0001357615 kbr:ShareRepurchaseProgramTwentyFourteenMember 2017-01-01 2017-06-30 0001357615 kbr:SharesWithheldtoCoverMember 2017-04-01 2017-06-30 0001357615 kbr:ShareRepurchaseProgramTwentyFourteenMember 2018-04-01 2018-06-30 0001357615 kbr:SharesWithheldtoCoverMember 2018-04-01 2018-06-30 0001357615 kbr:ShareRepurchaseProgramTwentyFourteenMember 2017-04-01 2017-06-30 0001357615 kbr:SharesWithheldtoCoverMember 2018-01-01 2018-06-30 0001357615 kbr:SharesWithheldtoCoverMember 2017-01-01 2017-06-30 0001357615 us-gaap:CashFlowHedgingMember 2018-06-30 0001357615 kbr:BalanceSheetHedgeMember 2018-06-30 xbrli:shares xbrli:pure kbr:Contracts kbr:brand iso4217:USD kbr:segment iso4217:USD xbrli:shares kbr:lawsuits kbr:subcontractor kbr:defendent iso4217:GBP kbr:claim

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2018
OR
.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**
Commission File Number: 1-33146

KBR, Inc.

(***Exact name of registrant as specified in its charter***)

Delaware	**20-4536774**
(***State of incorporation***)	(***I.R.S. Employer Identification No.***)
601 Jefferson Street, Suite 3400, Houston, Texas	**77002**
(Address of principal executive offices)	***(Zip Code)***

(713) 753-3011
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý

As of July 12, 2018, there were 140,698,716 shares of KBR, Inc. Common Stock, par value $0.001 per share, outstanding.

TABLE OF CONTENTS

Forward-Looking and Cautionary Statements

This Quarterly Report on Form 10-Q contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, as amended. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Some of the statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future financial performance and results of operations.

We have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, factors that could cause actual future results to differ materially include the risks and uncertainties disclosed in our 2017 Annual Report on Form 10-K contained in Part I under "Risk Factors" and in this Quarterly Report on Form 10-Q in Part II under "Risk Factors."

Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially and adversely affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially and adversely from those projected in the forward-looking statements. We caution against putting undue reliance on forward-looking statements or projecting any future results based on such statements or on present or prior earnings levels. In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statement.

Glossary of Terms

The following frequently used abbreviations or acronyms are used in this Quarterly Report on Form 10-Q as defined below:

Acronym	**Definition**
Affinity	Affinity Flying Training Services Ltd.
AOCL	Accumulated other comprehensive loss
ASBCA	Armed Services Board of Contract Appeals
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BIE	Billings in excess of costs and estimated earnings on uncompleted contracts
CAS	Cost Accounting Standards
CIE	Costs and estimated earnings in excess of billings on uncompleted contracts
COFC	U.S. Court of Federal Claims
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DOJ	U.S. Department of Justice
E&C	Engineering & Construction
EBIC	Egypt Basic Industries Corporation
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPC	Engineering, procurement and construction
EPIC	EPIC Piping LLC
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCA	False Claims Act
FEED	Front end engineering and design
FKTC	First Kuwaiti Trading Company
FLNG	Floating liquefied natural gas
FPSO	Floating production, storage and offshore
FPUs	Floating production units
FSRU	Floating storage and regasification unit
GS	Government Services
GTL	Gas to liquids
HETs	Heavy equipment transporters
HS	Hydrocarbons Services
HTSI	Honeywell Technology Solutions Inc.
ICC	International Chamber of Commerce
JKC	JKC Australia LNG, an Australian joint venture executing the Ichthys LNG Project
LIBOR	London interbank offered rate
LNG	Liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2 of this Quarterly Report on Form 10-Q)
MFRs	Memorandums for Record
MoD	Ministry of Defense

4

Acronym	**Definition**
NCI	Noncontrolling interests
PEMEX	Petróleos Mexicanos
PEP	Pemex Exploration and Production
PFIs	Privately financed initiatives and projects
PIC	Paid-in capital
PLOC	Performance Letter of Credit facility
PPE	Property, Plant and Equipment
PSC	Private Security Contractor
RIO	Restore Iraqi Oil
SEC	U.S. Securities and Exchange Commission
SFO	U.K. Serious Fraud Office
TSA	Transition Service Agreement
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the United States
UKMFTS	U.K. Military Flying Training System
VAT	Value-added tax
VIEs	Variable interest entities

