

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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2023
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: 001-33146



KBR, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

601 Jefferson Street, Suite 3400

Houston
(Address of principal executive offices)

Texas

20-4536774
(I.R.S. Employer Identification No.)

77002
(Zip Code)

(713) 753-2000

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	KBR	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ 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	☒	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 ☒

As of July 19, 2023, there were 134,916,277 shares of KBR, Inc. Common Stock, par value \$0.001 per share, outstanding.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>6</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>7</u>
<u>Condensed Consolidated Statements of Shareholders' Equity</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>10</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>11</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
<u>Item 4. Controls and Procedures</u>	<u>50</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>51</u>
<u>Item 1A. Risk Factors</u>	<u>51</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>51</u>
<u>Item 5. Other Information</u>	<u>51</u>
<u>Item 6. Exhibits</u>	<u>52</u>
<u>SIGNATURES</u>	<u>53</u>

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 latest Form 10-K and any subsequent Forms 10-Q and 8-K.

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 terms, abbreviations or acronyms are commonly used in our Quarterly Reports on Form 10-Q as defined below:

Acronym	Definition
AOCL	Accumulated other comprehensive loss
ASC	Accounting Standards Codification
Aspire Defence	Aspire Defence Limited
ASU	Accounting Standards Update
C5ISR	Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance
CAS	Cost Accounting Standards for U.S. government contracts
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DOJ	U.S. Department of Justice
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCA	False Claims Act
FKTC	First Kuwaiti Trading Company
GS	Government Solutions
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
MFRs	Memorandums for Record
MoD	Ministry of Defence
NCI	Noncontrolling interests
OAW	Operation Allies Welcome
PFI	Private financed initiatives and projects
PIC	Paid-in capital in excess of par
PPE	Property, Plant and Equipment
RPA	Master Accounts Receivable Purchase Agreement
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
STS	Sustainable Technology Solutions
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the United States
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,	
	2023	2022	2023	2022
Revenues	\$ 1,753	\$ 1,616	\$ 3,456	\$ 3,330
Cost of revenues	(1,502)	(1,415)	(2,960)	(2,933)
Gross profit	251	201	496	397
Equity in earnings (losses) of unconsolidated affiliates	23	10	46	(108)
Selling, general and administrative expenses	(119)	(105)	(243)	(212)
Legal settlement of legacy matter	(144)	—	(144)	—
Gain on disposition of assets and investments	—	22	—	22
Other	(1)	(1)	(1)	(3)
Operating income	10	127	154	96
Interest expense	(29)	(21)	(55)	(41)
Unrealized gain on other investment	—	16	—	16
Charges associated with Convertible Notes	(314)	—	(314)	—
Other non-operating income (expense)	(1)	5	(3)	5
Income (loss) before income taxes	(334)	127	(218)	76
Provision for income taxes	(16)	(33)	(46)	(52)
Net income (loss)	(350)	94	(264)	24
Less: Net income attributable to noncontrolling interests	1	—	1	1
Net income (loss) attributable to KBR	\$ (351)	\$ 94	\$ (265)	\$ 23
Net income (loss) attributable to KBR per share				
Basic	\$ (2.60)	\$ 0.68	\$ (1.95)	\$ 0.17
Diluted	\$ (2.60)	\$ 0.61	\$ (1.95)	\$ 0.17
Basic weighted average common shares outstanding	135	139	136	139
Diluted weighted average common shares outstanding	135	156	136	156
Cash dividends declared per share	\$ 0.135	\$ 0.120	\$ 0.270	\$ 0.240

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,	
	2023	2022	2023	2022
Net income (loss)	\$ (350)	\$ 94	\$ (264)	\$ 24
Other comprehensive income (loss):				
Foreign currency translation adjustments	24	(34)	39	(53)
Pension and post-retirement benefits	(2)	6	(2)	12
Changes in fair value of derivatives	23	11	13	35
Other comprehensive income (loss)	45	(17)	50	(6)
Income tax expense:				
Pension and post-retirement benefits	3	(1)	3	(2)
Changes in fair value of derivatives	(3)	(2)	(1)	(7)
Income tax expense	—	(3)	2	(9)
Other comprehensive income, net of tax	45	(20)	52	(15)
Comprehensive income (loss)	(305)	74	(212)	9
Less: Comprehensive income attributable to noncontrolling interests	1	—	1	1
Comprehensive income (loss) attributable to KBR	\$ (306)	\$ 74	\$ (213)	\$ 8

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 539	\$ 389
Accounts receivable, net of allowance for credit losses of \$8 and \$9, respectively	1,022	942
Contract assets	229	252
Other current assets	584	164
Total current assets	2,374	1,747
Pension Assets	75	46
Property, plant, and equipment, net of accumulated depreciation of \$432 and \$417 (including net PPE of \$32 and \$22 owned by a variable interest entity), respectively	218	182
Operating lease right-of-use assets	143	164
Goodwill	2,107	2,087
Intangible assets, net of accumulated amortization of \$359 and \$332, respectively	639	645
Equity in and advances to unconsolidated affiliates	188	188
Deferred income taxes	196	213
Other assets	347	294
Total assets	\$ 6,287	\$ 5,566
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 726	\$ 637
Contract liabilities	325	275
Accrued salaries, wages and benefits	327	325
Current maturities of long-term debt	117	364
Operating lease liabilities	47	48
Other current liabilities	710	172
Total current liabilities	2,252	1,821
Employee compensation and benefits	106	105
Income tax payable	117	117
Deferred income taxes	95	92
Long-term debt	1,628	1,376
Operating lease liabilities	178	193
Other liabilities	282	230
Total liabilities	4,658	3,934
Commitments and Contingencies (Notes 6, 11 and 12)		
KBR shareholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, none issued	—	—
Common stock, \$0.001 par value 300,000,000 shares authorized, 181,595,598 and 180,807,960 shares issued, and 134,915,400 and 136,505,145 shares outstanding, respectively	—	—
PIC	2,616	2,235
Retained earnings	1,109	1,410
Treasury stock, 46,680,198 shares and 44,302,815 shares, at cost, respectively	(1,280)	(1,143)
AOCL	(830)	(882)
Total KBR shareholders' equity	1,615	1,620
Noncontrolling interests	14	12
Total shareholders' equity	1,629	1,632
Total liabilities and shareholders' equity	\$ 6,287	\$ 5,566

See accompanying notes to condensed consolidated financial statements.

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

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at March 31, 2023	\$ 1,657	\$ 2,244	\$ 1,478	\$ (1,203)	\$ (875)	13
Share-based compensation	5	5	—	—	—	—
Common stock issued upon exercise of stock options	2	2	—	—	—	—
Dividends declared to shareholders (\$0.135/share)	(18)	—	(18)	—	—	—
Repurchases of common stock	(76)	—	—	(76)	—	—
Convertible Notes Transactions	365	365	—	—	—	—
Other	(1)	—	—	(1)	—	—
Net income (loss)	(350)	—	(351)	—	—	1
Other comprehensive loss, net of tax	45	—	—	—	45	—
Balance at June 30, 2023	<u>\$ 1,629</u>	<u>\$ 2,616</u>	<u>\$ 1,109</u>	<u>\$ (1,280)</u>	<u>\$ (830)</u>	<u>\$ 14</u>

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2022	\$ 1,632	\$ 2,235	\$ 1,410	\$ (1,143)	\$ (882)	12
Share-based compensation	11	11	—	—	—	—
Common stock issued upon exercise of stock options	4	4	—	—	—	—
Dividends declared to shareholders (\$0.270/share)	(36)	—	(36)	—	—	—
Repurchases of common stock	(137)	—	—	(137)	—	—
Issuance of ESPP shares	2	1	—	1	—	—
Distributions to noncontrolling interests	(1)	—	—	—	—	(1)
Convertible Notes Transactions	365	365	—	—	—	—
Other	1	—	—	(1)	—	2
Net income (loss)	(264)	—	(265)	—	—	1
Other comprehensive income, net of tax	52	—	—	—	52	—
Balance at June 30, 2023	<u>\$ 1,629</u>	<u>\$ 2,616</u>	<u>\$ 1,109</u>	<u>\$ (1,280)</u>	<u>\$ (830)</u>	<u>\$ 14</u>

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at March 31, 2022	1,578	2,216	1,200	(976)	(876)	14
Share-based compensation	5	5	—	—	—	—
Common stock issued upon exercise of stock options	1	1	—	—	—	—
Dividends declared to shareholders (\$0.120/share)	(17)	—	(17)	—	—	—
Repurchases of common stock	(41)	—	—	(41)	—	—
Distributions to noncontrolling interests	(2)	—	—	—	—	(2)
Other	(2)	—	(1)	1	—	(2)
Net income	94	—	94	—	—	—
Other comprehensive income, net of tax	(20)	—	—	—	(20)	—
Balance at June 30, 2022	<u>\$ 1,596</u>	<u>\$ 2,222</u>	<u>\$ 1,276</u>	<u>\$ (1,016)</u>	<u>\$ (896)</u>	<u>\$ 10</u>

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2021	\$ 1,683	\$ 2,206	\$ 1,287	\$ (943)	\$ (881)	\$ 14
Share-based compensation	10	10	—	—	—	—
Common stock issued upon exercise of stock options	5	5	—	—	—	—
Dividends declared to shareholders (\$0.240/share)	(34)	—	(34)	—	—	—
Repurchases of common stock	(74)	—	—	(74)	—	—
Issuance of ESPP shares	1	1	—	—	—	—
Distributions to noncontrolling interests	(2)	—	—	—	—	(2)
Other	(2)	—	—	1	—	(3)
Net income	24	—	23	—	—	1
Other comprehensive loss, net of tax	(15)	—	—	—	(15)	—
Balance at June 30, 2022	<u>\$ 1,596</u>	<u>\$ 2,222</u>	<u>\$ 1,276</u>	<u>\$ (1,016)</u>	<u>\$ (896)</u>	<u>\$ 10</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ (264)	\$ 24
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Charges associated with Convertible Notes	314	—
Legal Settlement of legacy matter	144	—
Depreciation and amortization	70	66
Equity in (earnings) losses of unconsolidated affiliates	(46)	108
Deferred income tax	19	33
Gain on disposition of assets	—	(22)
Unrealized gain on other investment	—	(16)
Other	13	15
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for credit losses	(72)	361
Contract assets	22	15
Accounts payable	77	(366)
Contract liabilities	50	36
Accrued salaries, wages and benefits	6	(17)
Payments on operating lease obligation	(29)	(29)
Payments from unconsolidated affiliates, net	6	8
Distributions of earnings from unconsolidated affiliates	37	43
Pension funding	(9)	(22)
Other assets and liabilities	(50)	(23)
Total cash flows provided by operating activities	\$ 288	\$ 214
Cash flows from investing activities:		
Purchases of property, plant and equipment	\$ (38)	\$ (19)
Proceeds from sale of assets or investments	—	60
Return of (investments in) equity method joint ventures, net	61	189
Funding in other investment	(39)	(61)
Other	(5)	—
Total cash flows (used in) provided by investing activities	\$ (21)	\$ 169
Cash flows from financing activities:		
Borrowings on long-term debt	330	—
Payments on short-term and long-term debt	(8)	(8)
Payments on settlement of warrants	(101)	—
Proceeds from the settlement of note hedge	150	—
Payments to settle Convertible Notes	(250)	—
Payments on revolving credit facility	(75)	(97)
Payments of dividends to shareholders	(35)	(32)
Net proceeds from issuance of common stock	4	5
Payments to reacquire common stock	(137)	(74)
Other	(4)	(9)
Total cash flows used in financing activities	\$ (126)	\$ (215)
Effect of exchange rate changes on cash	9	(22)
Increase in cash and cash equivalents	150	146
Cash and cash equivalents at beginning of period	389	370
Cash and cash equivalents at end of period	\$ 539	\$ 516
Supplemental disclosure of cash flows information:		
Noncash investing activities		
Leasehold improvements paid by landlord	\$ 7	\$ —
Accrued but unpaid purchases of property, plant and equipment	\$ 8	\$ —
Noncash financing activities		
Dividends declared	\$ 18	\$ 17

See accompanying notes to condensed consolidated financial statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with our 2022 Annual Report on Form 10-K.

The condensed consolidated financial statements include all normal and recurring adjustments necessary to present fairly our financial position as of June 30, 2023, the results of our operations for the three and six months ended June 30, 2023 and 2022 and our cash flows for the six months ended June 30, 2023 and 2022. Certain amounts in prior periods have been reclassified to conform with current period presentation.

There are many factors that may affect the accuracy of our cost estimates and ultimately our future profitability. These include, but are not limited to, the availability and costs of resources (such as labor, materials and equipment), productivity and weather. We generally realize both lower and higher than expected margins on projects in any given period. We recognize revisions of revenues and costs in the period in which the revisions are known. This may result in the recognition of costs before the recognition of related revenue recovery, if any. Our significant accounting policies are detailed in "Note 1. Significant Accounting Policies" of our 2022 Annual Report on Form 10-K.

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.

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of KBR, Inc. and the subsidiaries it controls, including VIEs where it is the primary beneficiary (collectively, the "Company," "KBR", "we", "us" or "our"). We account for investments over which we have significant influence, but not a controlling financial interest, using the equity method of accounting. See Note 7 "Equity Method Investments and Variable Interest Entities" to our condensed consolidated financial statements for further discussion of our equity investments and VIEs. All material intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation

On December 13, 2022, the Board of Directors approved a change in the fiscal year end from a calendar year ending on December 31 to a 52 – 53 week year ending on the Friday closest to December 31, effective as of the commencement of the Company's fiscal year on January 1, 2023. In a 52 week fiscal year, each of the Company's quarterly periods will comprise 13 weeks. The additional week in a 53 week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. The Company's first 53 week fiscal year will occur in fiscal year 2024. The Company made the fiscal year change on a prospective basis and will not adjust operating results for prior periods. The change will impact the prior year comparability of each of the fiscal quarters and the annual period for the year ending December 31, 2023, however, the impact will not be material. The Company believes this change will improve comparability between periods by eliminating the year-over-year variability in calendar month productive days and provide a more consistent reporting cadence for operational leaders to aid in strategic decision making.

As a result of our change in a fiscal year end, goodwill will be tested annually for possible impairment as of the first day of our fourth quarter each fiscal year, and on an interim basis when indicators of possible impairment exist.

Impact of Adoption of New Accounting Standards

Effective January 1, 2023, we adopted ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update will generally result in an entity recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. The adoption of this standard did not have an impact on our condensed consolidated financial statements. However, the ultimate impact is dependent upon the size and frequency of future acquisitions.

Additional Balance Sheet Information

Other Current Assets

The components of other current assets on our condensed consolidated balance sheets as of June 30, 2023, and December 31, 2022, are presented below:

<u>Dollars in millions</u>	June 30, 2023	December 31, 2022
Note hedge derivative asset	\$ 398	\$ —
Prepaid expenses	63	67
Value-added tax receivable	30	24
Advances to subcontractors	20	18
Other miscellaneous assets	73	55
Total other current assets	<u>\$ 584</u>	<u>\$ 164</u>

Other Current Liabilities

The components of other current liabilities on our condensed consolidated balance sheets as of June 30, 2023, and December 31, 2022, are presented below:

<u>Dollars in millions</u>	June 30, 2023	December 31, 2022
Embedded derivative liability	\$ 398	\$ —
Payable for legal settlement of legacy matter	144	—
Reserve for estimated losses on uncompleted contracts	20	17
Value-added tax payable	35	32
Dividend payable	18	17
Other miscellaneous liabilities	95	106
Total other current liabilities	<u>\$ 710</u>	<u>\$ 172</u>

Note 2. Business Segment Information

We provide a wide range of professional services and the management of our business is heavily focused on major projects or programs within each of our reportable segments. At any given time, government programs and joint ventures represent a substantial part of our operations. We are organized into two core business segments, Government Solutions and Sustainable Technology Solutions and one non-core business segment as described below:

Government Solutions. Our Government Solutions business segment provides full life-cycle support solutions to defense, intelligence, space, aviation and other programs and missions for military and other government agencies primarily in the U.S., U.K. and Australia. KBR's services cover the full spectrum spanning research and development, advanced prototyping, acquisition support, systems engineering, C5ISR, cyber analytics, space domain awareness, test and evaluation,

systems integration and program management, global supply chain management, operations readiness and support and professional advisory services across the defense, renewable energy and critical infrastructure sectors.

