# QUARTERLY // EARNINGS Q3 | 2021



DELIVERING SOLUTIONS, CHANGING THE WORLD.

Stuart Bradie, President and CEO
Mark Sopp, Executive VP and CFO
Alison Vasquez, VP of Investor Relations

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# FORWARD-LOOKING STATEMENT



This presentation contains forward-looking statements regarding our plans, objectives, goals, strategies, future events, future financial performance and backlog information and other information that is not historical. When used in this presentation, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” or future or conditional verbs such as “will,” “should,” “could,” or “may,” and variations of such words or similar expressions are intended to identify forward-looking statements. Such statements are based upon our current expectations and various assumptions, which are made in good faith, and we believe there is a reasonable basis for them. However, because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and other factors that are difficult to predict and which could cause actual results to differ materially from the forward-looking statements contained in this presentation.

**Mandatory COVID-19 vaccination of employees may impact our workforce which could have an adverse effect on our business, results of operations and/or cash flows.**

On September 9, 2021, President Biden issued an Executive Order mandating COVID-19 vaccination for all Federal employees (subject to medical and religious exemptions). President Biden also announced a proposed new rule requiring all employers with at least 100 employees to require that their employees be fully vaccinated or tested weekly. The U.S. Department of Labor’s Occupational Safety and Health Administration (“OSHA”) is currently drafting an emergency regulation to carry out this mandate, which is expected to take effect in the coming weeks. At this time, it is uncertain, among other things, if the vaccine mandate will apply to all employees or only to employees who work in the office and how compliance will be documented.

As a company with more than 100 employees, it is anticipated that we would be subject to the OSHA regulation concerning COVID-19 vaccination. As a result, we announced a requirement for all our employees to be fully vaccinated by December 8, 2021. At this time, it is not possible to predict with certainty the exact impact that the proposed new regulation or the Company’s vaccine requirement will have on us or on our workforce. Our vaccine requirement and the proposed new regulation, if implemented, may result in employee attrition and difficulty securing future labor needs which could have an adverse effect on our business, results of operations and/or cash flows.

Additional information about potential risk factors that could affect our business and financial results is included in our Form 10-K filed on February 25, 2021, and any subsequent Forms 10-Q and 8-K. We caution you not to place undue reliance on the forward-looking statements included in this presentation, which speak only as of the date hereof. We disclaim any intent or obligation, except as required by law, to revise or update this information to reflect new information or future events or circumstances. This presentation contains the financial measures “EBITDA,” “Adjusted EBITDA,” “Adjusted EPS”, “Adjusted Operating Cash Flow” and “Adjusted Free Cash Flow” which are not calculated in accordance with U.S. GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measure has been provided in the Appendix.



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# // Stuart Bradie

President and Chief Executive Officer

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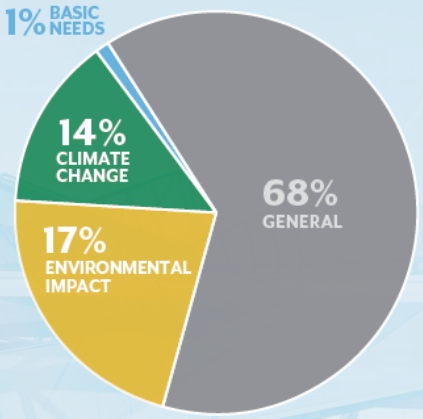
# Highlights from our 2020 Sustainability Report




**32%**
**SUSTAINABILITY FOCUSED REVENUE**

## OUR SUSTAINABLE SOLUTIONS, TECHNOLOGY AND EXPERTISE ENABLE OUR CUSTOMERS TO ADVANCE THEIR OWN ESG GOALS

- Launched K-GreeN™ - KBR's green ammonia process to enable near-term energy transition and a long-term hydrogen future
- Exclusive alliance with Mura Technology to offer innovative technology that recycles end-of-life, mixed-use plastic
- Engineering design, PEQ and catalyst for an innovative, zero-emission plant
- Second-phase development for domestic K-SAAT™ project to replace an existing hydrofluoridic acid alkylation unit

## AN OPERATING CULTURE OF SOCIAL IMPACT

- I&D Council established to help advance an inclusive and diverse workforce
- Extensive training and development programs focused on leadership and technical skills
- Rigorous data security policies and procedures aligned with ISO 27001, ISO 20000, NIST 800-171, DFARS, ITAR
- Reporting aligned with SASB, TCFD, CDP and GRI (2011-2019) frameworks