PART I. FINANCIAL INFORMATION

Item 1. Financial Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	$1,267	$1,094	$2,305	$2,200
Cost of revenues	(1,137)	(986)	(2,094)	(2,010)
Gross profit	**130**	**108**	**211**	**190**
Equity in earnings of unconsolidated affiliates	10	32	33	41
General and administrative expenses	(41)	(38)	(76)	(70)
Acquisition and integration related costs	(1)	—	(4)	—
Gain on disposition of assets	—	1	—	5
Gain on consolidation of Aspire entities	—	—	115	—
Operating income	**98**	**103**	**279**	**166**
Interest expense	(17)	(5)	(23)	(10)
Other non-operating (loss) income	(1)	2	(3)	(5)
Income before income taxes and noncontrolling interests	**80**	**100**	**253**	**151**
Provision for income taxes	(18)	(21)	(52)	(34)
Net income	**62**	**79**	**201**	**117**
Net income attributable to noncontrolling interests	(20)	(2)	(21)	(3)
Net income attributable to KBR	**$42**	**$77**	**$180**	**$114**
Net income attributable to KBR per share:				
Basic	$0.30	$0.54	$1.28	$0.80
Diluted	$0.30	$0.54	$1.27	$0.80
Basic weighted average common shares outstanding	**140**	**141**	**140**	**142**
Diluted weighted average common shares outstanding	**141**	**141**	**141**	**142**
Cash dividends declared per share	**$0.08**	**$0.08**	**$0.16**	**$0.16**

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$62	$79	$201	$117
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Foreign currency translation adjustments, net of tax	(26)	(9)	(28)	5
Reclassification adjustment included in net income	—	—	5	—
Foreign currency translation adjustments, net of taxes of $(2), $1, $(3) and $5	**(26)**	**(9)**	**(23)**	**5**
Pension and post-retirement benefits, net of tax:				
Actuarial losses, net of tax	—	—	—	—
Reclassification adjustment included in net income	7	7	13	13
Pension and post-retirement benefits, net of taxes of $(1), $(2), $(2) and $(3)	**7**	**7**	**13**	**13**
Changes in fair value of derivatives:				
Changes in fair value of derivatives, net of tax	(4)	—	(4)	—
Reclassification adjustment included in net income	—	—	—	—
Changes in fair value of derivatives, net of taxes of $0, $0, $0 and $0	**(4)**	**—**	**(4)**	**—**
Other comprehensive (loss) income, net of tax	**(23)**	**(2)**	**(14)**	**18**
Comprehensive income	39	77	187	135
Less: Comprehensive income attributable to noncontrolling interests	(20)	—	(21)	(1)
Comprehensive income attributable to KBR	**$19**	**$77**	**$166**	**$134**

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and equivalents	$ 519	$439
Accounts receivable, net of allowance for doubtful accounts of $13 and $12	779	510
Contract assets	248	383
Other current assets	117	93
Total current assets	**1,663**	**1,425**
Claims and accounts receivable	104	101
Property, plant, and equipment, net of accumulated depreciation of $355 and $329 (including net PPE of $40 and $34 owned by a variable interest entity)	133	130
Goodwill	1,271	968
Intangible assets, net of accumulated amortization of $137 and $122	544	239
Equity in and advances to unconsolidated affiliates	622	387
Deferred income taxes	215	300
Other assets	158	124
Total assets	**$ 4,710**	**$3,674**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 445	$350
Contract liabilities	465	368
Accrued salaries, wages and benefits	216	186
Nonrecourse project debt	10	10
Other current liabilities	161	157
Total current liabilities	**1,297**	**1,071**
Pension obligations	349	391
Employee compensation and benefits	104	118
Income tax payable	85	85
Deferred income taxes	17	18
Nonrecourse project debt	22	28
Revolving credit agreement	115	470
Long term debt	928	—
Deferred income from unconsolidated affiliates	—	101
Other liabilities	183	171
Total liabilities	**3,100**	**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,177,257,918 and 176,638,882 shares issued, and 140,696,510 and 140,166,589 shares outstanding	—	—
Paid-in capital in excess of par ("PIC")	2,171	2,091
Accumulated other comprehensive loss	(935)	(921)
Retained earnings	1,179	877
Treasury stock, 36,561,408 shares and 36,472,293 shares, at cost	(819)	(818)