Sustainable Technology Solutions. Our Sustainable Technology Solutions business segment is anchored by our portfolio of over 75 innovative, proprietary, sustainability-focused process technologies that accelerate and enable energy transition across the industrial base in four primary verticals: ammonia/syngas, chemical/petrochemicals, clean refining and circular process/circular economy solutions. STS also provides highly synergistic services including advisory and consulting focused on broad-based energy transition and net-zero carbon emission solutions, high-end engineering, design and program management centered around decarbonization, energy efficiency, environmental impact and asset optimization, as well as our digitally-enabled operating and monitoring solutions. Through early planning and scope definition, advanced technologies and facility life-cycle optimization, our STS business segment works closely with customers to provide what we believe is the optimal approach to maximize their return on investment.

Other. Our non-core Other segment includes corporate expenses and selling, general and administrative expenses not allocated to the business segments above.

Operations by Reportable Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>Dollars in millions</i>				
Revenues:				
Government Solutions	\$ 1,352	\$ 1,312	\$ 2,680	\$ 2,771
Sustainable Technology Solutions	401	304	776	559
Total revenues	\$ 1,753	\$ 1,616	\$ 3,456	\$ 3,330
Operating income (loss):				
Government Solutions	\$ (28)	\$ 131	\$ 74	\$ 247
Sustainable Technology Solutions	77	32	159	(74)
Other	(39)	(36)	(79)	(77)
Total operating income	\$ 10	\$ 127	\$ 154	\$ 96

Note 3. Revenue***Disaggregated Revenue***

We disaggregate our revenue from customers by business unit, geographic destination and contract type for each of our segments as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Revenue by business unit and reportable segment was as follows:

<i>Dollars in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Government Solutions				
Science & Space	\$ 287	\$ 257	\$ 566	\$ 510
Defense & Intel	383	388	746	766
Readiness & Sustainment	393	371	798	904
International	289	296	570	591
Total Government Solutions	1,352	1,312	2,680	2,771
Sustainable Technology Solutions	401	304	776	559
Total revenue	\$ 1,753	\$ 1,616	\$ 3,456	\$ 3,330

Government Solutions revenue earned from key U.S. government customers includes U.S. DoD agencies and NASA, and is reported as Science & Space, Defense & Intel and Readiness & Sustainment. Government Solutions revenue earned from non-U.S. government customers primarily includes the U.K. MoD and the Australian Defence Force and is reported as International.

Revenue by geographic destination was as follows:

Three Months Ended June 30, 2023			
Total by Countries/Regions <i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
United States	\$ 782	\$ 138	\$ 920
Europe	387	66	453
Middle East	40	91	131
Australia	106	23	129
Africa	16	22	38
Asia	5	35	40
Other countries	16	26	42
Total revenue	<u>\$ 1,352</u>	<u>\$ 401</u>	<u>\$ 1,753</u>
Three Months Ended June 30, 2022			
Total by Countries/Regions <i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
United States	\$ 770	\$ 128	\$ 898
Europe	342	54	396
Middle East	51	53	104
Australia	111	11	122
Africa	22	16	38
Asia	3	28	31
Other countries	13	14	27
Total revenue	<u>\$ 1,312</u>	<u>\$ 304</u>	<u>\$ 1,616</u>

	Six Months Ended June 30, 2023		
Total by Countries/Regions <i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
United States	\$ 1,500	\$ 269	\$ 1,769
Europe	834	124	958
Middle East	66	178	244
Australia	207	41	248
Africa	35	40	75
Asia	8	73	81
Other countries	30	51	81
Total revenue	\$ 2,680	\$ 776	\$ 3,456

	Six Months Ended June 30, 2022		
Total by Countries/Regions <i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
United States	\$ 1,781	\$ 237	\$ 2,018
Europe	625	86	711
Middle East	90	102	192
Australia	201	11	212
Africa	40	33	73
Asia	6	70	76
Other countries	28	20	48
Total revenue	\$ 2,771	\$ 559	\$ 3,330

Many of our contracts contain cost reimbursable, time-and-materials and fixed price components. We define contract type based on the component that represents the majority of the contract. Revenue by contract type was as follows:

	Three Months Ended June 30, 2023		
<i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
Cost Reimbursable	\$ 831	\$ —	\$ 831
Time-and-Materials	271	252	523
Fixed Price	250	149	399
Total revenue	\$ 1,352	\$ 401	\$ 1,753

	Three Months Ended June 30, 2022		
<i>Dollars in millions</i>	Government Solutions	Sustainable Technology Solutions	Total
Cost Reimbursable	\$ 788	\$ —	\$ 788
Time-and-Materials	246	199	445
Fixed Price	278	105	383
Total revenue	\$ 1,312	\$ 304	\$ 1,616

<i>Dollars in millions</i>	Six Months Ended June 30, 2023		
	Government Solutions	Sustainable Technology Solutions	Total
Cost Reimbursable	\$ 1,646	\$ —	\$ 1,646
Time-and-Materials	534	485	1,019
Fixed Price	500	291	791
Total revenue	<u>\$ 2,680</u>	<u>\$ 776</u>	<u>\$ 3,456</u>

<i>Dollars in millions</i>	Six Months Ended June 30, 2022		
	Government Solutions	Sustainable Technology Solutions	Total
Cost Reimbursable	\$ 1,743	\$ —	\$ 1,743
Time-and-Materials	481	374	855
Fixed Price	547	185	732
Total revenue	<u>\$ 2,771</u>	<u>\$ 559</u>	<u>\$ 3,330</u>

Performance Obligations and Contract Liabilities

Changes in estimates are recognized on a cumulative catch-up basis in the current period associated with performance obligations satisfied in a prior period due to the release of a constrained milestone, modification in contract price or scope or a change in the likelihood of a contingency being resolved. We recognized revenue from performance obligations satisfied in previous periods for such matters of \$3 million and \$37 million for the three months ended June 30, 2023 and 2022, respectively, and \$8 million and \$42 million for the six months ended months ended June 30, 2023 and 2022, respectively.

On June 30, 2023, we had \$11.5 billion of transaction price allocated to remaining performance obligations. We expect to recognize approximately 40% of our remaining performance obligations as revenue within one year, 32% in years two through five and 28% thereafter. Revenue associated with our remaining performance obligations to be recognized beyond one year includes performance obligations primarily related to the Aspire Defence project, which has contract terms extending through 2041. Remaining performance obligations do not include variable consideration that was determined to be constrained as of June 30, 2023.

We recognized revenue of \$164 million and \$142 million for the six months ended June 30, 2023 and 2022, respectively, which was previously included in the contract liability balance at the beginning of each period.

Accounts Receivable

<i>Dollars in millions</i>	June 30, 2023	December 31, 2022
Unbilled	\$ 538	\$ 486
Trade & other	484	456
Accounts receivable	<u>\$ 1,022</u>	<u>\$ 942</u>

Note 4. Acquisitions

VIMA Group

On August 2, 2022, we acquired VIMA Group, a U.K.-based leading provider of digital transformation solutions to defense and other public sector clients. VIMA Group is reported within our GS business segment. We accounted for this transaction as an acquisition of a business using the acquisition method under *Business Combinations (Topic 805)*.

The agreed-upon purchase price for the acquisition was \$82 million. The purchase price consisted of cash paid at closing of \$75 million, subject to certain working capital and other closing adjustments, \$4 million of deferred consideration and contingent consideration with an estimated fair value of \$3 million that was contingent upon the achievement of certain performance targets from closing through December 31, 2022. As the targets were not met, no consideration was paid and we recorded a benefit of \$3 million in our consolidated statements of operations for the year ended December 31, 2022. We recognized \$2 million as an intangible backlog asset, \$11 million in customer relationships, \$3 million in net working capital, \$2 million in deferred income tax liability and \$68 million of goodwill arising from the acquisition, which relates primarily to future growth opportunities. The purchase price allocation for the business combination is considered final. For U.S. tax purposes, the transaction is treated as a stock deal. As a result, there is no step-up in tax basis in the individual assets and liabilities acquired and the goodwill recognized is not deductible for tax purposes.

Note 5. Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash balances held by our wholly owned subsidiaries as well as cash held by joint ventures that we consolidate. Joint venture and the Aspire project cash balances are limited to specific project activities and are not available for other projects, new acquisitions and joint ventures, general cash needs or distribution to us without approval of the board of directors of the respective entities. The cash and cash equivalents held in consolidated joint ventures and the Aspire project are expected to be used for their respective project costs and distributions of earnings.

The components of our cash and cash equivalents balance are as follows:

<u>Dollars in millions</u>	June 30, 2023		
	International (a)	Domestic (b)	Total
Operating cash and cash equivalents	\$ 229	\$ 175	\$ 404
Short-term investments (c)	10	4	14
Cash and cash equivalents held in consolidated joint ventures and Aspire Defence subcontracting entities (d)	98	23	121
Total	\$ 337	\$ 202	\$ 539

<u>Dollars in millions</u>	December 31, 2022		
	International (a)	Domestic (b)	Total
Operating cash and cash equivalents	\$ 251	\$ 25	\$ 276
Short-term investments (c)	4	2	6
Cash and cash equivalents held in consolidated joint ventures and Aspire Defence subcontracting entities (d)	99	8	107
Total	\$ 354	\$ 35	\$ 389

(a) Includes deposits held by non-U.S. entities with operating accounts that constitute offshore cash for tax purposes.

(b) Includes U.S. dollar and foreign currency deposits held in U.S. entities with operating accounts that constitute onshore cash for tax purposes but may reside either in the U.S. or in a foreign country.

(c) Includes time deposits, money market funds and other highly liquid short-term investments.

(d) Includes short-term investments held by Aspire Defence subcontracting entities for \$72 million and \$46 million as of June 30, 2023 and December 31, 2022, respectively.

Note 6. Unapproved Change Orders and Claims Against Clients and Estimated Recoveries of Claims Against Suppliers and Subcontractors

The amounts of unapproved change orders and claims against clients and estimated recoveries of claims against suppliers and subcontractors included in determining the profit or loss on contracts are as follows:

<i>Dollars in millions</i>	2023	2022
Amounts included in project estimates-at-completion at January 1,	\$ 48	\$ 426
Net increase (decrease) in project estimates	11	(114)
Approved change orders	—	(271)
Foreign currency impact	—	7
Amounts included in project estimates-at-completion at June 30,	<u>\$ 59</u>	<u>\$ 48</u>

The balance as of June 30, 2023 primarily relates to projects in our Government Solutions segment.

Changes in Project-related Estimates

There are many factors that may affect the accuracy of our cost estimates and ultimately our future profitability. These include, but are not limited to, the availability and costs of resources (such as labor, materials and equipment), productivity, weather and ongoing resolution of legacy projects and legal matters. We generally realize both lower and higher than expected margins on projects in any given period. We recognize revisions of revenues and costs in the period in which the revisions are known. This may result in the recognition of costs before the recognition of related revenue recovery, if any.

Sanctions and trade control measures were implemented against Russia due to the ongoing conflict between Russia and Ukraine. These measures may impact our ability to operate in the region as we continue to carry out efforts to wind down our operations in Russia. During the six months ended June 30, 2022, we recognized an unfavorable change of \$22 million in gross profit and incurred \$6 million in severance and asset impairments costs associated with exiting commercial projects in Russia.

During the three months ended June 30, 2023, within our STS business segment, we recognized an unfavorable change in equity in earnings of unconsolidated affiliates of \$13 million as a result of changes in estimates on an LNG project.

During the six months ended June 30, 2022, within our STS business segment, we recognized a non-cash charge to equity in earnings of unconsolidated affiliates of \$137 million as a result of changes in estimates on the Ichthys LNG Project in connection with a settlement agreement (the “Subcontractor Settlement Agreement”) entered into to resolve outstanding claims and disputes between JKC and the consortium of subcontractors.

During the six months ended June 30, 2022 within our GS business segment, we recognized an unfavorable change in revenue and gross profit of \$9 million associated with changes in estimates related to ongoing contract negotiations.

Note 7. Equity Method Investments and Variable Interest Entities

We conduct some of our operations through joint ventures, which operate through partnerships, corporations and undivided interests and other business forms and are principally accounted for using the equity method of accounting. Additionally, the majority of our joint ventures are VIEs.

The following table presents a rollforward of our equity in and advances to unconsolidated affiliates:

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
<i>Dollars in millions</i>		
Beginning balance at January 1,	\$ 188	\$ 576
Equity in earnings (losses) of unconsolidated affiliates (a)	46	(80)
Distributions of earnings of unconsolidated affiliates (b)	(25)	(53)
Payments from unconsolidated affiliates, net	(6)	(14)
(Return of) investments in equity method investment, net (c)	(61)	(198)
Sale of equity method investment (d)(a)	—	(31)
Foreign currency translation adjustments	3	(15)
Other (e)	43	3
Ending balance	<u>\$ 188</u>	<u>\$ 188</u>

- (a) During 2022, a non-cash charge of \$137 million was recorded for settlement agreements associated with the Ichthys LNG project. Additionally, during the third quarter of 2022, we recorded a charge against a joint venture acquired from a historical GS acquisition of \$10 million based on our funding obligations of projected losses. In the fourth quarter of 2022, we divested this joint venture and recorded an incremental loss on sale of \$3 million. The remaining equity in earnings (losses) of unconsolidated affiliates in 2023 and 2022 is related to normal activities within our other joint ventures.
- (b) In the normal course of business, our joint ventures will declare a distribution in the current quarter that is not paid until the subsequent quarter. As such, the distributions declared during the current quarter may not agree to the distributions of earnings from unconsolidated affiliates on our condensed consolidated statements of cash flows.
- (c) During the six months ended June 30, 2023, we received a return of investment from JKC of approximately \$61 million related to the second payment received from the Subcontractor Settlement Agreement. For the year ended December 31, 2022, we received a return of investment from JKC of approximately \$190 million related to the first payment from the Subcontractor Settlement Agreement and from BRJV of \$10 million as our cumulative distributions from inception of the joint venture exceeded our cumulative earnings.
- (d) During the first quarter of 2022, we sold two of our four U.K. Road investments. The carrying value of our investment was \$22 million. We received \$18 million in cash proceeds and the purchaser agreed to assume the \$4 million of consortium relief. In the second quarter of 2022, we sold an additional U.K. Road investment with a carrying value of \$19 million and recorded a gain of approximately \$16 million upon receipt of \$35 million in cash proceeds, in addition to receipt of \$2 million of deferred consideration from the first quarter 2022 sales.
- (e) During the six months ended June 30, 2023, Other included a net liability position of \$48 million related to our investment in JKC. The net liability position is attributed to our proportionate share of the provision that JKC continues to maintain for the paint and insulation claims against the insurer and paint manufacturer net of expected tax benefits.

Related Party Transactions

We often provide engineering, construction management and other subcontractor services to our unconsolidated joint ventures, and our revenues include amounts related to these services. For the six months ended June 30, 2023 and 2022, our revenues included \$253 million and \$200 million, respectively, related to the services we provided primarily to the Aspire Defence Limited joint venture within our GS business segment and a joint venture within our STS business segment.

Amounts included in our condensed consolidated balance sheets related to services we provided to our unconsolidated joint ventures as of June 30, 2023, and December 31, 2022 are as follows:

<i>Dollars in millions</i>	June 30, 2023	December 31, 2022
Accounts receivable, net of allowance for credit losses	\$ 68	\$ 56
Contract assets	\$ 1	\$ 2
Other current assets	\$ —	\$ 12
Contract liabilities	\$ 73	\$ 39

Note 8. Retirement Benefits

We have two frozen defined benefit pension plans in the U.S., one frozen and one active plan in the U.K. and one frozen plan in Germany. All of these plans are immaterial except for the frozen U.K. defined benefit pension plan. The components of net periodic pension benefit related to the U.K. pension for the six months ended June 30, 2023 and 2022 were as follows:

<i>Dollars in millions</i>	Three Months Ended June 30,	
	2023	2022
Components of net periodic pension benefit		
Service cost	\$ —	\$ 1
Interest cost	\$ 15	\$ 9
Expected return on plan assets	(25)	(21)
Recognized actuarial loss	—	6
Net periodic pension benefit	\$ (10)	\$ (5)

<i>Dollars in millions</i>	Six Months Ended June 30,	
	2023	2022
Components of net periodic pension benefit		
Service cost	\$ —	\$ 1
Interest cost	\$ 30	\$ 18
Expected return on plan assets	(50)	(43)
Recognized actuarial loss	—	12
Net periodic pension benefit	\$ (20)	\$ (12)

For the six months ended June 30, 2023, we have contributed approximately \$5 million of the \$8 million we expect to contribute to our U.K. pension plan in 2023. On October 17, 2022, we made an advance payment to our U.K. pension plan for approximately £29 million of the £33 million required minimum annual contributions for the year ending December 29, 2023.