Maintaining carbon neutrality

Achieving net-zero carbon emmisions by 2030

10%-12% Sustainable Tech Revenue CAGR 2021-2025

10% of executive short-term incentive pay tied to ESG metrics and goals

## STRONG LEADERSHIP AND GOVERNANCE

**8 of 9**
directors are independent, including chair

**33%**
female directors

**6 years**
average director tenure

**33%**
rotation of board committees and chairs

Extensive government, space, technology and energy experience

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# 3RD QUARTER HIGHLIGHTS | CONTINUED STRONG EXECUTION

- Delivering robust revenue growth of 34%; Adj. EBITDA 30%; Adj. EPS 45%
- Excellent profitability driven by strong operational performance
- Stellar free cash generation; 110% FCF conversion year-to-date (128% in the 3rd quarter)
- Attractive bookings that underscore momentum in strategic areas; won $1.6 billion of awards and options in the quarter
- Full and final resolution of Ichthys disputes with client
- Raising FY 2021 revenue and earnings guidance





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# MARKET OUTLOOK **GOVERNMENT SOLUTIONS**

## MARKET DRIVERS AND OUTLOOK



The U.S. defense budget proposal prioritizes investments to address near-peer threats, JAD C2 alignment, and advanced, next-gen capabilities such as AI/ML, cyber warfare, trusted microelectronics, etc.



The U.S. fiscal 2022 fed/civ spending proposal includes a 16% increase in funding and a 6.5% increase for NASA.



The U.K. and Australian governments are committed to meaningful defense spending, prioritizing investment in areas such as AI/ML, cyber and space superiority.

## RECENT TRENDS AND WINS

- Won a $127 million recompete contract from the U.S. Department of Transportation Volpe Center to modernize technical and safety-related transportation systems to meet 21st century challenges.
- Won a new $44 million cyber contract to perform research, analysis, and assessments for the Air Force Life Cycle Management Cyber Systems Engineering Division to protect systems and software from unauthorized access, use, disclosure, disruption, modification, or destruction.
- Delivering historic humanitarian efforts to facilitate the rapid development of vital infrastructure at military bases in the U.S. and abroad being used to accommodate thousands of displaced Afghans for the U.S. Department of Defense.

# MARKET OUTLOOK **SUSTAINABLE TECHNOLOGY SOLUTIONS**

## MARKET DRIVERS AND OUTLOOK

Accelerating demand for technology and solutions to enable energy transition, including leveraging blue and green ammonia as a hydrogen energy enabler.

Global population growth is driving demand for fertilizers for food production, non-single-use plastics for commercial development, and other specialty chemicals.

Strength of oil and gas demand and price outlook allows clients to invest to improve product diversification, reduce emissions and improve cost efficiency.

Aging industrial asset base drives demand for modernization, smart operations and data-enabled maintenance solutions.

## RECENT TRENDS AND WINS

- Awarded a contract to provide our leading ammonia technology for an innovative green ammonia project. KBR will provide technology license, engineering, proprietary equipment, catalyst, and commissioning services for this ground-breaking project.
- Awarded a three-year contract to provide KBR INSITE® virtual/remote monitoring and advisory services to a client's integrated ammonia-methanol plant in Texas. KBR will help the client digitally diagnose operational problems, determine probable root causes, and recommend corrective actions to meet operational objectives and to minimize environmental impact.
- Awarded a contract to provide technology license, basic engineering design, and proprietary equipment for its leading ethylene technology SCORE™ for Europe's largest petrochemical project in over 20 years.