Total KBR shareholders' equity	**1,596**	**1,229**
Noncontrolling interests	14	(8)
Total shareholders' equity	**1,610**	**1,221**
Total liabilities and shareholders' equity	**$ 4,710**	**$ 3,674**

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities:		
Net income	$201	$117
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	30	27
Equity in earnings of unconsolidated affiliates	(33)	(41)
Deferred income tax expense (benefit)	34	(85)
Gain on consolidation of Aspire entities	(115)	—
Other	6	11
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	(70)	70
Contract assets	(38)	41
Claims receivable	—	400
Accounts payable	36	(126)
Contract liabilities	(58)	(167)
Accrued salaries, wages and benefits	4	2
Reserve for loss on uncompleted contracts	(5)	(35)
Payments from unconsolidated affiliates, net	6	5
Distributions of earnings from unconsolidated affiliates	9	30
Income taxes payable	7	(5)
Pension funding	(19)	(18)
Net settlement of derivative contracts	1	1
Other assets and liabilities	(32)	(17)
Total cash flows (used in) provided by operating activities	**$(36)**	**$210**
Cash flows from investing activities:		
Purchases of property, plant and equipment	$(11)	$(6)
Proceeds from sale of assets or investments	1	2
Investments in equity method joint ventures	(162)	—
Acquisition of businesses, net of cash acquired	(357)	2
Adjustments to cash due to consolidation of Aspire entities	197	—
Other	—	(1)
Total cash flows used in investing activities	**$(332)**	**$(3)**

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

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from financing activities:		
Payments to reacquire common stock	$(3)	$(52)
Acquisition of remaining ownership interest in joint ventures	(56)	—
Distributions to noncontrolling interests	—	(1)
Payments of dividends to shareholders	(23)	(23)
Net proceeds from issuance of common stock	1	—
Borrowings on revolving credit agreements	250	—
Borrowings on long term debt	959	—
Payments on revolving credit agreements	(605)	(180)
Payments on short-term and long-term borrowings	(5)	(5)
Debt issuance costs	(46)	—
Total cash flows provided by (used in) financing activities	**$472**	**$(261)**
Effect of exchange rate changes on cash	(24)	9
Increase (decrease) in cash and equivalents	80	(45)
Cash and equivalents at beginning of period	439	536
Cash and equivalents at end of period	**$519**	**$491**
Supplemental disclosure of cash flows information:		
Cash paid for interest	$18	$11
Cash paid for income taxes (net of refunds)	$16	$125
Noncash financing activities		
Dividends declared	$11	$11

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Company and Significant Accounting Policies

KBR, Inc., a Delaware corporation, was formed on March 21, 2006 and is headquartered in Houston, Texas. KBR, Inc. and its wholly owned and majority-owned subsidiaries (collectively referred to herein as "KBR", the "Company", "we", "us" or "our") is a global provider of differentiated, professional services and technologies across the asset and program life-cycle within the government services and hydrocarbons industries. Our capabilities include research and development, feasibility and solutions development, specialized technical consulting, systems integration, engineering and design service, process technologies, program management, construction services, commissioning and startup services, highly specialized mission and logistics support solutions, and asset operations and maintenance services and other support services to a diverse customer base, including government and military organizations of the U.S., U.K. and Australia and a wide range of customers across the hydrocarbons value chain.

Principles of Consolidation

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of KBR and our wholly owned and majority-owned subsidiaries and VIEs of which we are the primary beneficiary. We account for investments over which we have significant influence but not a controlling financial interest using the equity method of accounting. See Note 12 to our condensed consolidated financial statements for further discussion on our equity investments and VIEs. The cost method is used when we do not have the ability to exert significant influence. All material intercompany balances and transactions are eliminated in consolidation.

Amounts classified as "Costs and estimated earnings in excess of billings on uncompleted contracts" and "Billings in excess of costs and estimated earnings on uncompleted contracts" on the consolidated balance sheets of our Annual Report on Form 10-K for the year ended December 31, 2017 have been reclassified as "Contract assets" and "Contract liabilities" on the condensed consolidated balance sheets.