Note 9. Debt and Other Credit Facilities

Our outstanding debt consisted of the following at the dates indicated:

<i>Dollars in millions</i>	June 30, 2023	December 31, 2022
Term Loan A	\$ 401	\$ 398
Term Loan B	503	506
Senior Notes	250	250
Senior Credit Facility	515	260
Convertible Senior Notes (a)	250	350
Unamortized debt issuance costs and discount - Convertible Senior Notes (a)	(153)	(2)
Unamortized debt issuance costs - Term Loan A	(8)	(9)
Unamortized debt issuance costs and discount - Term Loan B	(10)	(10)
Unamortized debt issuance costs and discount - Senior Notes	(3)	(3)
Total debt	1,745	1,740
Less: current portion	117	364
Total long-term debt, net of current portion	\$ 1,628	\$ 1,376

(a) The unamortized debt issuance costs related to the Convertible Notes were impacted by the cash election and repurchase of Convertible Notes that occurred in the second quarter of 2023. See Note 18 "Cash Election and Repurchase of Convertible Notes" for additional information regarding these transactions.

Senior Credit Facility

We entered into Amendment No. 9 on June 6, 2023, to our existing Credit Agreement, dated as of April 25, 2018, as amended ("Credit Agreement"), consisting of a \$1 billion revolving credit facility (the "Revolver"), a Term Loan A ("Term Loan A") with debt tranches denominated in U.S. dollars and British pound sterling and a Term Loan B ("Term Loan B") ("Senior Credit Facility"). Amendment No. 9 replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for Term Loan B.

On June 16, 2023, we borrowed \$255 million on the Revolver under our Senior Credit Facility to fund our repurchase of a portion of Convertible Notes. See Note 18 "Cash Election and Repurchase of Convertible Notes" for additional information. Additionally, we had borrowings and repayments of \$75 million on our Senior Credit Facility that occurred during the six months ended June 30, 2023.

On July 26, 2023, we entered into Amendment No. 10 to our existing Credit Agreement, to provide for an additional \$200 million loan tranche under Term Loan A. On July 26, 2023, we borrowed the full \$200 million principal amount available under this additional loan and used the proceeds to partially repay outstanding amounts of principal and accrued interest under the Revolver.

The interest rates with respect to the Revolver and Term Loan A are based on, at the Company's option, the respective adjusted reference rate plus an additional margin or base rate plus additional margin. The interest rate with respect to the Term Loan B is SOFR plus 2.75% plus an additional margin, per annum. Additionally, there is a commitment fee with respect to the Revolver.

The details of the applicable margins and commitment fees under the amended Senior Credit Facility are based on the Company's consolidated net leverage ratio as follows:

Consolidated Net Leverage Ratio	Revolver and Term Loan A		
	Reference Rate (a)	Base Rate	Commitment Fee
Greater than or equal to 4.25 to 1.00	2.25 %	1.25 %	0.33 %
Less than 4.25 to 1.00 but greater than or equal to 3.25 to 1.00	2.00 %	1.00 %	0.30 %
Less than 3.25 to 1.00 but greater than or equal to 2.25 to 1.00	1.75 %	0.75 %	0.28 %
Less than 2.25 to 1.00 but greater than or equal to 1.25 to 1.00	1.50 %	0.50 %	0.25 %
Less than 1.25 to 1.00	1.25 %	0.25 %	0.23 %

- (a) The reference rate for the Revolver and the U.S. dollar tranches of Term Loan A is SOFR plus 10 bps Credit Spread Adjustment and the British pound sterling tranche is SONIA plus 12 bps Credit Spread Adjustment.

Term Loan A provides for quarterly principal payments of 0.625% of the aggregate principal amount that commenced with the fiscal quarter ended March 31, 2022, increasing to 1.25% starting with the quarter ending March 29, 2024. Term Loan B provides for quarterly principal payments of 0.25% of the initial aggregate principal amounts that commenced with the fiscal quarter ended June 30, 2020. Term Loan A and the Revolver mature in November 2026 and Term Loan B matures in February 2027.

The Senior Credit Facility contains financial covenants of a maximum consolidated net leverage ratio and a consolidated interest coverage ratio (as such terms are defined in the Senior Credit Facility). Our consolidated net leverage ratio as of the last day of any fiscal quarter may not exceed 4.50 to 1 through 2022, reducing to 4.25 to 1 in 2023 and 4.00 to 1 in 2024 and thereafter. Our consolidated interest coverage ratio may not be less than 3.00 to 1 as of the last day of any fiscal quarter. As of June 30, 2023, we were in compliance with our financial covenants related to our debt agreements.

Convertible Senior Notes

Convertible Senior Notes. On November 15, 2018, we issued and sold \$350 million of 2.50% Convertible Senior Notes due 2023 (the "Convertible Notes") pursuant to an indenture between us and Citibank, N.A., as trustee. The Convertible Notes are senior unsecured obligations and bear interest at 2.50% per year, and interest is payable on May 1 and November 1 of each year. The Convertible Notes mature on November 1, 2023, and may not be redeemed by us prior to maturity. As such, the Convertible Notes are classified as current liabilities on our condensed consolidated balance sheets as of June 30, 2023.

In April 2023, we elected cash as the settlement method to settle the principal and any excess value upon early conversion or maturity of the Convertible Notes. On June 1, 2023, we entered into privately-negotiated transactions to repurchase \$100 million in principal amount of the outstanding Convertible Notes (the "Convertible Notes repurchase"), using funds borrowed under our Revolver to pay the purchase price. Concurrent with the Convertible Notes repurchase, we entered into agreements with the option counterparties to terminate the corresponding portions of the Note Hedge Transactions and Warrant Transactions (collectively, the "Unwind Agreements"). See Note 18 "Cash Election and Repurchase of Convertible Notes" for additional information regarding these transactions.

On May 17, 2023, we declared a quarterly cash dividend of \$0.135 per Common Share, which exceeded our per share dividend threshold and adjusted the conversion rate to 39.6523 Common Shares per \$1,000 principal amount of Convertible Notes at a strike price of \$25.22.

Convertible Notes Call Spread Overlay. Concurrent with the issuance of the Convertible Notes, we entered into privately negotiated convertible note hedge transactions (the "Note Hedge Transactions") and warrant transactions (the "Warrant Transactions") with the option counterparties. These transactions represent a call spread overlay, whereby the cost of the Note Hedge Transactions we purchased to cover the cash outlay upon conversion of the Convertible Notes was reduced by the sales price of the Warrant Transactions. The updated strike price of the net-share settled warrants as of June 30, 2023 was \$39.56.

The Note Hedge Transactions and the Warrant Transactions are separate transactions, in each case entered into by us with the option counterparties, and are not part of the terms of the Convertible Notes and will not affect any holder's rights under the Convertible Notes.

As of June 30, 2023, the if-converted value of the Convertible Notes based on the closing share price exceeded the remaining \$250 million principal amount by approximately \$395 million. The incremental value over the principal amount would be fully offset by the cash delivered from the Note Hedge Transactions. However, the counterparties holding the warrants would also have the right to purchase the total convertible number of shares at the current conversion rate at a strike price of \$39.56 resulting in value of \$253 million that would have been delivered to the counterparties as of June 30, 2023.

Senior Notes

On September 30, 2020, we issued and sold \$250 million aggregate principal amount of 4.750% Senior Notes due 2028 (the "Senior Notes") pursuant to an indenture among us, the guarantors party thereto and Citibank, N.A., as trustee. The Senior Notes are senior unsecured obligations and are fully and unconditionally guaranteed by each of our existing and future domestic subsidiaries that guarantee our obligations under the Senior Credit Facility and certain other indebtedness. Interest is payable semi-annually in arrears on March 30 and September 30 of each year, beginning on March 30, 2021, and the principal is due on September 30, 2028.

At any time prior to September 30, 2023, we may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, plus a specified "make-whole premium." On or after September 30, 2023, we may redeem all or part of the Senior Notes at our option, at the redemption prices set forth in the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to September 30, 2023, we may redeem up to 35% of the original aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 104.750% of the principal amount of the Senior Notes, together with accrued and unpaid interest, if any, to (but not including) the redemption date. If we undergo a change of control, we may be required to make an offer to holders of the Senior Notes to repurchase all of the Senior Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

Letters of credit, surety bonds and guarantees

In connection with certain projects, we are required to provide letters of credit, surety bonds or guarantees to our customers in the ordinary course of business as credit support for contractual performance guarantees, advanced payments received from customers and future funding commitments. As of June 30, 2023, we had \$1 billion in a committed line of credit under the Senior Credit Facility and \$366 million of bilateral and uncommitted lines of credit to support the issuance of letters of credit. As of June 30, 2023, with respect to our Senior Credit Facility, we had \$515 million of outstanding borrowings issued to settle a portion of our Convertible Notes and to partially fund a previous acquisition. We also have \$14 million of outstanding letters of credit on our Senior Credit Facility. With respect to our \$366 million of bilateral and uncommitted lines of credit, we utilized \$249 million for letters of credit as of June 30, 2023. The total remaining capacity of these committed and uncommitted lines of credit was approximately \$588 million. Of the letters of credit outstanding under the Senior Credit Facility, none have expiry dates beyond the maturity date of the Senior Credit Facility. Of the total letters of credit outstanding under our bilateral facilities, \$85 million relate to our joint venture operations where the letters of credit are posted using our capacity to support our pro-rata share of obligations under various contracts executed by joint ventures of which we are a member.

Note 10. Income Taxes

The effective tax rate was approximately (21)% and 68% for the six months ended June 30, 2023 and 2022, respectively. The effective tax rate for the six months ended June 30, 2023 as compared to the U.S. statutory rate of 21%, was primarily impacted by the non-deductible portion of a legal settlement on a legacy matter and the non-deductible charge associated with the cash settlement method election and convertible notes repurchase discussed in Note 18. The effective tax rate for the six months ended June 30, 2022 was primarily impacted by the non-deductibility of losses incurred with respect to the settlement of outstanding matters related to the Ichthys LNG project to which KBR is a JV partner.

The valuation allowance for deferred tax assets as of June 30, 2023 and December 31, 2022 was \$215 million and \$217 million, respectively. The remaining valuation allowance is primarily related to foreign tax credit carryforwards and foreign and state net operating loss carryforwards that, in the judgment of management, do not meet the more likely than not realization threshold. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income, in the appropriate character and source, during the periods in which those temporary differences become deductible or within the remaining carryforward period. Management considers the scheduled reversal of deferred tax liabilities (including the impact of

available carryback and carryforward periods), projected future taxable income and tax-planning strategies in making this assessment.

The utilization of the unreserved foreign tax credit carryforwards is based on our ability to generate income from foreign sources of approximately \$381 million prior to their expiration. The utilization of other net deferred tax assets, excluding those associated with indefinite-lived intangible assets, is based on our ability to generate U.S. forecasted taxable income of approximately \$757 million. Changes in our forecasted taxable income, in the appropriate character and source, as well as jurisdiction, could affect the ultimate realization of deferred tax assets.

The provision for uncertain tax positions included in other liabilities and deferred income taxes on our condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022 was \$88 million and \$92 million, respectively.

Note 11. Commitments and Contingencies

We are a party to litigation and other proceedings that arise in the ordinary course of our business. These types of matters could result in fines, penalties, cost reimbursements or contributions, compensatory or treble damages or non-monetary sanctions or relief. We believe the probability is remote that the outcome of any individual matter, including the matters described below, will have a material adverse effect on the corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings and cash flows in any particular reporting period. Among the factors that we consider in this assessment are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if estimable), the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, our experience in similar cases and the experience of other companies, the facts available to us at the time of assessment and how we intend to respond to the proceeding or claim. Our assessment of these factors may change over time as individual proceedings or claims progress.

Although we cannot predict the outcome of legal or other proceedings with certainty, when it is probable that a loss will be incurred and the amount is reasonably estimable, U.S. GAAP requires us to accrue an estimate of the probable loss or range of loss. In the event a loss is probable, but the probable loss is not reasonably estimable, we are required to make a statement that such an estimate cannot be made. We follow a thorough process in which we seek to estimate the reasonably possible loss or range of loss, and only if we are unable to make such an estimate do we conclude and disclose that an estimate cannot be made. Accordingly, unless otherwise indicated below in our discussion, a reasonably possible loss or range of loss associated with any individual contingency cannot be estimated. There have been no substantive developments or changes to existing claims.

Note 12. U.S. Government Matters

We provide services to various U.S. governmental agencies, including the U.S. DoD, NASA and the Department of State. The negotiation, administration and settlement of our contracts are subject to audit by the DCAA. The DCAA serves in an advisory role to the DCMA, which is responsible for the administration of the majority of our contracts. The scope of these audits includes, among other things, the validity of direct and indirect incurred costs, provisional approval of annual billing rates, approval of annual overhead rates, compliance with the FAR and CAS, compliance with certain unique contract clauses and audits of certain aspects of our internal control systems. Based on the information received to date, we do not believe any completed or ongoing government audits will have a material adverse impact on our results of operations, financial position or cash flows. The U.S. government also retains the right to pursue various remedies under any of these contracts which could result in challenges to expenditures, suspension of payments, fines and suspensions or debarment from future business with the U.S. government.

The Company accrued for probable and reasonably estimable unallowable costs associated with open government matters related to our GS business in the amounts of \$45 million as of June 30, 2023 and \$61 million as of December 31, 2022, which are recorded in other liabilities on our condensed consolidated balance sheets.

Legacy U.S. Government Matters

Between 2002 and 2011, we provided significant support to the U.S. Army and other U.S. government agencies in support of the war in Iraq under the LogCAP III contract. We have been in the process of closing out the LogCAP III contract since 2011, and we expect the contract closeout process to continue for at least another year. As a result of our work under LogCAP III, there are claims and disputes pending between us and the U.S. government that need to be resolved in order to close the contract. The contract closeout process includes resolving objections raised by the U.S. government through a billing dispute process referred to as Form 1s and MFRs. We continue to work with the U.S. government to resolve these issues and are engaged in efforts to reach mutually acceptable resolutions of these outstanding matters. We also have matters related to ongoing litigation or investigations involving U.S. government contracts. We anticipate billing additional labor, vendor resolution and litigation costs as we resolve the open matters in the future.

Investigations, Qui Tams and Litigation

The following matters relate to ongoing litigation or federal investigations involving U.S. government contracts. Some of these matters involve allegations of violations of the FCA, which prohibits in general terms fraudulent billings to the U.S. government; these suits brought by private individuals are called "qui tams." In the event we prevail in defending these allegations, a majority of our defense costs will be billable under the LogCAP III contract. All costs billed under LogCAP III are subject to audit by the DCAA for reasonableness.

First Kuwaiti Trading Company arbitration. In April 2008, FKTC, one of our LogCAP III subcontractors providing housing containers, filed for arbitration with the American Arbitration Association for several claims under various LogCAP III subcontracts. After a series of arbitration proceedings and related litigation between KBR and the U.S. government, the panel heard the final claims and we received an award on July 27, 2022. FKTC filed a motion for correction of the award asking the tribunal to change its findings. The tribunal denied FKTC's motion in an order issued on October 20, 2022. KBR filed its response on February 2, 2023. On January 5, 2023, FKTC filed a motion to vacate the arbitral award in the Eastern District of Virginia Federal District Court. On March 22, 2023, both parties presented oral arguments in the Eastern District of Virginia Federal District Court. On May 12, 2023, the District Court issued its order denying FKTC's motion to vacate the arbitration award and confirming the award. On June 12, 2023, the parties submitted their briefs in support of their calculations of the final award amount. KBR seeks to confirm the net award of \$16 million in KBR's favor plus post judgment interest. FKTC seeks to offset amounts awarded to KBR with amounts FKTC claims it is owed based on unpaid principal and post award interest on the awards issued in its favor in the prior arbitration proceedings, totaling \$70 million. KBR disagrees with FKTC's interest claim and calculation. A briefing schedule on this issue is expected to be issued by the Court. In addition, in March 2022, FKTC filed a new civil action in Kuwait civil court against KBR seeking \$100 million in damages. This action is duplicative of the claims decided in arbitration. In September 2022, we filed a motion to dismiss this action for lack of jurisdiction due to the arbitration agreement between KBR and FKTC. Based on our assessment of existing law and precedent, the opinions or views of legal counsel and the facts available to us, no amounts are accrued as of June 30, 2023.