# ROBUST PIPELINE UNDERPINS GROWTH MOMENTUM

## *KBR Pursuit Pipeline*




**$1.6B**
Q3 2021 AWARDS AND OPTIONS

**Over 60%**
BACKLOG, OPTIONS AND RECOMPETES[1] TO DELIVER REVENUE THROUGH 2025

**150+**
PURSUITS > $100 MILLION

**10+**
PURSUITS > $1 BILLION

[1] Recompetes are rated to reflect the competitive contracting environment; excludes outlook for Operation Allies Welcome



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# FRAZER-NASH | NEAR- AND LONG-TERM VALUE ACCRETIVE

## *Accelerates growth in strategic vectors*

- Expands KBR “upmarket” into new, adjacent vectors with highly differentiated capabilities
- Adds $150M to $170M of annualized revenue in 2022
- 5%-8% CAGR 2020-2025; ~10% 10-year historical growth CAGR
- Minimal overlap

## *Attractive returns and earnings*

- Adjusted 2022 EPS accretion ~$0.10; IRR >15%
- Portfolio realignment delivering meaningful synergy
- 2022 Adj. EBITDA multiple of under 12X
- Attractive upper-teen adj. EBITDA margin

## *High cash efficiency*

- 90% - 110% conversion of adj. net income to free cash flow
- Capital-light business model aligns with KBR
- Unlocks previously undeployed international liquidity



# // Mark Sopp

Executive Vice President &
Chief Financial Officer

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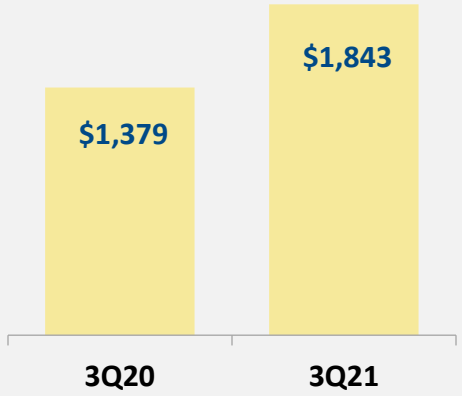
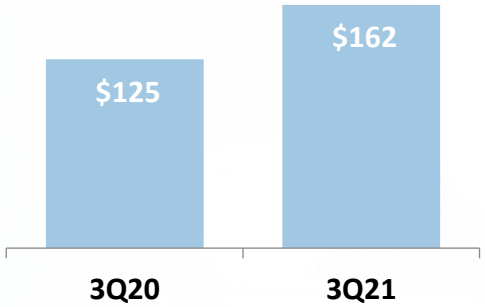
# Q3 21 FINANCIAL SNAPSHOT

## Revenues



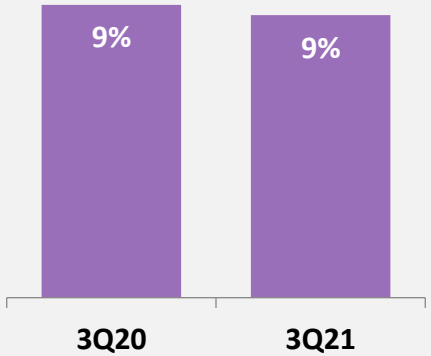

**34%** growth

## Adj. EBITDA[1]

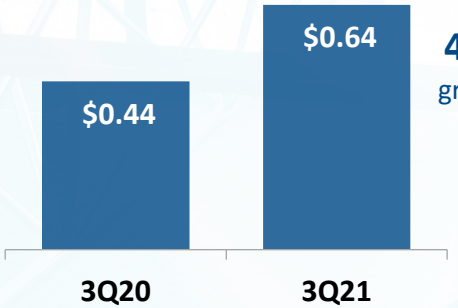



**30%** growth

## Adj. EBITDA Margin[1]

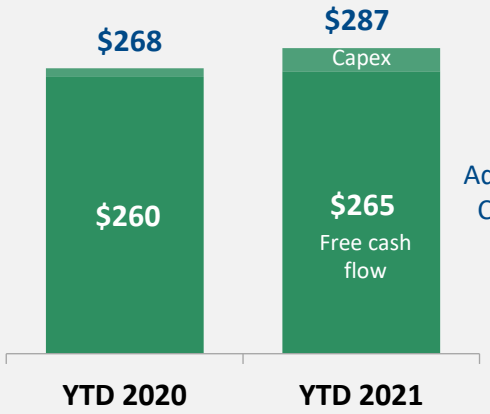



## Adj. EPS[1]



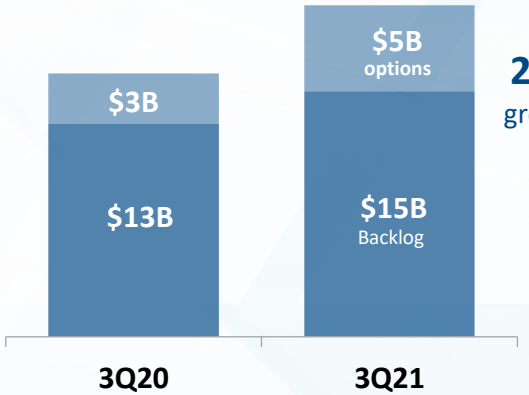

**45%** growth

## Adj. Op. Cash Flow[1]




**110%** Adj. free cash Conversion

## Backlog




**25%** growth

[1]*See Appendix for reconciliation of Adjusted EBITDA, Adjusted EPS and Adjusted Operating Cash Flow*