We have evaluated all events and transactions occurring after the balance sheet date but before the financial statements were issued and have included the appropriate disclosures.

Segment Reorganization

We changed the name of our Engineering & Construction segment to the "Hydrocarbons Services" segment. This change reflects strategic shifts we have made in this business over recent years to evolve to more recurring and reimbursable engineering, consulting and industrial maintenance services, coupled with our de-emphasis in engaging in fixed price EPC projects except for those that fit within our commercial discipline.

Effective January 1, 2018, we changed the structure of our internal organization in a manner that caused our consulting business to be moved from the Technology & Consulting business segment to the Hydrocarbons Services (formerly E&C) business segment. As of January 1, 2018, our segments consist of the following five reportable segments:

- Government Services
- Technology
- Hydrocarbons Services
- Non-Strategic Business

• Other

See Note 3 to our condensed consolidated financial statements for further discussion on our segments. We have presented our segment results reflecting these changes for all periods presented. In conjunction with the change in segments, the Company evaluated its goodwill associated with the technology and consulting reporting units using Level 3 fair value inputs, and no impairment indicators were identified.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates and assumptions by our management include but are not limited to the following:

- project revenues, costs and profits on engineering and construction contracts, including recognition of estimated losses on uncompleted contracts
- project revenues, award fees, costs and profits on government services contracts
- provisions for uncollectible receivables
- provisions for client claims and recoveries of costs from subcontractors, vendors and others
- provisions for income taxes and related valuation allowances and tax uncertainties
- recoverability of goodwill
- recoverability of other intangibles and long-lived assets and related estimated lives
- recoverability of equity method and cost method investments
- valuation of pension obligations and pension assets
- accruals for estimated liabilities, including litigation accruals
- consolidation of VIEs
- valuation of share-based compensation
- valuation of assets and liabilities acquired in business combinations

In accordance with normal practice in the construction industry, we include in current assets and current liabilities certain amounts related to construction contracts realizable and payable over a period in excess of one year. If the underlying estimates and assumptions upon which the financial statements are based change in the future, actual amounts may differ from those included in the accompanying condensed consolidated financial statements.

Adoption of New Accounting Standards

ASU 2014-09, Revenue from Contracts with Customers, codified as ASC Topic 606. On January 1, 2018, we adopted ASC Topic 606 and the related amendments ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of December 31, 2017. Results for operating periods beginning after January 1, 2018 are presented under ASC 606, while comparative information has not been restated and continues to be reported in accordance with the accounting standards in effect for those periods. See Note 2 for a description of our accounting policy resulting from adoption of ASC 606.

We recognized the cumulative effect of initially applying ASC 606 as an adjustment to retained earnings in the balance sheet as of January 1, 2018 as follows:

Dollars in millions	**Balance at December 31, 2017**	**Adjustments Due to ASC 606**	**Balance at January 1, 2018**
Assets			
Accounts receivable	$ 510	$ 157	$ 667
Contract assets	383	(191)	192
Other current assets	93	5	98
Equity in and advances to unconsolidated affiliates	387	87	474
Deferred income taxes	300	(6)	294
Other assets	124	1	125
Liabilities			
Contract liabilities	368	9	377
Deferred income from unconsolidated affiliates	101	(101)	—

Other liabilities	171	1	172
Equity			
Retained Earnings	877	144	1,021

12

The impact of adoption on our consolidated statement of operations, balance sheet and cash flows for the period ended June 30, 2018 was as follows:

	Three Months Ended June 30, 2018		
Dollars in millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Statement of Operations			
Revenues	$1,267	$1,258	$ 9
Income before income taxes and noncontrolling interests	80	71	9
Net income	62	54	8
EPS			
Basic	$0.30	$0.24	$ 0.06
Diluted	$0.30	$0.24	$ 0.06

	Six Months Ended June 30, 2018		
Dollars in millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Statement of Operations			
Revenues	$2,305	$2,294	$ 11
Income before income taxes and noncontrolling interests	253	243	10
Net income	201	192	9
EPS			
Basic	$1.28	$1.21	$ 0.07
Diluted	$1.27	$1.21	$ 0.06