Howard qui tam. In March 2011, Geoffrey Howard and Zella Hemphill filed a complaint in the U.S. District Court for the Central District of Illinois alleging that KBR mischarged the government \$628 million for unnecessary materials and equipment. In October 2014, the DOJ declined to intervene and the case was partially unsealed. KBR and the relators filed various motions including a motion to dismiss by KBR, which was denied. Fact discovery and expert reports were completed. We also filed a motion for summary judgment and motions to exclude relators' experts. At the request of the parties, the court ordered a 90-day stay of the proceedings on December 28, 2022, which was later extended several times. Although we believe the allegations of fraud by the relators are without merit, we participated in mediation and discussions with the relators while continuing to prepare for trial. Any proposed framework for resolving the litigation required agreements on damages and attorneys' fees as well as necessary determinations by the Department of the Army and approval by the DOJ. On June 30, 2023, KBR executed a settlement agreement with the relators and the Department of Justice. Under the terms of the settlement, KBR denies any liability or wrongful conduct. Pursuant to the settlement, KBR paid \$109 million, of which \$57 million was in restitution damages, and \$35 million to the relators as attorney's fees. Payment of the settlement was made on July 10, 2023 and KBR took the associated charge of \$144 million during the quarter ended June 30, 2023.

Note 13. Accumulated Other Comprehensive Loss

Changes in AOCL, net of tax, by component

<i>Dollars in millions</i>	Accumulated foreign currency translation adjustments	Accumulated pension liability adjustments	Changes in fair value of derivatives	Total
Balance at December 31, 2022	\$ (352)	\$ (568)	\$ 38	\$ (882)
Other comprehensive income (loss) adjustments before reclassifications	39	—	20	59
Amounts reclassified from AOCL	—	1	(8)	(7)
Net other comprehensive income (loss)	39	1	12	52
Balance at June 30, 2023	<u>\$ (313)</u>	<u>\$ (567)</u>	<u>\$ 50</u>	<u>\$ (830)</u>

<i>Dollars in millions</i>	Accumulated foreign currency translation adjustments	Accumulated pension liability adjustments	Changes in fair value of derivatives	Total
Balance at December 31, 2021	\$ (296)	\$ (581)	\$ (4)	\$ (881)
Other comprehensive income (loss) adjustments before reclassifications	(53)	—	23	(30)
Amounts reclassified from AOCL	—	10	5	15
Net other comprehensive income (loss)	(53)	10	28	(15)
Balance at June 30, 2022	<u>\$ (349)</u>	<u>\$ (571)</u>	<u>\$ 24</u>	<u>\$ (896)</u>

Reclassifications out of AOCL, net of tax, by component

<i>Dollars in millions</i>	Six Months Ended June 30,		Affected line item on the Condensed Consolidated Statements of Operations
	2023	2022	
Accumulated pension liability adjustments			
Amortization of actuarial loss (a)	\$ 2	\$ (13)	See (a) below
Tax benefit	(3)	3	Provision for income taxes
Net pension and post-retirement benefits	<u>\$ (1)</u>	<u>\$ (10)</u>	Net of tax
Changes in fair value for derivatives			
Foreign currency hedge and interest rate swap settlements	\$ 10	\$ (6)	Other non-operating expense
Tax benefit (expense)	(2)	1	Provision for income taxes
Net changes in fair value of derivatives	<u>\$ 8</u>	<u>\$ (5)</u>	Net of tax

(a) This item is included in the computation of net periodic pension cost. See Note 8 "Retirement Benefits" to our condensed consolidated financial statements for further discussion.

Note 14. Share Repurchases***Authorized Share Repurchase Program***

On February 25, 2014, the Board of Directors authorized a plan to repurchase up to \$350 million of our outstanding shares of common stock, which replaced and terminated the August 26, 2011 share repurchase program. On October 18, 2022, the Board of Directors authorized an increase to the total authorization level to \$500 million. As of June 30, 2023, \$326 million remains available for repurchase under this authorization. The authorization does not obligate the Company to acquire any particular number of shares of common stock and may be commenced, suspended or discontinued without prior notice. The share repurchases are intended to be funded through the Company's current and future cash flows and the authorization does not have an expiration date.

Withheld to Cover Program

We have in place a "withhold to cover" program, which allows us to withhold common shares from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the issuance of share-based equity awards under the KBR, Inc. 2006 Stock and Incentive Plan.

The table below presents information on our share repurchases activity under these programs:

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Number of Shares	Average Price per Share	Dollars in Millions	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the \$500 million authorized share repurchase program	1,287,358	\$ 58.24	\$ 75	2,222,293	\$ 56.23	\$ 125
Withhold to cover shares	11,365	\$ 59.49	1	214,598	\$ 53.93	\$ 12
Total	1,298,723	\$ 58.25	\$ 76	2,436,891	\$ 56.03	\$ 137

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	Number of Shares	Average Price per Share	Dollars in Millions	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the \$350 million authorized share repurchase program	823,333	\$ 48.56	\$ 40	1,342,665	\$ 48.39	\$ 65
Withhold to cover shares	11,584	\$ 45.31	1	182,523	\$ 48.48	\$ 9
Total	834,917	\$ 48.51	\$ 41	1,525,188	\$ 48.40	\$ 74

Note 15. Income (loss) per Share

Basic income (loss) per share is based upon the weighted average number of common shares outstanding during the period. Dilutive income (loss) per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued using the if-converted method for Convertible Debt and the treasury stock method for all other instruments.

A summary of the basic and diluted net income (loss) per share calculations is as follows:

<i>Shares in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss) attributable to KBR:				
Net Income (loss) attributable to KBR	\$ (351)	\$ 94	\$ (265)	\$ 23
Less earnings allocable to participating securities	\$ —	\$ —	\$ —	\$ —
Basic net income (loss) attributable to KBR	\$ (351)	\$ 94	\$ (265)	\$ 23
Reversal of Convertible Debt interest expense	—	1	—	3
Diluted net income (loss) attributable to KBR (a)	\$ (351)	\$ 95	\$ (265)	\$ 26
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding	135	139	136	139
Convertible Debt	—	14	—	14
Warrants	—	3	—	3
Diluted weighted average common shares outstanding	135	156	136	156
Net income (loss) attributable to KBR per share:				
Basic	\$(2.60)	\$0.68	\$ (1.95)	\$0.17
Diluted	\$(2.60)	\$0.61	\$ (1.95)	\$0.17

Due to our net loss position for both the three and six months ended June 30, 2023, our basic net loss per share and diluted net loss share are identical as the effect of all potential common shares is anti-dilutive and therefore excluded.

We apply the if-converted method to our Convertible Debt when calculating diluted income (loss) per share until the date of election of cash as the settlement method. Under the if-converted method, the principal amount and any conversion spread of the Convertible Debt, to the extent dilutive, are assumed to be converted into common stock at the beginning of the period and net income (loss) attributable to KBR is adjusted to reverse the effect of any interest expense associated with the Convertible Debt.

For the three months ended June 30, 2023, the diluted income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 2.0 million related to the Convertible Debt, 12.6 million related to the Warrant Transactions and 1.5 million related to our stock options and restricted stock awards. For the six months ended June 30, 2023, the diluted income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 7.9 million related to the Convertible Debt, 13.2 million related to the Warrant Transactions and 1.6 million related to our stock options and restricted stock awards. For the three months ended June 30, 2022, the diluted income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 11.1 million related to the Warrant Transactions and 0.5 million related to our stock options and restricted stock awards. For the six months ended June 30, 2022, the diluted income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 11.2 million related to the Warrant Transactions and 0.5 million related to our stock options and restricted stock awards.

Note 16. Fair Value of Financial Instruments and Risk Management

Fair value measurements. The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs derived from observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable, as reflected in the condensed consolidated balance sheets, approximates fair value due to the short-term maturities of these financial instruments. The carrying values and estimated fair values of our financial instruments that are not required to be recorded at fair value in our condensed consolidated balance sheets are provided in the following table.

The fair value of our note hedge derivative asset and embedded derivative liability are included in other current assets and other current liabilities on our condensed consolidated balance sheets at June 30, 2023, and December 31, 2022. The fair values of these derivatives are considered Level 2 under ASC 820, Fair Value Measurement, as they are based on quoted prices directly observable in active markets.

<i>Dollars in millions</i>		June 30, 2023		December 31, 2022	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:					
Note Hedge Derivative Asset	Level 2	\$ 398	398	—	—
Liabilities (including current maturities):					
Term Loan A	Level 2	\$ 401	\$ 401	\$ 398	\$ 398
Term Loan B	Level 2	503	504	506	511
Convertible Notes and conversion option	Level 2	648	645	350	731
Senior Notes	Level 2	250	230	250	220
Senior Credit Facility	Level 2	515	515	260	260

The carrying value of the debt instruments listed above exclude debt issuance costs for the respective instrument. See Note 9 "Debt and Other Credit Facilities" for the debt issuance costs of these instruments and further discussion of our term loans, Convertibles Notes, Senior Notes and Revolver. The increase in carrying value of the Convertible Notes and conversion option is due to the bifurcation of the Convertible Notes' conversion option in April 2023. See Note 18 "Cash Election and Repurchase of Convertible Notes" for additional information regarding this bifurcation.

The following disclosures for foreign currency risk and interest rate risk includes the fair value hierarchy levels for our assets and liabilities that are measured at fair value on a recurring basis.

Foreign currency risk. We conduct business globally in numerous currencies and are therefore exposed to foreign currency fluctuations. We may use derivative instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not use derivative instruments for speculative trading purposes. We generally utilize foreign exchange forwards and currency option contracts to hedge exposures associated with forecasted future cash flows and to hedge exposures present on our balance sheet.

As of June 30, 2023, the gross notional value of our foreign currency exchange forwards and option contracts used to hedge balance sheet exposures was \$46 million, all of which had durations of 18 days or less. We also had approximately \$5 million (gross notional value) of cash flow hedges which had durations of 11 months or less. The cash flow hedges are primarily related to the British Pound.

The fair value of our balance sheet hedges and cash flow hedges are included in other current assets and other current liabilities on our condensed consolidated balance sheets at June 30, 2023, and December 31, 2022. The fair values of these

derivatives are considered Level 2 under ASC 820, Fair Value Measurement, as they are based on quoted prices directly observable in active markets.

The following table summarizes the recognized changes in fair value of our balance sheet hedges offset by remeasurement of balance sheet positions. These amounts are recognized in our condensed consolidated statements of operations for the periods presented. The net of our changes in fair value of hedges and the remeasurement of our assets and liabilities is included in other non-operating expense on our condensed consolidated statements of operations.

<i>Dollars in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance Sheet Hedges - Fair Value	\$ 1	\$ 5	\$ 1	\$ 5
Balance Sheet Position - Remeasurement	(2)	(1)	(4)	(1)
Net gain (loss)	<u>\$ (1)</u>	<u>\$ 4</u>	<u>\$ (3)</u>	<u>\$ 4</u>

Interest rate risk. We use interest rate swaps to reduce interest rate risk and to manage net interest expense by converting a portion of our variable rate debt under our Senior Credit Facility into fixed-rate debt. During the six months ended June 30, 2023, we amended all of our existing interest rate swap agreements to term SOFR effective March 2023. We elected to apply the optional expedient in ASC 848 in connection with transitioning our interest rate swaps from LIBOR to term SOFR that allowed the amended swaps to be considered as a continuation of the existing hedges. As a result, the reference rate transition did not have an impact on our hedge accounting or a material impact to our condensed consolidated financial statements. Additionally, in March 2023, we entered into additional USD and GBP denominated interest rate swap agreements.

Our portfolio of interest rate swaps consists of the following:

<i>Dollars in millions</i>	Notional Amount at June 30, 2023	Pay Fixed Rate (Weighted Average)	Receive Variable Rate	Settlement and Termination
March 2020 Interest Rate Swaps	\$ 400	0.89 %	Term SOFR	Monthly through January 2027
September 2022 Interest Rate Swaps (a)	\$ 250	3.43 %	Term SOFR	Monthly through January 2027
March 2023 Interest Rate Swaps	\$ 205	3.61 %	Term SOFR	Monthly through January 2027
March 2023 Amortizing Interest Rate Swaps	£ 118	3.81 %	Term SONIA	Monthly through November 2026

(a) Effective November 2023, the notional value will increase to \$350 million through maturity in January 2027.

Our interest rate swaps are reported at fair value using Level 2 inputs. The fair value of the interest rate swaps at June 30, 2023 was a \$61 million asset, of which \$28 million is included in other current assets and \$33 million is included in other assets. The unrealized net gain on these interest rate swaps was \$61 million and is included in AOCL as of June 30, 2023. The fair value of the interest rate swaps at December 31, 2022, was a \$48 million net asset, of which \$19 million is included in other current assets and \$29 million is included in other assets. The unrealized net gains on these interest rate swaps was \$48 million and is included in AOCL as of December 31, 2022.

Sales of Receivables. From time to time, we sell certain receivables to unrelated third-party financial institutions under various accounts receivable monetization programs. One such program is with MUFG Bank, Ltd. (“MUFG”) under a Master Accounts Receivable Purchase Agreement (the “RPA”), which provides the sale to MUFG of certain of our designated eligible receivables, with a significant portion of such receivables being owed by the U.S. government. During the six months ended June 30, 2023, the Company has derecognized \$1,550 million of accounts receivables from the balance sheet under these agreements, of which certain receivables totaling \$1,521 million were sold under the MUFG RPA. The fair value of the sold receivables approximated their book value due to their short-term nature. The fees incurred are presented in other non-operating expense on the condensed consolidated statements of operations.

Activity for third-party financial institutions consisted of the following:

<i>Dollars in millions</i>	Six Months Ended	
	June 30, 2023	June 30, 2022
Beginning balance	\$ 134	481
Sale of receivables	1,550	1,782
Settlement of receivables	(1,497)	(2,141)
Outstanding balances sold to financial institutions	\$ 187	\$ 122

Other Investments. Other investments include investments in equity securities of privately held companies without readily determinable fair values and are included in other assets on our condensed consolidated balance sheets. These investments are accounted for under the measurement alternative, provided that KBR does not have the ability to exercise significant influence or control over the investees.

In June 2022, we entered into an agreement to invest an additional £80 million in Mura Technology ("Mura"). Funding occurred in two tranches with the first payment made in June 2022 and the second payment made in April 2023, increasing KBR's aggregate investment in Mura to approximately 17%. The additional payment in 2023 increased the carrying value of our investment to \$128 million at June 30, 2023. The carrying value of our investment was \$83 million at December 31, 2022.

Note 17. Recent Accounting Pronouncements

New accounting pronouncements requiring implementation in future periods are discussed below.

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate (LIBOR), which have been widely used as reference rates for various securities and financial contracts, including loans, debts and derivatives. This announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Subsequently in March 2021, the Financial Conduct Authority announced some USD LIBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) will continue to be published until June 30, 2023. Regulators in the U.S. and other jurisdictions have been working to replace these rates with alternative reference interest rates that are supported by transactions in liquid and observable markets, such as the SOFR for USD LIBOR. All of our debt instruments that referenced LIBOR base rates have been amended to utilize alternative reference rates. We have adhered to the ISDA 2020 IBOR Fallbacks Protocol, which will govern our derivatives upon the final termination of USD LIBOR index benchmark. ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, as amended, helps limit the accounting impact from contract modifications, including hedging relationships, due to the transition from LIBOR to alternative reference rates that are completed by December 31, 2022. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which extends the period of time entities can utilize the reference rate reform guidance under ASU 2020-04 from December 31, 2022 to December 31, 2024. We elected to apply the optional expedient in ASC 848 in connection with transitioning our interest rate swaps from LIBOR to term SOFR that allowed the amended swaps to be considered as a continuation of the existing hedges. As a result, the reference rate transition did not have an impact on our hedge accounting or a material impact to our condensed consolidated financial statements. Additionally, the transition of our Senior Credit Facility from LIBOR to an alternate reference rate, did not have a significant impact to our financial results, financial position or cash flows as we elected to apply the optional expedients.