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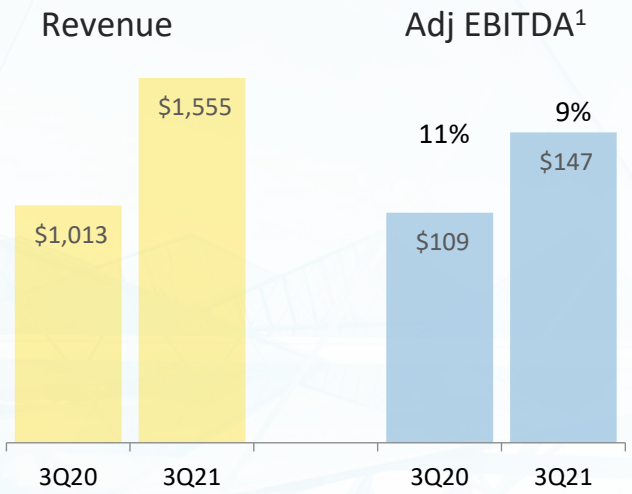
# Q3 2021 SEGMENT RESULTS

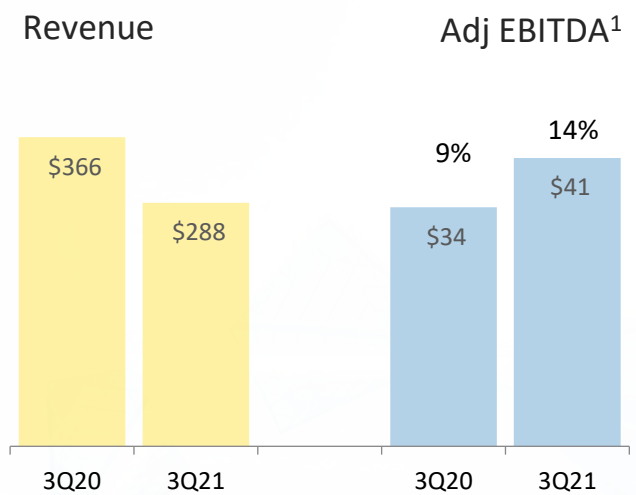
*In millions*

## GOVERNMENT SOLUTIONS



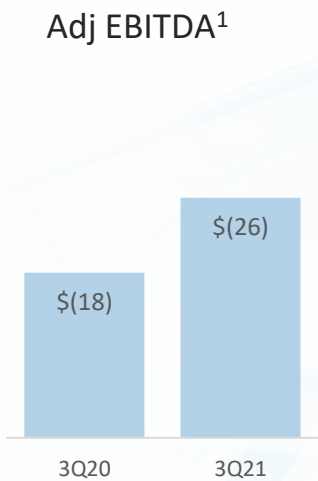

- 54% growth in GS revenue to $1.6B; 33% organic
  - Defense & Intel growth of 78%
  - Science & Space growth of 9%
  - Readiness & Sustainment growth of 116%
  - International growth of 4%
- Adj. EBITDA[1] margins on track

## SUSTAINABLE TECHNOLOGY SOLUTIONS




- Revenue as expected; reflects shift in strategy away from commoditized services in 2020
- Adj. EBITDA[1] on track for normal run-rate of mid-teens
- All lines of business are performing well

## CORPORATE




- Reflects planned funding of various corporate expenses and initiatives

[1] *See Appendix for reconciliation of Adjusted EBITDA*

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# CAPITAL DEPLOYMENT PRIORITIES

- Fund Organic Growth
- Maintain Attractive Dividend
- Maintain Responsible Leverage
- Strategic M&A and/or Share Repurchase