	As of June 30, 2018		
Dollars in millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Assets			
Accounts receivable	$779	$ 571	$ 208
Contract assets	248	463	(215)
Other current assets	117	112	5
Equity in and advances to unconsolidated affiliates	622	617	5
Deferred income taxes	215	222	(7)
Liabilities			
Contract liabilities	465	519	(54)
Deferred income from unconsolidated affiliates	—	99	(99)
Equity			

Retained earnings	1,179	1,026	153
Accumulated other comprehensive loss	(935)	(931)	(4)

	Six Months Ended June 30, 2018		
Dollars in millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Cash flows from operating activities			
Net income	$ 201	$ 192	$ 9
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in earnings of unconsolidated affiliates	(33)	(32)	(1)
Deferred income tax (benefit) expense	34	33	1
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable, net of allowances for doubtful accounts	(70)	138	(208)
Contract assets	(38)	(254)	216
Contract liabilities	(58)	(41)	(17)
Total cash flows used in operating activities	(36)	(36)	—

The impacts of adoption were primarily related to: (1) conforming our contracts recorded over time from previously acceptable methods to the cost-to-cost percentage of completion methodology, (2) combining certain deliverables that were previously considered separate deliverables into a single performance obligation as defined by ASC 606, and (3) separating certain contracts that were previously considered one deliverable into multiple performance obligations.

The impacts of adoption on our opening balance sheet were primarily related to: reclassification of amounts between "Accounts receivable, net of allowance for doubtful accounts" and "Contract assets" based on whether an unconditional right to consideration has been established or not, and the deferral of costs incurred and payments received to fulfill a contract which were previously recorded in income in the period incurred or received but under the new standard will generally be capitalized and amortized over the period of contract performance.

In connection with the consolidation of certain previously unconsolidated VIEs associated with the Aspire Defence project in the first quarter of 2018, we elected to early adopt ASC 606 for each of the Aspire Defence project joint ventures effective January 1, 2018. As a result of the adoption by the Aspire Defence Limited joint ventures, we identified multiple performance obligations associated with the project deliverables that were previously accounted for as a single deliverable under its contract with the MoD. In addition to the above impacts of adoption on revenue and gross margin, the cumulative effect of the adoption by Aspire Defence Limited resulted in sufficient additional income that had been previously recorded as "Deferred income from unconsolidated affiliates" on our condensed consolidated balance sheets in the amount of $101 million which was reversed and included in the cumulative effect adjustment. Also, deferred construction income in the amount of $87 million previously recorded in "Equity in and advance to unconsolidated affiliates" was reversed and included in the cumulative effect adjustment as a result of the early adoption of ASC 606 by the Aspire Defence project joint ventures. Except for the Aspire Defence project joint ventures, we have availed the SEC exemption relating to deferring the application of ASC Topic 606 to our remaining unconsolidated joint ventures until January 1, 2019.

Additional Balance Sheet Information

Other Current Liabilities

The components of "Other current liabilities" on our condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017 are presented below:

Dollars in millions	June 30, 2018	December 31, 2017
Current maturities of long-term debt	$12	$ —
Reserve for estimated losses on uncompleted contracts (a)	10	15
Retainage payable	31	30
Income taxes payable	16	17
Restructuring reserve	6	9
Taxes payable not based on income	8	11
Value-added tax payable	31	13
Insurance payable	4	9
Dividend payable	11	11
Other miscellaneous liabilities	32	42
Total other current liabilities	$161	$ 157

(a) See Note 3 to our condensed consolidated financial statements for further discussion on significant reserves for estimated losses on uncompleted contracts.

Other Liabilities

Included in "Other liabilities" on our condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017 is noncurrent deferred rent of $96 million and $99 million, respectively. Also included in "Other liabilities" is a payable to our former parent of $5 million as of June 30, 2018 and December 31, 2017, respectively.

Note 2. Significant Accounting Policies

Our significant accounting policies are detailed in "Note 1. Description of Company and Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2017. The following section represents revisions to those accounting policies due to the adoption of ASC Topic 606 and the separate presentation of acquisition and integration related costs.