In March 2023, the FASB issued 2023-01, *Leases (Topic 842) - Common Control Arrangements*, which requires leasehold improvements associated with common control leases to be amortized over the useful life of the leasehold improvements to the common control group as long as the lessee controls the underlying asset through a lease. The amendments are effective for all entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements. We are currently evaluating the future impact of this standard.

Note 18. Cash Election and Repurchase of Convertible Notes

Cash Election for Convertible Notes. Upon issuance of the Convertible Notes, we had the right to elect to settle the Convertible Notes in cash, shares of our common stock or a combination of cash and shares of our common stock. As a result, our conversion option qualified for the equity scope exception under ASC 815 *Derivatives and Hedging* ("ASC 815") that does

not require the conversion option to be accounted for as a separate instrument. The Note Hedge Transactions and Warrant Transactions also qualified for the equity scope exception under ASC 815.

In April 2023, we elected cash as the settlement method to settle the principal and any excess value upon early conversion or maturity of the Convertible Notes and Note Hedge. Upon that election, both instruments no longer qualified for the equity scope exception under ASC 815. The conversion option of the Convertible Notes was deemed to be embedded, which required bifurcation from the host contract, and the Note Hedge was reclassified to a freestanding derivative instrument.

Upon bifurcation of the Convertible Notes' conversion option, we recorded an embedded derivative liability at fair value of \$454 million, a debt discount of \$350 million reducing the carrying value of our Convertible Notes to zero, and a \$104 million loss. Upon reclassification of the Note Hedge, we recorded a derivative asset of \$454 million at fair value, with an offset of \$454 million to PIC. Any changes related to the fair value of the derivative asset will be directly offset by the change in fair value of the embedded derivative liability. The fair value of the derivative asset and embedded derivative liability at June 30, 2023 was \$398 million.

We have recorded \$128 million of accretion through the second quarter of 2023 and accelerated the accretion of \$69 million as a loss on debt extinguishment associated with the repurchase of \$100 million of Convertible Senior Notes in the current quarter. At June 30, 2023, the remaining debt discount of \$153 million will be accreted over the remaining term of the Convertible Notes using the straight-line method if held through the maturity date of November 1, 2023.

Convertible Senior Notes Repurchase and Unwind Agreements. On June 1, 2023, we entered into privately-negotiated transactions to repurchase \$100 million in principal amount of the outstanding Convertible Notes (the "Convertible Notes repurchase"), using funds borrowed under our Revolver to pay the purchase price. Concurrent with the Convertible Notes repurchase, we entered into agreements with the option counterparties to terminate the corresponding portions of the Note Hedge Transactions and Warrant Transactions (collectively, the "Unwind Agreements"). We paid \$250 million related to the Convertible Notes repurchase and received a net amount of \$49 million related to the Unwind Agreements.

The portion of warrants settled in cash during the current quarter no longer qualified for the equity scope exception under ASC 815 upon execution of the Unwind Agreements on June 1, 2023. This resulted in the recognition of a derivative liability of \$89 million, with an offset of \$89 million to PIC. Upon settlement of the Unwind Agreements, we recognized \$12 million in loss due to the change in fair value of the derivative liability between the initial recognition date and settlement date. This loss was recorded within "Charges associated with Convertible Notes" on our condensed consolidated statement of operations.

The Convertible Notes repurchase was accounted for as a debt extinguishment under ASC 470 *Debt* ("ASC 470"). ASC 470 requires the settlement consideration of \$250 million to be allocated to both the carrying value of the debt instrument and the embedded derivative liability related to the conversion option. We recognized a loss on extinguishment of debt of \$70 million due to the difference between the consideration paid of \$250 million and the carrying value of the conversion option's derivative liability and Convertible Notes, net of debt discount on the date of repurchase.

See below for summary of items related to the cash election and repurchase of Convertible Notes and Note Hedge Transactions on our Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2023.

	Three and Six Months Ended June 30, 2023	
<i>Dollars in millions</i>		
Condensed Consolidated Statement of Operations		
Loss on derivative bifurcation	\$	104
Loss on debt extinguishment		70
Loss on settlement of warrants		12
Accretion of Convertible Notes debt discount		128
Charges associated with Convertible Notes	\$	314

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The purpose of MD&A is to disclose material changes in our financial condition since the most recent fiscal year-end and results of operations during the current fiscal period as compared to the corresponding period of the preceding fiscal year. The MD&A should be read in conjunction with the condensed consolidated financial statements, accompanying notes and our 2022 Annual Report on Form 10-K.

Overview

KBR, Inc., a Delaware corporation ("KBR"), delivers science, technology, engineering and logistics support solutions to governments and companies around the world. Drawing from its rich 100-year history and culture of innovation and mission focus, KBR creates sustainable value by combining deep domain expertise with its full life cycle capabilities to help clients meet their most pressing challenges. Our capabilities and offerings include the following:

- Scientific research such as quantum science and computing; health and human performance; materials science; life science research; and earth sciences;
- Defense systems engineering such as rapid prototyping; test and evaluation; aerospace acquisition support; systems and platform integration; and sustainment engineering;
- Operational support such as space domain awareness; C5ISR; human spaceflight and satellite operations; integrated supply chain and logistics; and military aviation support;
- Information operations such as cyber analytics and cybersecurity; data analytics; mission planning systems; virtual/augmented reality and technical training; and artificial intelligence and machine learning;
- Professional advisory services across the defense, renewable energy and critical infrastructure sectors; and
- Sustainable decarbonization solutions that accelerate and enable energy transition and climate change solutions such as proprietary, sustainability-focused process licensing; advisory services focused on energy transition; high-end engineering, design and management program offerings; and digitally-enabled asset optimization solutions.

KBR's strategic growth vectors include:

- Defense modernization;
- Space superiority;
- Health and human performance;
- Sustainable technology;
- High-end engineering;
- Energy transition and security; and
- Technology-led asset optimization

Key customers include U.S. DoD agencies such as the U.S. Army, U.S. Navy and U.S. Air Force, Missile Defense Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office and other intelligence agencies; U.S. civilian agencies such as NASA, U.S. Geological Survey and National Oceanic and Atmospheric Administration; the U.K. MoD, London Metropolitan Police, and other U.K. Crown Services; the Royal Australian Air Force, Navy and Army; other national governments; and a wide range of commercial and industrial companies.

Our deployment priorities are to fund organic growth, maintain responsible leverage, maintain an attractive dividend, make strategic, accretive acquisitions and repurchase shares. As demonstrated by our acquisitions of Frazer Nash Consultancy Limited, VIMA Group and others in the past few years, our acquisition thesis is centered around moving upmarket, expanding capabilities and broadening customer sets across strategic growth vectors. KBR also develops and prioritizes investment in technologies that are disruptive, innovative and sustainability- and safety-focused. These technologies and engineering solutions enable clients to achieve a cleaner, greener, more energy efficient global future.

Business Environment and Trends

Government Outlook

On March 9, 2023, President Biden provided his proposed fiscal 2024 budget of \$1.7 trillion, which included \$886 billion in defense spending and \$844 billion for non-defense discretionary spending which represents an increase from the fiscal 2023 budget of 3% and 9%, respectively. The U.S. defense spending budget prioritizes initiatives outlined in the fiscal 2023 budget in addition to, among other things, addressing strategic competition and making significant, long-term investments in a resilient force posture in the Indo-Pacific to deter aggression, supporting our partners in the region and strengthening the U.S. and regional defense industrial base. The fiscal 2024 request also continues increased support for the U.S. European Command and investment in integrated deterrence and military credibility. The non-defense discretionary spending proposal includes \$27 billion, or a 7% increase from the fiscal 2023 budget, in funding for NASA to strengthen U.S. leadership in scientific research, exploration and space technology innovation, advance robotic exploration of Mars and support efforts to establish the first long-term presence on the Moon and then on to Mars.

On June 3, 2023, President Biden signed into law the Fiscal Responsibility Act of 2023, which suspends the public debt ceiling limit through January 2, 2025. This law includes provisions that will impact future fiscal year budgets for the United States. Key provisions in this law include statutory caps on discretionary funding in 2024 and 2025 and limits on discretionary funding for the years 2026 through 2029. The 2024 statutory cap on discretionary funding totals \$1.6 trillion, which included \$886 billion for defense spending and \$704 billion for non-defense spending. The 2024 statutory cap on defense spending does not impact President Biden's proposed fiscal 2024 budget, however the 2024 statutory cap on non-defense spending is 14% lower than President Biden's proposed fiscal 2024 budget. The effect of the non-defense discretionary spending statutory cap on individual programs or KBR cannot be predicted at this time.

President Biden has not provided an amended fiscal 2024 budget after the enactment of the Fiscal Responsibility Act of 2023. Uncertainty continues to exist regarding whether a divided Congress will be able to pass appropriation bills for the fiscal year 2024 which could result in government shutdowns and/or continuing resolutions. Under continuing resolutions, typically partial-year funding at amounts consistent with appropriated levels for the prior fiscal year will be available, subject to certain restrictions, but spending on new programs or initiatives are prohibited. Although we believe DoD programs and fiscal year funding will continue to receive consensus support and would likely receive legislative priority if these scenarios come to fruition, the effect on individual programs or KBR cannot be predicted at this time.

Internationally, our Government Solutions work is performed primarily for the U.K. MoD and the Australian Department of Defence. In March 2023, the U.K. government announced its intent to increase its defense budget by £11 billion over the next five years, increasing the defense budget to 2.25% of GDP by 2025. Recognizing the importance of strong defense and the role the U.K. plays across the globe, the U.K. has prioritized investment in military research and investment in key areas to advance and develop capabilities around artificial intelligence, cyber security and space superiority. The Australian government continues to invest in defense spending, with particular focus on enhancing regional security, modernizing defense capabilities, strengthening cyber defenses and promoting broader economic stability. In May 2023, the Australian government announced that defense spending for the 2023 - 2024 financial year will increase by 5% to AUD 51.0 billion, or approximately 2.00% of GDP.

In 2021, the U.S., U.K. and Australia announced AUKUS, a security pact that will promote a free and open Indo-Pacific through a shared long-term investment to strengthen their combined capabilities and enhance their ability to deter aggression. AUKUS' first major initiative (Pillar 1) is a joint effort to provide Australia with conventionally armed, nuclear powered submarine ("NPS") capability and strengthen the capacity of the submarine workforce and industrial base. In 2023, these countries announced an arrangement for Australia to acquire a NPS through the AUKUS security pact. This arrangement outlines an approach that will provide Australia with the capability to operate and maintain a NPS before the expected sale of these submarines from the United States to Australia in the early 2030s (subject to Congressional approval). Pillar 2 of this security pact will focus on enabling technologies to maintain a secure and stable trade through the region including undersea technologies, quantum technologies, advanced cyber, artificial intelligence and autonomy, hypersonic research and development, electronic warfare and innovation.

With defense and civil budgets driven in part by political instability, military conflicts, aging platforms and infrastructure and the need for technology advances, we expect continued opportunities to provide solutions and technologies to mission critical work aligned with our customers' and our nation's critical priorities.

Sustainable Technology Outlook

Long-range commercial market fundamentals are supported by global population growth, expanding global development and an acceleration of demand for energy transition, renewable energy sources and climate change solutions. The globe is in search of the solution to the energy trilemma, the balance between energy affordability, ensuring energy security and achieving environmental sustainability. Clients are prioritizing their efforts to solve the energy trilemma by investing in digital solutions to optimize operations, increase end-product flexibility and energy efficiency, reduce unplanned downtime and minimize environmental footprint. As the global focus on energy security intensifies and companies continue to commit to near-term carbon neutrality and longer-range net-zero carbon emissions, we expect spending to continue in areas such as decarbonization; carbon capture, utilization and sequestration; biofuels; and circular economy. Further, leading companies across the world are proactively evaluating clean energy alternatives, including hydrogen and green ammonia which complements KBR's proprietary process technologies, solutions and capabilities.

We expect climate change and energy transition to continue to be areas of priority and investment as many countries, including the U.S., look to boost their economies and invest in a cleaner future. Specifically, on August 16, 2022, the President signed the Inflation Reduction Act into law which includes provisions intended to, among other things, incentivize domestic clean energy, manufacturing and production. Additionally, in March 2023, the Canadian government announced its federal budget which includes billions of dollars for investment in the transition to a low-carbon economy.

Our Business

KBR's business is organized into two core and one non-core business segments as follows:

Core business segments

- Government Solutions
- Sustainable Technology Solutions

Non-core business segment

- Other

See additional information on our business segments in Note 2 "Business Segment Information" to our condensed consolidated financial statements.

Results of Operations

Three months ended June 30, 2023 compared to the three months ended June 30, 2022

The information below is an analysis of our consolidated results for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. See *Results of Operations by Business Segment* below for additional information describing the performance of each of our reportable segments.

Consolidated Results

<i>Dollars in millions</i>	Three Months Ended June 30,			
	2023	2022	2023 vs. 2022	
			\$	%
Revenues	\$ 1,753	\$ 1,616	\$ 137	8 %
Cost of revenues	\$ (1,502)	\$ (1,415)	\$ 87	6 %
Gross profit	\$ 251	\$ 201	\$ 50	25 %
Equity in earnings of unconsolidated affiliates	\$ 23	\$ 10	\$ 13	130 %
Selling, general and administrative expenses	\$ (119)	\$ (105)	\$ 14	13 %
Legal settlement of legacy matter	\$ (144)	\$ —	\$ 144	n/m
Gain on disposition of assets and investments	\$ —	\$ 22	\$ (22)	n/m
Other	\$ (1)	\$ (1)	\$ —	n/m
Operating income	\$ 10	\$ 127	\$ (117)	(92)%
Interest expense	\$ (29)	\$ (21)	\$ 8	38 %
Unrealized gain on other investment	\$ —	\$ 16	\$ (16)	n/m
Charges associated with Convertible Notes	\$ (314)	\$ —	\$ 314	n/m
Other non-operating (expense) income	\$ (1)	\$ 5	\$ 6	n/m
Income (loss) before income taxes	\$ (334)	\$ 127	\$ (461)	n/m
Provision for income taxes	\$ (16)	\$ (33)	\$ (17)	(52) %
Net income (loss)	\$ (350)	\$ 94	\$ (444)	n/m
Net income attributable to noncontrolling interests	\$ 1	\$ —	\$ 1	n/m
Net income (loss) attributable to KBR	\$ (351)	\$ 94	\$ (445)	n/m

n/m - not meaningful

Revenues. The increase in overall revenue of \$137 million, or 8%, was primarily attributable to revenue growth across our GS business segment and increased revenues in STS primarily from engineering and professional services and technology sales.

Gross profit. The increase in overall gross profit of \$50 million, or 25%, was primarily driven by increased profitability in our STS business and, as described above, increased revenues in STS from engineering and professional services and technology sales. Our GS business segment also experienced contract growth in the second quarter of 2023 that resulted in additional increases to gross profit in the current quarter.

Equity in earnings of unconsolidated affiliates. The overall increase in equity in earnings of unconsolidated affiliates was primarily driven by increased services on an LNG project in the second quarter of 2023. Additionally, there were increases in earnings in various joint ventures due to increases in activity in the current quarter within our STS business segment.

Selling, general and administrative expenses. Selling, general and administrative expenses in the three months ended June 30, 2023 were \$14 million higher, a 13% increase compared to the same period in 2022, which was primarily driven by additional expenses incurred to support the growth in both our GS and STS business segments.

Legal settlement of legacy matter. During the three months ended June 30, 2023, we recorded a non-recurring charge of \$144 million related to the settlement of a legacy legal matter.