# HEALTHY LIQUIDITY PROFILE

**NET LEVERAGE**

**1.9x**

**AS OF SEPTEMBER 30, 2021**

**LEVERAGE TARGET**

**<3.0x**

## Highlights in the Quarter

- Moody's upgraded KBR's corporate family rating to **Ba2** from Ba3
- Completed $25 million of share buybacks

## Near-Term Deployable Capital

- Healthy balance sheet capacity
- Attractive free cash generator with low capital intensity business model

## Attractive Dividend

- $0.11 per share quarterly dividend
- 10% increase over 2020

*NOTE: Net Leverage represents total debt less cash divided by adjusted pro forma EBITDA; see appendix for reconciliation of non-GAAP measures*



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# RAISING FY 2021 GUIDANCE

| | FY 2021 Guidance |
|---|---|
| Consolidated revenue | $7.2B to $7.5B<br>From $5.8B to $6.2B |
| Adjusted EBITDA[1] margin | ~8%<br>From 9% |
| GAAP EPS | $0.05 to $0.15<br>From $(0.10) to $0.10 |
| Adjusted EPS[1] | $2.30 to $2.40<br>From $2.00 to $2.20 |
| Effective tax rate | 24% to 25%<br>From 25% to 26% |
| Adjusted operating cash flow[1] | $300M to $340M |

*[1]See Appendix for reconciliation of Adjusted EPS and Adjusted operating cash flow*

- **Raising guidance** for the following:
  - Humanitarian work supporting Operation Allies Welcome (OAW), adding ~$1.4 billion of revenue at low-single digit adj. EBITDA margins; and
  - Close of Frazer-Nash acquisition in October 2021.
- **Updating guidance** for the following:
  - Adj. EBITDA margin to reflect the EBITDA profile of OAW; excluding OAW, FY 2021 adj. EBITDA margins for KBR and its GS and STS segments are as originally guided; and
  - GAAP EPS to reflect a $0.07 expense for final warranty items associated with settlement with the Ichthys client. This item has been adjusted out of adj. EPS.



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# IN SUMMARY

## DOING WHAT WE SAID WE WOULD DO

- Executing on long-range growth strategy aligned with accelerating market dynamics
- Winning attractive new work to deliver the future
- Delivering strong growth, profit and financial results
- Balanced capital deployment
- De-risking the outlook and resolving legacy matters
- Raising revenue and earnings guidance



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# APPENDICES

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# Non-GAAP Reconciliations: Adj EPS and Adj OCF

QUARTERLY Q3 | 2021 EARNINGS

## Adjusted EPS

| | 3Q20 Actual | 3Q21 Actual | 2020 YTD Actual | 2021 YTD Actual | 2021 Guidance | |
|---|---|---|---|---|---|---|
| **EPS (Diluted)** | **$0.36** | **$0.38** | **$(0.64)** | **$(0.36)** | **$0.05** | **$0.15** |
| Add Back: | | | | | | |
| Amortization related to acquisitions | 0.02 | 0.07 | 0.05 | 0.22 | 0.26 | |
| Ichthys interest and commercial dispute cost | 0.03 | 0.10 | 0.09 | 1.60 | 1.65 | |
| Acquisition, integration and restructuring | 0.01 | 0.03 | 1.68 | 0.06 | 0.09 | |
| Non-cash imputed interest on conversion option[1] and bond hedge | 0.01 | 0.03 | 0.05 | 0.05 | 0.06 | |
| Legacy legal fees | 0.01 | 0.02 | 0.03 | 0.06 | 0.09 | |
| Non-cash gain (loss) on legal entity rationalization[2] | 0.00 | 0.01 | (0.04) | 0.02 | 0.05 | |
| Non-cash impact of increase in future UK statutory tax rate | 0.00 | 0.00 | 0.00 | 0.05 | 0.05 | |
| **Adjusted EPS[3]** | **$0.44** | **$0.64** | **$1.22** | **$1.70** | **$2.30** | **$2.40** |

*[1]Conversion option will be calculated and adjusted quarterly based on KBR trading price*
*[2]Legal entity rationalization will be calculated and adjusted quarterly based on activity*
*[3]Share count of 141M used for 3Q21 actual and 2021 Guidance*