Revenue Recognition

Revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when and as our performance obligations under the terms of the contract are satisfied which generally occurs with the transfer of control of the goods or services to the customer.

To determine the proper revenue recognition method for contracts, we evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because we provide a significant service of integrating a complex set of tasks and components into a single project or capability. Contracts that cover multiple phases of the product lifecycle (development, construction and maintenance & support) are typically considered to have multiple performance obligations even when they are part of a single contract.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. In cases where we do not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

We provide product warranties to customers that are included in the sale and are not priced or sold separately or do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. We do not consider these types of warranties to be separate performance obligations.

The following is a description of the principal activities from which we generate revenues by reportable segment:

Government Services

For most of government services, the customer contracts with us to provide support solutions to defense, space, aviation and other programs and missions through long-term service contracts. The performance obligations related to these long-term service contracts are primarily created through the issuance of task orders by the customer because a service contract generally does not meet the criteria to be considered a contract under ASC 606 since it does not obligate the customer to issue any task orders and could be canceled without substantive penalty under termination for convenience clauses. Accordingly, each task order releases us to perform specific portions of the overall scope in the service contract and is typically accounted for as a separate contract because the task order establishes the enforceable rights and obligations, and payment terms. Task orders can include option periods that may be approved by the customer at a later date depending on the customer's future needs and budget availability.

Many of our government services contracts include variable consideration consisting of base fees (a profit percentage applied to our target cost) or award fees (additional consideration based on performance criteria, subject to final customer approval). Variable consideration can also arise from modifications to the scope of services resulting in unapproved change orders or customer claims. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, performance and any other information (historical, current, and forecasted) that is reasonably available to us.

Many of our government services contracts are for labor at agreed hourly rates on a cost reimbursable basis to the customer. These contracts are accounted for as a series of distinct services because (a) the labor is provided as a continuous service, (b) each time increment of labor provided is distinct, (c) the nature of the services provided is substantially the same, and (d) the pattern of transfer is the same. In these types of contracts, the entire amount of consideration is recognized as labor is provided.

We also enter into base operations support contracts to provide the resources to operate bases, installations, camps, and stations of military departments. Our base operations support contracts are either fixed price contracts or cost reimbursable contracts. For fixed price contracts, we bill the customer a fixed monthly fee and recognize revenue over time on a straight-line basis where our level of effort remains substantially the same from month to month or where that is not the case, using a cost-to-cost input measure of progress as services are provided. For cost reimbursable contracts, we bill the customer all direct costs incurred each month plus an agreed provisional rate for overhead and fee which are finalized at a later date. Revenue for cost reimbursable contracts is recognized as the direct costs are incurred and billed because the base operations represent a series of distinct services and the direct costs are consistent with our level of effort each month. For the purpose of revenue recognition of the variable elements of the contracts, we apply the variable consideration considerations described above.

Revenue on our other types of government services contracts is primarily recognized over time using the cost-to-cost input measure (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress because it best depicts the transfer of assets to the customer which occurs as we incur costs on the contracts. Contract costs include actual direct project costs incurred and an allocation of our indirect costs.

Under the typical payment terms of our government services contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones.

Hydrocarbons Services

For most of our hydrocarbons services projects, the customer contracts with us to provide a significant service of integrating a complex set of tasks and components into a single project or capability and are therefore accounted for as single performance obligations.

It is common for our hydrocarbons services contracts to contain incentive fees, performance bonuses, penalties (liquidated damages) or other provisions, including claims and change orders, that may either increase or decrease the transaction price. Incentives and other performance bonuses generally are awarded upon achievement of certain performance metrics, program milestones or cost targets. Liquidated damage penalties in our contracts are generally capped at a percentage of the total contract value. Liquidated damages may be related to schedule delays, (typically calculated based on a daily rate), or tied to performance guarantees.

Substantially all of our performance obligations related to hydrocarbons services contracts are satisfied over time as work progresses due to the continuous transfer of control to the customer. Typically, revenue is recognized over time using the cost-to-cost input measure to measure progress because it best depicts the transfer of goods and services to the customer which occurs as we incur costs on our contracts. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Indirect costs, included in cost of revenues, include charges for such items as facilities, engineering, project management, quality control, bids and proposals and procurement.