Gain on disposition of assets and investment. The decrease in gain on disposition of assets and investments of \$22 million was primarily driven by a gain of \$16 million from the sale of our investment interest in three U.K. Road Projects and a gain of \$5 million for the sale of a property in our GS business segment during the three months ended June 30, 2022.

Interest expense. The increase in interest expense was primarily driven by an increase in the U.S. federal reserve funds rate from the three months ended June 30, 2022 to the three months ended June 30, 2023. Additionally, increases in outstanding borrowings under our Senior Credit Facility resulted in additional interest expense incurred during the current quarter.

Unrealized gain on other investment. During the three months ended June 30, 2022, we recognized an unrealized gain on other investment related to the appreciation in the fair value of our Mura Technology investment as a result of a revaluation triggered by our incremental investment commitment. We did not record an unrealized gain on other investment during the three months ended June 30, 2023.

Charges associated with Convertible Notes. During the three months ended June 30, 2023, we recognized a loss of \$314 million, primarily related to the selection of cash as the settlement method for our Convertible Notes and the repurchase of a portion of our Convertible Notes.

Provision for income taxes. The provision for income taxes for the three months ended June 30, 2023 reflects a (5)% tax rate as compared to a 26% tax rate for the three months ended June 30, 2022. The effective tax rate of (5)% for the three months ended June 30, 2023 was primarily impacted by the non-deductible portion of a legal settlement on a legacy matter and the non-deductible charge associated with the cash election and convertible notes repurchase discussed in Note 18. Excluding the tax impact of this adjustment, our tax rate would be 25% for the three months ended June 30, 2023. See Note 10 to our condensed consolidated financial statements for further discussion on income taxes.

Results of Operations by Business Segment

<i>Dollars in millions</i>	Three Months Ended June 30,			
	2023	2022	2023 vs. 2022	
			\$	%
Revenues				
Government Solutions	\$ 1,352	\$ 1,312	\$ 40	3 %
Sustainable Technology Solutions	401	304	\$ 97	32 %
Total revenues	\$ 1,753	\$ 1,616	\$ 137	8 %
Operating income (loss)				
Government Solutions	\$ (28)	\$ 131	\$ (159)	(121) %
Sustainable Technology Solutions	77	32	\$ 45	141 %
Other	(39)	(36)	\$ (3)	8 %
Total operating income	\$ 10	\$ 127	\$ (117)	(92) %

Sustainable Technology Solutions

STS revenues increased by \$97 million, or 32%, to \$401 million in the three months ended June 30, 2023 compared to \$304 million in the three months ended June 30, 2022. The increase in revenue is primarily from engineering and professional services and technology sales.

STS operating income increased by \$45 million, or 141%, to \$77 million in the three months ended June 30, 2023 compared to \$32 million in the three months ended June 30, 2022. The increase was primarily driven by items discussed above as well as increased equity in earnings resulting from services on an LNG project.

Government Solutions

GS revenues increased by \$40 million, or 3%, to \$1.4 billion in the three months ended June 30, 2023 compared to \$1.3 billion in the three months ended June 30, 2022. The increase was primarily driven by contract growth across our GS business segment.

GS operating income (loss) decreased by \$159 million, or 121%, to \$(28) million in the three months ended June 30, 2023 compared to \$131 million in the three months ended June 30, 2022. The decrease was primarily driven by the non-recurring \$144 million charge recorded in the second quarter of 2023 related to the settlement of a legacy legal matter. Additionally, operating income decreased \$22 million primarily due to the sale of our investment interest in three U.K. Road Projects recognized in the prior year that did not recur. These decreases were partially offset by the increases in revenue across our GS business segment.

Other

Other operating income remained materially consistent for each of the three months ended June 30, 2023 and June 30, 2022.

Results of Operations

Six months ended June 30, 2023 compared to the six months ended June 30, 2022

The information below is an analysis of our consolidated results for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. See *Results of Operations by Business Segment* below for additional information describing the performance of each of our reportable segments.

Consolidated Results

<i>Dollars in millions</i>	Six Months Ended June 30,			
	2023	2022	2023 vs. 2022	
			\$	%
Revenues	\$ 3,456	\$ 3,330	\$ 126	4 %
Cost of revenues	\$ (2,960)	\$ (2,933)	\$ 27	1 %
Gross profit	\$ 496	\$ 397	\$ 99	25 %
Equity in earnings (losses) of unconsolidated affiliates	\$ 46	\$ (108)	\$ 154	n/m
Selling, general and administrative expenses	\$ (243)	\$ (212)	\$ 31	15 %
Legal settlement of legacy matter	\$ (144)	\$ —	\$ 144	n/m
Gain on disposition of assets and investments	\$ —	\$ 22	\$ (22)	n/m
Other	\$ (1)	\$ (3)	\$ (2)	n/m
Operating income	\$ 154	\$ 96	\$ 58	60 %
Interest expense	\$ (55)	\$ (41)	\$ 14	34 %
Unrealized gain on other investment	\$ —	\$ 16	\$ (16)	n/m
Charges associated with Convertible Notes	\$ (314)	\$ —	\$ 314	n/m
Other non-operating (expense) income	\$ (3)	\$ 5	\$ 8	n/m
Income (loss) before income taxes	\$ (218)	\$ 76	\$ (294)	n/m
Provision for income taxes	\$ (46)	\$ (52)	\$ (6)	(12) %
Net income (loss)	\$ (264)	\$ 24	\$ (288)	n/m
Net income attributable to noncontrolling interests	\$ 1	\$ 1	\$ —	— %
Net income (loss) attributable to KBR	\$ (265)	\$ 23	\$ (288)	n/m

n/m - not meaningful

Revenues. The increase in overall revenue of \$126 million, or 4%, to \$3.5 billion for the six months ended June 30, 2023 is primarily attributed to contract growth across our GS business and increased revenues from technology sales and engineering and professional services in our STS business. Additionally, there was increased activity to support exercises, training and other activities within the European Command. These increases in revenue are offset by approximately \$305 million of revenue recognized during the six months ended June 30, 2022 from contingency work associated with the OAW program that was wound down and substantially completed in early 2022 and decreases in revenue due to the ramp down of construction work for the Aspire program.

Gross profit. The increase in overall gross profit of \$99 million, or 25%, was primarily driven by items increasing revenues discussed above, favorable STS licensing mix and resolutions on various legacy matters in the current year. These increases were offset by reduced volume from contingency work associated with the OAW program.

Equity in earnings (losses) of unconsolidated affiliates. Equity in earnings (losses) of unconsolidated affiliates increased by \$154 million to \$46 million in earnings for the six months ended June 30, 2023, compared to \$108 million in losses for the six months ended June 30, 2022. During the six months ended June 30, 2022, a non-cash charge in the amount of \$137 million was recorded associated with the settlement agreement with the consortium of subcontractors of the Combined Cycle Power Plant for the Ichthys LNG Project that did not recur in the first half of 2023. Additionally, the increase is attributed to equity in earnings from services on an LNG project that commenced in the second quarter of 2022.

Selling, general and administrative expenses. Selling, general and administrative expenses in the six months ended June 30, 2023 were \$31 million higher than the same period in 2022, which was primarily driven by growth in the core business, favorable settlements and credits received in the first quarter of 2022 that did not recur in 2023 and incremental expenses from our International business in Government Solutions and growth from our STS business segment.

Legal settlement of legacy matter. During the six months ended June 30, 2023, we recorded a non-recurring charge of \$144 million related to the settlement of a legacy legal matter.

Gain on disposition of assets and investment. The decrease in gain on disposition of assets and investments of \$22 million was primarily driven by a gain of \$16 million from the sale of our investment interest in three U.K. Road Projects and a gain of \$5 million for the sale of a property in our GS business during the six months ended June 30, 2022. No similar gains on the disposition of assets and investments were recognized in the six months ended June 30, 2023.

Interest expense. The increase in interest expense was primarily driven by continued increases in the U.S. federal reserve funds rate throughout 2022 and into 2023. Additionally, increases in outstanding borrowings under our Senior Credit Facility resulted in additional interest expense incurred during the six months ended June 30, 2023.

Unrealized gain on other investment. During the six months ended June 30, 2022, we recognized an unrealized gain on other investment related to the appreciation in the fair value of our Mura Technology investment as a result of a revaluation triggered by our incremental investment commitment. We did not record a gain on unrealized gain on other investment during the six months ended June 30, 2023.

Charges associated with Convertible Notes. During the six months ended June 30, 2023, we recognized a loss of \$314 million, primarily related to the selection of cash as the settlement method for our Convertible Notes and the repurchase of a portion of our Convertible Notes.

Provision for income taxes. The provision for income taxes for the six months ended June 30, 2023 reflects a (21)% tax rate as compared to a 68% tax rate for the six months ended June 30, 2022. The effective tax rate of (21)%, as compared to the U.S. statutory rate of 21%, for the six months ended June 30, 2023 was primarily impacted by the non-deductible portion of a legal settlement on a legacy matter and the non-deductible charge associated with the cash election and convertible notes repurchase discussed in Note 18. The effective tax rate of 68% for the six months ended June 30, 2022 was primarily driven by the non-deductibility of losses incurred with respect to the settlement of outstanding matters related to the Ichthys LNG project to which KBR is a JV partner. Excluding the tax impact of these items, our tax rate would be 25% for the six months ended June 30, 2023 and June 30, 2022. See Note 10 "Income Taxes" to our condensed consolidated financial statements for further discussion on income taxes.

Results of Operations by Business Segment

<i>Dollars in millions</i>	Six Months Ended June 30,			
	2023	2022	2023 vs. 2022	
			\$	%
Revenues				
Government Solutions	\$ 2,680	\$ 2,771	\$ (91)	(3) %
Sustainable Technology Solutions	776	559	217	39 %
Total revenues	\$ 3,456	\$ 3,330	\$ 126	4 %
Operating income (loss)				
Government Solutions	\$ 74	\$ 247	\$ (173)	(70) %
Sustainable Technology Solutions	159	(74)	233	n/m
Other	(79)	(77)	(2)	(3) %
Operating income	\$ 154	\$ 96	\$ 58	60 %

Sustainable Technology Solutions

STS revenues increased by \$217 million to \$776 million for the six months ended June 30, 2023, compared to \$559 million for the six months ended June 30, 2022. This increase is primarily driven by increased revenues from technology sales and engineering and professional services.

STS operating income increased by \$233 million, to \$159 million in operating income for the six months ended June 30, 2023, compared to \$74 million in operating loss for the six months ended June 30, 2022. The increase is primarily attributable to a decrease in equity in losses related to the Ichthys LNG project. During the six months ended June 30, 2022, a non-cash charge in the amount of \$137 million was recorded for the settlement agreement with the consortium of subcontractors of the Combined Cycle Power Plant that did not recur during the six months ended June 30, 2023. Additionally, the increase is related to increased technology sales and engineering and professional services, increased equity in earnings from services on an LNG project, a favorable resolution on a legacy matter in the first half of 2023 and a non-cash impact in the first half of 2022 that did not recur in 2023 related to our continued efforts to wind down operations in Russia.

Government Solutions

GS revenues decreased by \$91 million, or 3%, to approximately \$2.68 billion for the six months ended June 30, 2023, compared to approximately \$2.77 billion for the six months ended June 30, 2022. The decrease was primarily attributable to approximately \$305 million of revenue recognized during the six months ended June 30, 2022 from contingency work associated with the OAW program that was wound down and substantially completed in early 2022. Additionally, this decrease is attributed to the ramp down of construction work for the Aspire program. These decreases were partially offset by increased activity to support exercises, training and other activities within the European Command and continued contract growth across our GS business segment.

GS operating income decreased by \$173 million, or 70%, to \$74 million for the six months ended June 30, 2023, compared to \$247 million for the six months ended June 30, 2022. The decrease was primarily driven by the non-recurring \$144 million charge recorded in the second quarter of 2023 related to the settlement of a legacy legal matter. Additionally, operating income decreased \$22 million primarily due to the sale of our investment interest in three U.K. Road Projects recognized in the prior year that did not recur, partially offset by a favorable resolution of a legacy legal matter.

Other

Other operating loss remained materially consistent for each of six months ended June 30, 2023 and 2022.

Backlog of Unfilled Orders

Backlog generally represents the dollar amount of revenues we expect to realize in the future as a result of performing work on contracts and our pro-rata share of work to be performed by our unconsolidated joint ventures. We generally include total expected revenues in backlog when a contract is awarded under a legally binding agreement. In many instances, arrangements included in backlog are complex, nonrepetitive and may fluctuate over the contract period due to the release of contracted work in phases by the customer. Additionally, nearly all contracts allow customers to terminate the agreement at any time for convenience. Certain contracts provide maximum dollar limits, with actual authorization to perform work under the contract agreed upon on a periodic basis with the customer. In these arrangements, only the amounts authorized are included in backlog. For projects where we act solely in a project management capacity, we only include the expected value of our services in backlog.

We define backlog, as it relates to U.S. government contracts, as our estimate of the remaining future revenue from existing signed contracts over the remaining base contract performance period (including customer approved option periods) for which work scope and price have been agreed with the customer. We define funded backlog as the portion of backlog for which funding currently is appropriated, less the amount of revenue we have previously recognized. We define unfunded backlog as the total backlog less the funded backlog. Our GS backlog does not include any estimate of future potential delivery orders that might be awarded under our government-wide acquisition contracts, agency-specific indefinite delivery/indefinite quantity contracts or other multiple-award contract vehicles, nor does it include option periods that have not been exercised by the customer.

Within our GS business segment, we calculate estimated backlog for long-term contracts associated with the U.K. government's PFIs based on the aggregate amount that our client would contractually be obligated to pay us over the life of the project. We update our estimates of the future work to be executed under these contracts on a quarterly basis and adjust backlog, if necessary.

We have included in the table below our proportionate share of unconsolidated joint ventures' estimated backlog. As these projects are accounted for under the equity method, only our share of future earnings from these projects will be recorded in our results of operations. Our proportionate share of backlog for projects related to unconsolidated joint ventures totaled \$4.9 billion at June 30, 2023, and \$3.9 billion at December 31, 2022.

As a result of U.S. Transportation Command lifting the stop work order on the HomeSafe contract in November 2022, we have booked \$54 million and \$39 million in backlog as of June 30, 2023 and December 31, 2022 for our transition work. Additionally, during the six months ended June 30, 2023, we booked \$0.9 billion for our proportionate share of KZJV's backlog and for KBR services to be provided to KZJV as a result of receiving a full notice to proceed with Phase 2 of the Plaquemines LNG project.

The following table summarizes our backlog by business segment as of June 30, 2023, and December 31, 2022, respectively:

<i>Dollars in millions</i>	June 30, 2023	December 31, 2022
Government Solutions	\$ 11,823	\$ 11,543
Sustainable Technology Solutions	5,060	4,012
Total backlog	<u>\$ 16,883</u>	<u>\$ 15,555</u>

We estimate that as of June 30, 2023, 34% of our backlog will be executed within one year. Of this amount, 79% will be recognized in revenues on our condensed consolidated statement of operations and 21% will be recorded by our unconsolidated joint ventures. As of June 30, 2023, \$124 million of our backlog relates to active contracts that are in a loss position.

As of June 30, 2023, 9% of our backlog was attributable to fixed-price contracts, 39% was attributable to PFIs, 39% was attributable to cost-reimbursable contracts and 13% was attributable to time-and-materials contracts. For contracts that contain fixed-price, cost-reimbursable and time-and-materials components, we classify the individual components as either fixed-price, cost-reimbursable or time-and-materials according to the composition of the contract; however, for smaller contracts, we characterize the entire contract based on the predominant component. As of June 30, 2023, \$8.9 billion of our GS backlog was currently funded by our customers.

As of June 30, 2023, we had approximately \$4.2 billion of priced option periods not yet exercised by the customer for U.S. government contracts that are not included in the backlog amounts presented above.

The difference between backlog of \$16.9 billion and the remaining performance obligations as defined by ASC 606 of \$11.5 billion is primarily due to our proportionate share of backlog related to unconsolidated joint ventures which is not included in our remaining performance obligations. See Note 3 "Revenue" to our condensed consolidated financial statements for discussion of the remaining performance obligations.