## Adjusted Operating Cash Flow and Adjusted Free Cash Flow

| | 3Q20 Actual | 3Q21 Actual | 2020 YTD Actual | 2021 YTD Actual | 2021 Guidance | |
|---|---|---|---|---|---|---|
| **Cash flows provided by operating activities** | **$95** | **$122** | **$245** | **$276** | **$255** | **$295** |
| Adjustments: | | | | | | |
| Add back: Major project advance work-off | 14 | - | 64 | 11 | 15 | |
| Adjust: CARES Act temporary tax repayment (relief) | (19) | - | (41) | - | 30 | |
| **Adjusted Cash flows provided by operating activities** | **$90** | **$122** | **$268** | **$287** | **$300** | **$340** |
| Less: Capital Expenditures | (4) | (6) | (8) | (22) | | |
| **Adjusted free cash flows** | **$86** | **$116** | **$260** | **$265** | | |
| Adjusted free cash flow per share | $0.61 | $0.82 | $1.83 | $1.88 | | |
| Adjusted EPS | $0.44 | $0.64 | $1.22 | $1.70 | | |
| **Free cash flow conversion** | **139%** | **128%** | **150%** | **110%** | | |

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# Non – GAAP Reconciliation: Adj EBITDA

QUARTERLY Q3 | 2021 EARNINGS

## Adjusted EBITDA

| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | TTM |
|---|---|---|---|---|---|---|---|---|
| **Net income (loss) attributable to KBR** | **($104)** | **($39)** | **$52** | **$19** | **$47** | **($152)** | **$55** | **($31)** |
| Add Back: | | | | | | | | |
| Interest Expense | 23 | 19 | 18 | 23 | 22 | 23 | 23 | 91 |
| Provision (benefit) for income taxes | (1) | 6 | 19 | 2 | 16 | 40 | 19 | 77 |
| Other non-operating (income) expense | (7) | 2 | 4 | 0 | 3 | (2) | 1 | 2 |
| Depreciation & amortization | 27 | 21 | 26 | 41 | 38 | 38 | 38 | 155 |
| **EBITDA** | **($62)** | **$9** | **$119** | **$85** | **$126** | **($53)** | **$136** | **$294** |
| Add Back: | | | | | | | | |
| Acquisition, integration and restructuring | 173 | 96 | 3 | 45 | 1 | 5 | 4 | 55 |
| Non-cash loss (gain) on legal entity rationalization | (8) | 1 | 0 | 0 | 1 | 2 | 1 | 4 |
| Ichthys commercial dispute cost | 7 | (2) | 1 | 3 | 3 | 198 | 17 | 221 |
| Legacy legal fees | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 14 |
| **Adjusted EBITDA** | **$112** | **$106** | **$125** | **$135** | **$135** | **$156** | **$162** | **$588** |
| Centauri Pro Forma EBITDA | $9 | $12 | $14 | | | | | |
| **Pro Forma Adjusted EBITDA[1]** | **$121** | **$118** | **$139** | **$135** | **$135** | **$156** | **$162** | **$588** |

[1]*Pro Forma EBITDA includes impact of Centauri acquisition and is used for net debt leverage ratio*

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# Non – GAAP Reconciliations: Segment Adj EBITDA

QUARTERLY Q3 | 2021 EARNINGS

## Government Solutions Adjusted EBITDA

| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|
| **Net income (loss) attributable to GS** | **$90** | **$93** | **$97** | **$71** | **$74** | **$90** | **$112** |
| Add Back: | | | | | | | |
| Interest Expense | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| Other non-operating (income) expense | 0 | 1 | 0 | 1 | 0 | (1) | 1 |
| Depreciation & amortization | 12 | 12 | 10 | 26 | 25 | 32 | 29 |
| **EBITDA - GS** | **$102** | **$106** | **$107** | **$99** | **$100** | **$122** | **$143** |
| Add Back: | | | | | | | |
| Restructuring and impairment charges, net of NCI | 3 | 0 | 0 | 2 | 0 | (0) | (0) |
| Legacy legal fees | 2 | 2 | 2 | 2 | 4 | 4 | 4 |
| **Adjusted EBITDA - GS** | **$107** | **$108** | **$109** | **$103** | **$104** | **$126** | **$147** |