Under the typical payment terms of our hydrocarbons services contracts, the customer makes advance payments as well as interim payments as work progresses. The advance payment generally is not considered a significant financing component as we normally expect to recognize the advance payments in revenue within a year of receipt as work progresses on the related performance obligation.

Technology

Our technology contracts consist primarily of licensing, basic engineering design (together, the "LBED"), proprietary equipment ("PEQ") or catalyst contracts. LBED contracts are combined into one performance obligation as they are entered into at the same time and the licensed technology requires engineering and design. We may further combine LBED and PEQ contracts into one performance obligation if the contracts were negotiated as a package with a single commercial objective, and the customer contracts with us to provide a significant service of integrating these distinct goods and services into a single project or capability.

It is common for our technology contracts to contain variable consideration including contingent milestone payments and penalties (liquidated damages) that may increase or decrease the transaction price. Contingent milestone payments are primarily related to decisions made by the customer after the LBED has been completed, such as go or no-go decision on the project. Liquidated damage penalties in our technology contracts are typically calculated based on a weekly rate and are capped at a percentage of the total contract value.

Substantially all of our performance obligations related to technology contracts are satisfied over time as work progresses. Typically, revenue is recognized over time using the cost-to-cost input measure to measure progress because it best depicts the transfer of assets to the customer which occurs as we incur costs on our contracts. Contract costs include all direct material and labor costs and those indirect costs related to contract performance and are recognized as the performance obligation is satisfied.

Under the typical payment terms of our technology contracts, the customer makes advance payments as well as interim payments as work progresses and certain progress milestones are met. The advance payment generally is not considered a significant financing component as we normally expect to recognize the advance payments in revenue within a year of receipt as work progresses on the related performance obligation.

Contract Estimates

Contract Modifications

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly through a Company-wide disciplined project review process in which management reviews the progress and execution of our performance obligations and the estimate at completion (EAC). As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables.

We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

We account for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

We estimate variable consideration at the most likely amount to which we expect to be entitled. Any variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, performance and any other information (historical, current, and forecasted) that is reasonably available to us.

We allocate variable consideration entirely to a performance obligation or to a distinct good or service within a performance obligation if it relates specifically to our efforts to satisfy the performance obligation or transfer the distinct good or service, and the allocation depicts the amount of consideration to which we expect to be entitled.

Claims Against Vendors and Subcontractors

We include claims to vendors, subcontractors and others as a receivable and a reduction in recognized costs when enforceability of the claim is established by the contract and the amounts are reasonably estimable and probable of being recovered. Reductions in recognized costs are recognized to the extent of the lesser of the amounts management expects to recover or to costs incurred.

Accounts receivable

Accounts receivable are recorded based on contracted prices when we obtain an unconditional right to payment under the terms of our contracts.

We establish an allowance for doubtful accounts based on the assessment of our clients' willingness and ability to pay. In addition to such allowances, there are often items in dispute or being negotiated that may require us to make an estimate as to the ultimate outcome. Past due receivable balances are written off when our internal collection efforts have been unsuccessful in collecting the amounts due.

Contract assets and liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the cost-to-cost method of revenue recognition. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not unconditional. Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue.

Retainage, included in contract assets, represents the amounts withheld from billings by our clients pursuant to provisions in the contracts and may not be paid to us until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods. Retainage may also be subject to restrictive conditions such as performance guarantees.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We classify contract liabilities as current or noncurrent based on the timing of when we expect to recognize revenue. The noncurrent portion of contract liabilities is included in "Other liabilities" in our condensed consolidated balance sheets.

Acquisition and integration related costs

Acquisition and integration related costs consist of third party transaction expenses representing legal, consulting and investment banking-related costs that are direct, incremental costs incurred prior to the closing of an acquisition and direct, incremental costs incurred to integrate the operations of newly acquired businesses into the Company's existing infrastructure as well as other initiatives to combine the newly merged companies into new infrastructure.