Transactions with Joint Ventures

In the normal course of business, we form incorporated and unincorporated joint ventures to execute projects. In addition to participating as a joint venture partner, we often provide engineering, procurement, construction, operations or maintenance services to the joint venture as a subcontractor. Where we provide services to a joint venture that we control and therefore consolidate for financial reporting purposes, we eliminate intercompany revenues and expenses on such transactions. In situations where we account for our interest in the joint venture under the equity method of accounting, we do not eliminate any portion of our subcontractor revenues or expenses, however, we recognize profit on our subcontractor scope of work only to the extent the joint venture's scope of work to the end customer is complete. We recognize revenue over time on our services provided to joint ventures that we consolidate and our services provided to joint ventures that we record under the equity method of accounting. See Note 7 "Equity Method Investments and Variable Interest Entities" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information. The information discussed therein is incorporated by reference into this Part I, Item 2.

Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 6 "Unapproved Change Orders and Claims Against Clients and Estimated Recoveries of Claims Against Suppliers and Subcontractors", 11 "Commitments and Contingencies" and 12 "U.S. Government Matters" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2.

Liquidity and Capital Resources

Liquidity is provided by available cash and cash equivalents, cash generated from operations, our Senior Credit Facility, (as defined below) and access to capital markets. Our operating cash flow can vary significantly from year to year and is affected by the mix, terms, timing and stage of completion of our projects. We often receive cash in advance on certain of our sustainable technology projects. On time-and-material and cost reimbursable contracts, we may utilize cash on hand or availability under our Senior Credit Facility to satisfy any periodic operating cash requirements for working capital, as we incur costs and subsequently invoice our customers.

Certain STS services projects may require us to provide credit support for our performance obligations to our customers in the form of letters of credit, surety bonds or guarantees. Our ability to obtain new project awards in the future may be dependent on our ability to maintain or increase our letter of credit and surety bonding capacity, which may be further dependent on the timely release of existing letters of credit and surety bonds. As the need for credit support arises, letters of credit may be issued under the Revolver (as defined below) or with lending counterparties on a bilateral, syndicated or other basis.

As discussed in Note 9 "Debt and Other Credit Facilities" of our condensed consolidated financial statements, we entered into Amendment No. 9 on June 6, 2023, under our existing credit agreement, dated as of April 25, 2018, as amended ("Credit Agreement"), consisting of a \$1 billion revolving credit facility (the "Revolver"), a Term Loan A ("Term Loan A") with debt tranches denominated in U.S. dollars and British pound sterling and a Term Loan B ("Term Loan B") ("Senior Credit Facility"). Amendment No. 9 replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for Term Loan B. On July 26, 2023, we entered into Amendment No. 10 to our existing Credit Agreement, to provide for an additional \$200 million loan tranche under Term Loan A. On July 26, 2023, we borrowed the full \$200 million principal amount available under this additional loan and used the proceeds to partially repay outstanding amounts of principal and accrued interest under the Revolver. Term Loan A and the Revolver mature in November 2026 and Term Loan B matures in February 2027.

We believe that existing cash balances, internally generated cash flows, availability under our Senior Credit Facility and other lines of credit are sufficient to support our business operations for the next 12 months. As of June 30, 2023, we were in compliance with all financial covenants related to our debt agreements.

Cash and cash equivalents totaled \$539 million at June 30, 2023, and \$389 million at December 31, 2022, and consisted of the following:

<i>Dollars in millions</i>	June 30, 2023	December 31, 2022
Domestic U.S. cash	\$ 179	\$ 27
International cash	239	255
Joint venture and Aspire Defence project cash	121	107
Total	<u>\$ 539</u>	<u>\$ 389</u>

Our cash balances are held in numerous accounts throughout the world to fund our global activities, including acquisitions, joint ventures and other business partnerships. Domestic cash relates to cash balances held by U.S. entities and is largely used to support project activities of those businesses as well as general corporate needs such as the payment of dividends to shareholders, repayment of debt and potential repurchases of our outstanding common stock.

Our international cash balances may be available for general corporate purposes but are subject to local restrictions, such as capital adequacy requirements and maintaining sufficient cash balances to support our U.K. pension plan and other obligations incurred in the normal course of business by those foreign entities. Repatriations of our undistributed foreign earnings are generally free of U.S. tax but may incur withholding and/or state taxes. We consider our future non-U.S. cash needs as 1) our anticipated foreign working capital requirements, including funding of our U.K. pension plan, 2) the expected growth opportunities across all geographical markets and 3) our plans to invest in strategic growth opportunities, which may include acquisitions, joint ventures and other business partnerships around the world, including whether foreign earnings are permanently reinvested. If management were to completely remove the indefinite investment assertion on all foreign subsidiaries, the exposure to local withholding taxes would be less than \$7 million.

Joint venture cash and Aspire Defence project cash balances reflect the amounts held by joint venture entities that we consolidate for financial reporting purposes. These amounts are limited to those entities' activities and are not readily available for general corporate purposes; however, portions of such amounts may become available to us in the future should there be a distribution of dividends to the joint venture partners. We expect that the majority of the joint venture cash balances will be utilized for the corresponding joint venture purposes or for paying dividends.

As of June 30, 2023, substantially all of our excess cash was held in interest bearing operating accounts or short-term investment accounts with the primary objectives of preserving capital and maintaining liquidity.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

<i>Dollars in millions</i>	Six Months Ended June 30,	
	2023	2022
Cash flows provided by operating activities	\$ 288	\$ 214
Cash flows provided by (used in) investing activities	(21)	169
Cash flows used in financing activities	(126)	(215)
Effect of exchange rate changes on cash	9	(22)
Increase in cash and cash equivalents	<u>\$ 150</u>	<u>\$ 146</u>

Operating Activities. Cash provided by operations totaled \$288 million and \$214 million for the six months ended June 30, 2023 and 2022, respectively, as compared to net loss of \$264 million and net income of \$24 million for the six months ended June 30, 2023 and 2022, respectively. Cash flows from operating activities result primarily from earnings and are affected by changes in operating assets and liabilities, which consist primarily of working capital balances for projects. Working capital levels vary from year to year and are primarily affected by the Company's volume of work. These levels are also impacted by the mix, stage of completion and commercial terms of projects. Working capital requirements also vary by project depending on the type of client and location throughout the world.

The primary components of our working capital accounts are accounts receivable, contract assets, accounts payable and contract liabilities. These components are impacted by the size and changes in the mix of our cost-reimbursable and time-and-materials projects versus fixed price projects, and as a result, fluctuations in these components are not uncommon in our business. Specifically, the increase in operating cash flows for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is primarily attributed to changes in the components of our working capital.

Investing Activities. Cash used in investing activities totaled \$21 million for the six months ended June 30, 2023 and was primarily related to the second payment for an additional investment of \$39 million in Mura Technology and capital expenditures of \$38 million. This was offset by a return of investment of approximately \$61 million from JKC resulting from the receipt of the second payment from the Subcontractor Settlement Agreement. See Note 7 "Equity Method Investments and Variable Interest Entities" for further details.

Cash provided by investing activities totaled \$169 million for the six months ended June 30, 2022 and was primarily due to a net return of investment of approximately \$189 million from JKC resulting from the receipt of the first payment from the Subcontractor Settlement Agreement and proceeds of \$55 million from the sale of our investment interest in three U.K. Road Projects. See Note 7 "Equity Method Investments and Variable Interest Entities" for further details. This was partially offset by our first payment related to an additional investment of \$61 million in Mura Technology and \$19 million in capital expenditures.

Financing Activities. Cash used in financing activities totaled \$126 million for the six months ended June 30, 2023 and was primarily due to a net cash outflow of \$201 million to repurchase a portion of our outstanding Convertible Notes, corresponding Note Hedge and outstanding warrants. Cash used in financing activities also included \$35 million of dividend payments to common shareholders, \$125 million for the repurchase of common stock under our share repurchase program, \$12 million for the repurchase of common stock under our "withheld to cover" program, \$75 million in payments on our revolving credit facility and \$8 million of principal payments related to our Senior Credit Facility. These decreases were partially offset by \$330 million in borrowings related to our revolving credit facility. See Note 9 "Debt and Other Credit Facilities" for further discussion of our Senior Credit Facility.

Cash used in financing activities totaled \$215 million for the six months ended June 30, 2022 and was primarily due to approximately \$32 million of dividend payments to common shareholders, \$65 million for the repurchase of common stock under our share repurchase program, \$9 million for the repurchase of common stock under our "withheld to cover" program, \$6 million repayment on our finance lease obligations and \$105 million in payments on borrowings related to our Senior Credit Facility. See Note 9 "Debt and Other Credit Facilities" for further discussion of our Senior Credit Facility. This was partially offset by the net proceeds received from the issuance of common stock of \$5 million.

Future sources of cash. We believe that future sources of cash include cash flows from operations (including accounts receivable monetization arrangements), cash derived from working capital management and cash borrowings under the Senior Credit Facility.

Future uses of cash. We believe that future uses of cash include working capital requirements, joint venture capital calls, capital expenditures, dividends, pension funding obligations, repayments of borrowings, share repurchases, legal settlements of our currently outstanding legacy legal matters and other legal proceedings, and strategic investments including acquisitions, joint ventures and other business partnerships. Our capital expenditures will be focused primarily on facilities and equipment to support our businesses. In addition, we will use cash to make payments under leases and various other obligations, including potential litigation payments, as they arise.

Other factors potentially affecting liquidity

Ichthys LNG Project. As part of the settlement agreement between JKC and Ichthys LNG, Pty, Ltd (collectively, "the Parties") in October 2021, KBR's letters of credit were reduced to \$82 million from \$164 million. Additionally, as part of this settlement agreement, the Parties agreed to consult in good faith and to cooperate to seek maximum recovery from the insurance policies and paint manufacturer for the deterioration of paint and insulation on certain exterior areas of the plant. The Parties agreed to collectively pursue claims against the paint manufacturer and JKC has assigned claims under the insurance policy regarding the paint and insulation matters to the client. The parties have agreed that if, at the date of final resolution of the above proceedings and claims with respect to the paint and insulation matters, the recovered amount from the paint manufacturer and insurance claim is less than the stipulated ceiling amount in the settlement agreement, JKC will pay the client the difference between the stipulated ceiling amount and the recovered amount. JKC has provided for and continues to maintain a provision for this contingent liability.

U.K. pension obligation. We have recognized on our condensed consolidated balance sheets a funding surplus of \$75 million (measured as the difference between the fair value of plan assets and the projected benefit obligation as of June 30, 2023) for our frozen U.K. defined benefit pension plan. The total amount of employer pension contributions paid for the six months ended June 30, 2023 was \$5 million for our defined benefit plan in the U.K. On October 17, 2022, we made an advance payment to our U.K. pension plan for approximately £29 million of the £33 million required minimum annual contributions for the year ending December 29, 2023. The funding requirements for our U.K. pension plan are determined based on the U.K. Pensions Act 1995. Annual minimum funding requirements are based on a binding agreement with the Trustee of the U.K. pension plan that is negotiated on a triennial basis. In June 2022, KBR and the Trustee executed an agreement requiring minimum annual contributions of approximately £33 million (\$41 million at current exchange rates) for the period through March 2028. This schedule of contributions will be reviewed by the Trustee and KBR no later than 15 months after the effective date of each actuarial valuation, due every three years. In the future, pension funding may increase or decrease depending on changes in the levels of interest rates, pension plan asset return performance and other factors. A significant increase in our funding requirements for the U.K. pension plan could result in a material adverse impact on our financial position.

Sales of Receivables. From time to time, we sell certain receivables to unrelated third-party financial institutions under various accounts receivable monetization programs. One such program is with MUFG Bank, Ltd. ("MUFG") under a Master Accounts Receivable Purchase Agreement (the "RPA"), which provides the sale to MUFG of certain of our designated eligible receivables, with a significant portion of such receivables being owed by the U.S. government. We plan to continue to utilize these programs to ensure we have flexibility in regards to meeting our capital needs. Refer to Note 16 "Fair Value of Financial Instruments and Risk Management" to our condensed consolidated financial statements for further discussion on our sales of receivables.

Credit Agreement and Senior Credit Facility

Information relating to our Senior Credit Facility is described in Note 9 "Debt and Other Credit Facilities" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2.

Senior Notes

Information relating to our Senior Notes is described in Note 9 "Debt and Other Credit Facilities" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2.

Convertible Senior Notes

On November 15, 2018, we issued and sold \$350 million of our Convertible Notes pursuant to an indenture between us and Citibank, N.A., as trustee. On June 1, 2023, we entered into a privately-negotiated Convertible Notes repurchase transaction with funds from our Senior Credit Facility. The Convertible Notes mature on November 1, 2023 and, as such, are classified as current liabilities on our condensed consolidated balance sheets as of June 30, 2023. In April 2023, we elected cash as the settlement method to settle the principal and any excess value upon early conversion or maturity of the Convertible Notes.

Concurrent with the issuance of the Convertible Notes, we entered into privately negotiated Note Hedge Transactions and Warrant Transactions with the option counterparties. These transactions represent a call spread overlay, whereby the cost of the Note Hedge Transactions we purchased to cover the cash outlay upon conversion of the Convertible Notes was reduced by the sales price of the Warrant Transactions. Concurrent with the Convertible Notes repurchase, we entered into Unwind Agreements with the option counterparties to terminate the corresponding portions of the Note Hedge Transactions and Warrant Transactions. In addition, the Company has amended the warrant transaction agreements with each of the option counterparties to provide that the Company may, at its option, elect cash settlement.

As of June 30, 2023, the if-converted value of the Convertible Notes based on the closing share price exceeded the remaining \$250 million principal amount by approximately \$395 million. The incremental value over the principal amount would be fully offset by the cash delivered from the Note Hedge Transactions. However, the counterparties holding the warrants would have the right to purchase the total convertible number of shares at the current conversion rate at a strike price of \$39.56 resulting in value of \$253 million that would have been delivered to the counterparties as of June 30, 2023.

More information relating to our Convertible Senior Notes is described in Note 1 "Basis of Presentation" and Note 9 "Debt and Other Credit Facilities" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2.

Off-Balance Sheet Arrangements

Letters of credit, surety bonds and guarantees. In the ordinary course of business, we may enter into various arrangements providing financial or performance assurance to customers on behalf of certain consolidated and unconsolidated subsidiaries, joint ventures and other jointly executed contracts. Such off-balance sheet arrangements include letters of credit, surety bonds and corporate guarantees to support the creditworthiness or project execution commitments of these entities and typically have various expiration dates ranging from mechanical completion of the project being constructed to a period beyond completion in certain circumstances such as for warranties. We may also guarantee that a project, once completed, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, we may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential amount of future payments that we could be required to make under an outstanding performance arrangement is typically the remaining estimated cost of work to be performed by or on behalf of third parties. For cost reimbursable contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump-sum or fixed-price contracts, the performance guarantee amount is the cost to complete the contracted work, less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete the project. If costs exceed the remaining amounts payable under the contract, we may have recourse to third parties, such as owners, subcontractors or vendors for claims.

In our joint venture arrangements, the liability of each partner is usually joint and several. This means that each joint venture partner may become liable for the entire risk of performance guarantees provided by each partner to the customer. Typically, each joint venture partner indemnifies the other partners for any liabilities incurred in excess of the liabilities the other party is obligated to bear under the respective joint venture agreement. We are unable to estimate the maximum potential amount of future payments that we could be required to make under outstanding performance guarantees related to joint venture projects due to a number of factors, including but not limited to, the nature and extent of any contractual defaults by our joint venture partners, resource availability, potential performance delays caused by the defaults, the location of the projects and the terms of the related contracts. See "Item 1A. Risk Factors" contained in Part I of our 2022 Annual Report on Form 10-K for information regarding our fixed-price contracts and operations through joint ventures and partnerships.

In certain limited circumstances, we enter into financial guarantees in the ordinary course of business, with financial institutions and other credit grantors, which generally obligate us to make payment in the event of a default by the borrower. These arrangements generally require the borrower to pledge collateral to support the fulfillment of the borrower's obligation. We account for both financial and performance guarantees at fair value at issuance in accordance with ASC 460-10 Guarantees and, as of June 30, 2023, we had no material guarantees of the work or obligations of third parties recorded.