## Sustainable Technology Solutions Adjusted EBITDA

| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|
| **Net income (loss) attributable to STS** | **($90)** | **($56)** | **$22** | **$25** | **$42** | **($139)** | **$20** |
| Add Back: | | | | | | | |
| Interest Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-operating (income) expense | 1 | 1 | 1 | 0 | 0 | (1) | 0 |
| Depreciation & amortization | 7 | 5 | 9 | 5 | 4 | 4 | 4 |
| **EBITDA - STS** | **($82)** | **($50)** | **$32** | **$30** | **$46** | **($136)** | **$24** |
| Add Back: | | | | | | | |
| Restructuring and impairment charges, net of NCI | 111 | 69 | 1 | (2) | 0 | (1) | 0 |
| Non-cash loss (gain) on legal entity rationalization | (8) | 1 | 0 | 0 | 0 | 0 | 0 |
| Ichthys commercial dispute cost | 7 | (2) | 1 | 3 | 3 | 198 | 17 |
| **Adjusted EBITDA - STS** | **$28** | **$18** | **$34** | **$31** | **$49** | **$61** | **$41** |

| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA - Corporate** | **($23)** | **($20)** | **($18)** | **$1** | **($18)** | **($31)** | **($26)** |
| **Adjusted EBITDA - KBR** | **$112** | **$106** | **$125** | **$135** | **$135** | **$156** | **$162** |

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# Non – GAAP Reconciliations: Segment Adj EBITDA

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## Reconciliation of Operating Income to Adj. EBITDA

Nine months ended September 30, 2021

| | Government Solutions | Sustainable Technology Solutions | Corporate | Total KBR |
|---|---|---|---|---|
| **Operating Income** | **$277** | **($70)** | **($105)** | **$102** |
| Noncontrolling interest | 1 | (8) | 0 | (7) |
| Depreciation & amortization | 87 | 12 | 15 | 114 |
| **EBITDA** | **$365** | **($66)** | **($90)** | **$209** |
| Add Back: | | | | |
| Acquisition, integration and restructuring | 0 | (1) | 11 | 10 |
| Non-cash loss (gain) on legal entity rationalization | 0 | 0 | 4 | 4 |
| Ichthys commercial dispute cost | 0 | 218 | 0 | 218 |
| Legacy legal fees | 12 | 0 | 0 | 12 |
| **Adjusted EBITDA** | **$377** | **$151** | **($75)** | **$453** |

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# Selected Recast 2020 Income Statement Information

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The following 2020 quarterly and annual unaudited, condensed income statement information reflects the historical impact of the 2021 segment realignment to three segments: Government Solutions, Sustainable Technology Solutions and Corporate/Other.

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | FY20 |
| **Revenues:** | | | | | |
| Government Solutions | $ 982 | $ 953 | $ 1,013 | $ 1,107 | $ 4,055 |
| Sustainable Technology Solutions | 555 | 432 | 366 | 359 | 1,712 |
| Total revenues | $ 1,537 | $ 1,385 | $ 1,379 | $ 1,466 | $ 5,767 |
| **Gross Profit:** | | | | | |
| Government Solutions | $ 129 | $ 117 | $ 131 | $ 116 | $ 493 |
| Sustainable Technology Solutions | 57 | 25 | 41 | 50 | 173 |
| Total gross profit | $ 186 | $ 142 | $ 172 | $ 166 | $ 666 |
| **Equity in earnings of unconsolidated affiliates:** | | | | | |
| Government Solutions | $ 5 | $ 7 | $ 11 | $ 5 | $ 28 |
| Sustainable Technology Solutions | (4) | 9 | 2 | (5) | 2 |
| Total equity in earnings of unconsolidated affiliates: | $ 1 | $ 16 | $ 13 | $ - | $ 30 |
| **Selling, general and administrative expenses:** | | | | | |
| Government Solutions | $ (41) | $ (30) | $ (45) | $ (47) | $ (163) |
| Sustainable Technology Solutions | (24) | (19) | (20) | (20) | (83) |
| Other | (32) | (24) | (24) | (9) | (89) |
| Total selling, general and administrative expenses: | $ (97) | $ (73) | $ (89) | $ (76) | $ (335) |
| Acquisition and integration costs | - | - | (2) | (7) | (9) |
| Goodwill impairment | (62) | (37) | - | - | (99) |
| Restructuring charges and asset impairments | (116) | (59) | (1) | (38) | (214) |
| Gain (loss) on disposition of assets | 19 | (1) | - | - | 18 |
| **Operating income (loss)** | **$ (69)** | **$ (12)** | **$ 93** | **$ 45** | **$ 57** |

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