Note 3. Business Segment Information

We are organized into three core business segments and two non-core business segments. Our three core business segments focus on our core strengths in technical services relating to government services, technology, and hydrocarbons services. Our two non-core business segments are our Non-strategic Business segment, which includes businesses we intend to exit upon completion of existing contracts because they are no longer a part of our future strategic focus, and "Other," which includes our corporate expenses and general and administrative expenses not allocated to the other business segments. Our business segments are described below:
Government Services. Our GS business segment provides full life-cycle support solutions to defense, space, aviation and other programs and missions for military and other government agencies in the U.S., U.K. and Australia. As program management integrator, KBR covers the full spectrum of defense, space, aviation and other government programs and missions from research and development; through systems engineering, test and evaluation, systems integration and program management; to operations support, maintenance and field logistics. Our recent acquisitions, as described in Note 5 to our condensed consolidated financial statements, have been combined with our existing U.S. operations within this business segment and operate under the single "KBRwyle" brand.

Technology. Our Technology business segment combines KBR's proprietary technologies, equipment and catalyst supply and associated knowledge-based services into a global business for refining, petrochemicals, inorganic and specialty chemicals as well as gasification, syngas, ammonia, nitric acid and fertilizers. From early planning through scope definition, advanced technologies and project lifecycle support, KBR's Technology segment works closely with customers to provide the optimal approach to maximize their return on investment.
Hydrocarbons Services. Our HS business segment provides comprehensive project and program delivery capability globally. Our key capabilities leverage our operational and technical excellence as a global provider of EPC for onshore oil and gas; LNG/GTL; oil refining; petrochemicals; chemicals; fertilizers; offshore oil and gas (shallow-water, deep-water and subsea); floating solutions (FPUs, FPSO, FLNG & FSRU); maintenance services (via the “Brown & Root Industrial Services” brand); and consulting services provided under our three specialist consulting brands, Granherne, Energo and GVA.
Non-strategic Business. Our Non-strategic Business segment represents the operations or activities that we intend to exit upon completion of existing contracts. All Non-Strategic Business projects are substantially complete. We continue to finalize project close-out activities and negotiate the settlement of claims and various other matters associated with these projects.
Other. Our Other business segment includes corporate expenses and general and administrative expenses not allocated to the business segments above.

The following table presents revenues, gross profit (loss), equity in earnings of unconsolidated affiliates, and operating income (loss) by reporting segment. The prior year balances have been recast to reflect the change in segments as described in Note 1 to our condensed consolidated financial statements.

Operations by Reportable Segment

19

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Dollars in millions	2018	2017	2018	2017
Revenues:				
Government Services	$868	$543	$1,545	$1,058

20

Technology	72	70	134	136
Hydrocarbons Services	327	474	626	973
Subtotal	1,267	1,087	2,305	2,167
Non-strategic Business	—	7	—	33
Total revenues	$1,267	$1,094	$2,305	$2,200
Gross profit (loss):				
Government Services	$71	$37	$123	$74
Technology	22	17	38	31
Hydrocarbons Services	37	55	52	88
Subtotal	130	109	213	193
Non-strategic Business	—	(1)	(2)	(3)
Total gross profit	$130	$108	$211	$190
Equity in earnings of unconsolidated affiliates:				
Government Services	$6	$18	$14	$27
Hydrocarbons Services	4	14	19	14
Subtotal	10	32	33	41
Non-strategic Business	—	—	—	—
Total equity in earnings of unconsolidated affiliates	$10	$32	$33	$41
General and administrative expenses:				
Government Services	$(12)	$(6)	$(18)	$(12)
Technology	—	(1)	(1)	(2)
Hydrocarbons Services	(8)	(8)	(15)	(13)
Other	(21)	(23)	(42)	(43)
Subtotal	(41)	(38)	(76)	(70)
Non-strategic Business	—	—	—	—
Total general and administrative expenses	$(41)	$(38)	$(76)	$(70)
Acquisition and integration related costs:				
Government Services	$(1)	$—	$(4)	$—
Technology	—	—	—	—
Hydrocarbons Services	—	—	—	—
Other	—	—	—	—
Subtotal	(1)	—	(4)	—
Non-strategic Business	—	—	—	—
Total acquisition and integration related costs	$(1)	$—	$(4)	$—
Gain on disposition of assets:				
Government Services	$—	$—	$—	$—
Technology	—	—	—	—
Hydrocarbons Services	—	1	—	5
Other	—	—	—	—
Subtotal	—	1	—	5
Non-strategic Business	—	—	—	—
Total gain on disposition of assets	$—	$1	$	