As of June 30, 2023, we had \$1 billion in a committed line of credit on the Revolver under our Senior Credit Facility and \$366 million of bilateral and uncommitted lines of credit to support the issuance of letters of credit. As of June 30, 2023, with respect to our Revolver, we had \$515 million of outstanding borrowings issued to settle a portion of our Convertible Notes and to partially fund a previous acquisition. We also have \$14 million of outstanding letters of credit on our Senior Credit Facility. With respect to our \$366 million of bilateral and uncommitted lines of credit, we utilized \$249 million for letters of credit as of June 30, 2023. The total remaining capacity of these committed and uncommitted lines of credit was approximately \$588 million. Information relating to our letters of credit is described in Note 9 "Debt and Other Credit Facilities" to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q and the information discussed therein is incorporated by reference into this Part I, Item 2. Other than discussed in this Quarterly Report on Form 10-Q, we have not engaged in any material off-balance sheet financing arrangements through special purpose entities.

Critical Accounting Policies and Estimates

There have been no material changes to our discussion of critical accounting policies and estimates from those set forth in our 2022 Annual Report on Form 10-K, for the year ended December 31, 2022, which discussion is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Cash and cash equivalents are deposited with major banks throughout the world. We invest excess cash and cash equivalents in short-term securities, primarily money market funds, which carry a fixed rate of return. We have not incurred any credit risk losses related to deposits of our cash and cash equivalents.

Foreign Currency Risk. Because of the global nature of our business, we are exposed to market risk associated with changes in foreign currency exchange rates. We have historically attempted to limit exposure to foreign currency fluctuations through provisions requiring the client to pay us in currencies corresponding to the currency in which cost is incurred. In addition to this natural hedge, we may use foreign exchange forward contracts and options to hedge material exposures when forecasted foreign currency revenues and costs are not denominated in the same currency and when efficient markets exist. These derivatives are generally designated as cash flow hedges and are carried at fair value.

We use derivative instruments, such as foreign exchange forward contracts, to hedge foreign currency risk related to non-functional currency assets and liabilities on our condensed consolidated balance sheets. We do not enter into derivative financial instruments for trading purposes or make speculative investments in foreign currencies. Each period, these balance sheet hedges are marked to market through earnings and the change in their fair value is largely offset by remeasurement of the underlying assets and liabilities. We recorded a net loss of \$3 million and a net gain of \$4 million for the six months ended June 30, 2023 and June 30, 2022, respectively, in other non-operating expense on our condensed consolidated statements of operations. The fair value of these derivatives was not material to our condensed consolidated balance sheet as of June 30, 2023. Information relating to fair value measurements is described in Note 16 "Fair Value of Financial Instruments and Risk Management" to our condensed consolidated financial statements, which is incorporated by reference into this Item 3.

Interest Rate Risk. We are exposed to market risk for changes in interest rates for the Revolver and term loan borrowings under the Senior Credit Facility. We had \$515 million of borrowings issued under the Revolver to settle a portion of our Convertible Notes and to partially fund a previous acquisition as of June 30, 2023. Additionally, we had \$904 million outstanding under the term loan portions of the Senior Credit Facility as of June 30, 2023. Borrowings under the Senior Credit Facility bear interest at variable rates as described in Note 9 "Debt and Other Credit Facilities" to our condensed consolidated financial statements.

We use interest rate swaps to reduce interest rate risk and to manage net interest expense by converting our variable rate debt under our Senior Credit Facility into fixed-rate debt. During the six months ended June 30, 2023, we amended all of our existing interest rate swap agreements to term SOFR effective March 2023. In March 2023, we entered into additional USD denominated interest rate swap agreements with a notional value of \$205 million effective April 2023 and expiring January 2027. We will receive SOFR and pay a fixed rate of 3.61%. We also entered into GBP denominated amortizing swaps with an initial notional value of £118 million that are effective April 2023 and expire in November 2026. We will receive SONIA and pay a fixed rate of 3.81% for the term of the swaps. The swap agreements were designated as cash flow hedges at inception in accordance with ASC Topic 815 *Derivative and Hedging*. The fair value of the interest rate swaps at June 30, 2023 was a \$61 million asset, of which \$28 million is included in other current assets and \$33 million is included in other assets. Information relating to our portfolio of interest rate swaps is described in Note 16 "Fair Value of Financial Instruments and Risk Management" to our condensed consolidated financial statements, which is incorporated by reference into this Item 3.

At June 30, 2023, we had fixed rate debt aggregating \$1.5 billion and variable rate debt aggregating \$414 million, after taking into account the effects of the interest rate swaps that we entered into during 2023. Our weighted average interest rate net of the impact from our swap agreements for the six months ended June 30, 2023 was 4.91%. If interest rates were to increase by 50 basis points, pre-tax interest expense would increase by approximately \$2 million in the next twelve months net of the impact from our swap agreements, based on outstanding borrowings as of June 30, 2023.

Item 4. Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the second quarter of 2023, we substantially completed the implementation of the ERP system for our Corporate business. There were no other changes in our internal control reporting during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 6, 11 and 12 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 25, 2014, the Board of Directors authorized a \$350 million share repurchase program. On October 18, 2022, the Board of Directors authorized an increase to the total authorization level to \$500 million. As of June 30, 2023, \$326 million remains available for repurchase under this authorization. The authorization does not obligate the Company to acquire any particular number of shares of common stock and may be commenced, suspended or discontinued without prior notice. The share repurchases are intended to be funded through the Company's current and future cash flows and the authorization does not have an expiration date.

The following is a summary of share repurchases of our common stock during the three months ended June 30, 2023 and the amount available to be repurchased under the authorized share repurchase program:

Purchase Period	Total Shares Repurchased ⁽¹⁾	Average Price Paid per Share	Shares Repurchased as Part of Publicly Announced Plan	Dollar Value of Maximum Number of Shares that May Yet Be Purchased Under the Plan
April 1 - 30, 2023	505,122	\$ 56.30	505,122	\$ 372,753,627
May 1 - 31, 2023	597,762	\$ 58.66	587,178	\$ 338,313,976
June 1 - 30, 2023	195,839	\$ 62.04	195,058	\$ 326,215,513
Total	1,298,723	—	1,287,358	\$ 326,215,513

(1) Included within the shares repurchased herein are 11,365 shares acquired from employees in connection with the income tax and related benefit withholding obligations arising from issuance of share-based equity awards under the KBR, Inc. 2006 Stock and Incentive Plan at an average price of \$59.49 per share.

Item 5. Other Information

During the three months ended June 30, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of SEC Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
*10.1	<u>Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and Bank of America, N.A.</u>
*10.2	<u>Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and BNP Paribas.</u>
*10.3	<u>Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and Citibank, N.A.</u>
10.4	<u>Amendment No. 9 to the Credit Agreement, dated as of June 6, 2023, with Bank of America, N.A., as administrative agent, swing line lender and a letter of credit issuer, the lenders party thereto and each of the subsidiaries of the Company party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed June 8, 2023; File No. 001-33146).</u>
*10.5	<u>Amendment No. 10 to the Credit Agreement, dated as of July 26, 2023, with Bank of America, N.A., as administrative agent, swing line lender and a letter of credit issuer, the lenders party thereto and each of the subsidiaries of the Company party thereto.</u>
*31.1	<u>Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
*31.2	<u>Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
**32.1	<u>Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
**32.2	<u>Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
***101	The following financial information from this Quarterly Report on Form 10-Q of KBR, Inc. for the quarter ended June 30, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Shareholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text
104	Cover Page Interactive Data File - formatted as Inline XBRL contained in Exhibit 101
+	Management contracts or compensatory plans or arrangements
*	Filed with this Form 10-Q
**	Furnished with this Form 10-Q
***	Interactive data files

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

KBR, INC.

/s/ Mark W. Sopp

Mark W. Sopp

Executive Vice President and Chief Financial Officer

/s/ Shad E. Evans

Shad E. Evans

Senior Vice President of Finance Operations and Chief Accounting Officer

Dated: July 27, 2023

Dated: July 27, 2023

WARRANT AMENDMENT AGREEMENT
dated as of June 1, 2023
Between KBR, INC. and BANK OF AMERICA, N.A.

THIS WARRANT AMENDMENT AGREEMENT (this “**Agreement**”) with respect to the Warrants Confirmation (as defined below) is made as of June 1, 2023, between KBR, Inc. (“**Company**”) and Bank of America, N.A. (“**Dealer**”).

WHEREAS, Company issued \$350,000,000 principal amount of 2.50% Convertible Senior Notes due 2023 (the “**Convertible Notes**”) pursuant to an Indenture dated as of November 15, 2018 between Company and Citibank, N.A., as trustee;

WHEREAS, concurrently with the pricing of the Convertible Notes, Dealer and Company entered into a Base Warrants Transaction (the “**Warrants Transaction**”) pursuant to an ISDA confirmation dated as of November 12, 2018, which supplements, forms a part of, and is subject to an agreement in the form of the ISDA 2002 Master Agreement, pursuant to which Dealer purchased from Company 6,859,318 warrants (as amended, modified, terminated or unwound from time to time, the “**Warrants Confirmation**”); and

WHEREAS, pursuant to a partial termination of the Warrants Transaction pursuant to that certain Warrant Termination Agreement, dated as of June 1, 2023, 4,952,325 warrants remain outstanding under the Warrants Confirmation (the “**Remaining Warrants**”);

WHEREAS, the parties wish to amend the Warrants Confirmation pursuant to this Agreement to, among other things, provide for net cash settlement of the Remaining Warrants under the Warrants Transaction, each in accordance with the terms and conditions herein specified;

NOW, THEREFORE, in consideration of their mutual covenants herein contained, the parties hereto, intending to be legally bound, hereby mutually covenant and agree as follows:

1. Defined Terms. Any capitalized term not otherwise defined herein shall have the meaning set forth for such term in the Warrants Confirmation.

2. Amendments. Each party hereto agrees that the Warrants Confirmation is hereby amended by amending and restating the provisions under the heading “Settlement Terms” in Section 2 of the Warrants Confirmation in their entirety as follows:

“Settlement Method Election:

Applicable; *provided* that (i) references to “Physical Settlement” in Section 7.1 of the Equity Definitions shall be replaced by references to “Net Share Settlement”; (ii) Company may elect Cash Settlement only if Company represents and warrants to Dealer in writing on the date of such election that (A) Company is not in possession of any material non-public information regarding Company or the Shares, (B) Company is electing Cash Settlement in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws, and (C) the assets of Company at their fair valuation exceed the liabilities of Company (including contingent liabilities), the capital of Company is adequate to conduct the business of Company, and Company has the ability to pay its debts and obligations as such debts mature and does not intend to, or does not believe that it will, incur debt beyond its ability to pay as such debts mature; and (iii) the same election of settlement method shall apply to all Expiration Dates hereunder.

Electing Party:

Company

Settlement Method Election Date:

The third Scheduled Trading Day immediately preceding the First Expiration Date.

Default Settlement Method:

Net Share Settlement

Net Share Settlement:	If Net Share Settlement is applicable, then on the relevant Settlement Date, Company shall deliver to Dealer a number of Shares equal to the Share Delivery Quantity for such Settlement Date to the account specified herein free of payment through the Clearance System, and Dealer shall be treated as the holder of record of such Shares at the time of delivery of such Shares or, if earlier, at 5:00 p.m. (New York City time) on such Settlement Date, and Company shall pay to Dealer cash in lieu of any fractional Share based on the Settlement Price on the relevant Valuation Date.
Share Delivery Quantity:	For any Settlement Date, a number of Shares, as calculated by the Calculation Agent, equal to the Net Share Settlement Amount for such Settlement Date <i>divided by</i> the Settlement Price on the Valuation Date for such Settlement Date.
Net Share Settlement Amount:	For any Settlement Date, an amount equal to the product of (i) the number of Warrants exercised or deemed exercised on the relevant Exercise Date, (ii) the Strike Price Differential for the relevant Valuation Date and (iii) the Warrant Entitlement.
Cash Settlement:	If Cash Settlement is applicable, on the relevant Settlement Date, Company shall pay to Dealer an amount of cash in USD equal to the Net Share Settlement Amount for such Settlement Date.
Settlement Price:	For any Valuation Date, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page KBR <equity> AQR (or any successor thereto) in respect of the period from the scheduled opening time of the Exchange to the Scheduled Closing Time on such Valuation Date (or if such volume-weighted average price is unavailable, the market value of one Share on such Valuation Date, as determined by the Calculation Agent). Notwithstanding the foregoing, if (i) any Expiration Date is a Disrupted Day and (ii) the Calculation Agent determines that such Expiration Date shall be an Expiration Date for fewer than the Daily Number of Warrants, as described above, then the Settlement Price for the relevant Valuation Date shall be the volume-weighted average price per Share on such Valuation Date on the Exchange, as determined by the Calculation Agent based on such sources as it deems appropriate using a volume-weighted methodology, for the portion of such Valuation Date for which the Calculation Agent determines there is no Market Disruption Event.
Settlement Dates:	As determined pursuant to Section 9.4 of the Equity Definitions, subject to Section 9(i)(i) hereof; <i>provided</i> that Section 9.4 of the Equity Definitions is hereby amended by (i) inserting the words “or cash” immediately following the word “Shares” in the first line thereof and (ii) inserting the words “for the Shares” immediately following the words “Settlement Cycle” in the second line thereof.
Other Applicable Provisions:	If Net Share Settlement is applicable, the provisions of Sections 9.1(c), 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions will be applicable, except that all references in such provisions to “Physically-settled” shall be read as references to “Net Share Settled.” “Net Share Settled” in relation to any Warrant means that Net Share Settlement is applicable to that Warrant.
Representation and Agreement:	Notwithstanding Section 9.11 of the Equity Definitions, the parties acknowledge that any Shares delivered to Dealer may be, upon

delivery, subject to restrictions and limitations arising from Company's status as issuer of the Shares under applicable securities laws."

3. Representations and Warranties of Company. Company represents and warrants to Dealer on the date hereof that:

(a) it has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance;

(b) such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any material contractual restriction binding on or affecting it or any of its assets;

(c) all governmental and other consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(d) its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(e) each of it and its affiliates is not in possession of any material nonpublic information regarding Company or the Shares (other than regarding the repurchase of certain Convertible Notes and the unwind of related call option and warrant transactions to be announced prior to the opening of the Exchange on June 2, 2023);

(f) it is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares) or otherwise in violation of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**");

(g) it (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least USD 50 million; and

(h) it is not "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)).

4. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine).

5. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all of the signatures thereto and hereto were upon the same instrument.

6. No Reliance, etc. Company confirms that it has relied on the advice of its own counsel and other advisors (to the extent it deems appropriate) with respect to any legal, tax, accounting, or regulatory consequences of this Agreement, that it has not relied on Dealer or its affiliates in any respect in connection therewith, and that it will not hold Dealer or its affiliates accountable for any such consequences.

7. Designation by Dealer. Notwithstanding any other provision in this Agreement to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Company, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such shares or other securities and otherwise to perform Dealer obligations in respect of the transactions contemplated by this Agreement and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Company to the extent of any such performance.

8. No Other Changes. Except as expressly set forth herein, all of the terms and conditions of the Warrants Confirmation shall remain in full force and effect and are hereby confirmed in all respects.

9. U.S. Resolution Stay Protocol. To the extent that the QFC Stay Rules (as defined below) are applicable hereto, then the parties agree that (i) to the extent that prior to the date hereof both parties have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the “**Protocol**”), the terms of the Protocol are incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a Protocol Covered Agreement and each party shall be deemed to have the same status as “Regulated Entity” and/or “Adhering Party” as applicable to it under the Protocol; (ii) to the extent that prior to the date hereof the parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the “**Bilateral Agreement**”), the terms of the Bilateral Agreement are incorporated into and form a part of this Agreement and each party shall be deemed to have the status of “Covered Entity” or “Counterparty Entity” (or other similar term) as applicable to it under the Bilateral Agreement; or (iii) if clause (i) and clause (ii) do not apply, the terms of Section 1 and Section 2 and the related defined terms (together, the “**Bilateral Terms**”) of the form of bilateral template entitled “Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)” published by ISDA on November 2, 2018 (a copy of which is available upon request), the effect of which is to amend the qualified financial contracts between the parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a “Covered Agreement,” Dealer shall be deemed a “Covered Entity” and the Company shall be deemed a “Counterparty Entity.” In the event that, after the date of this Agreement, both parties hereto become adhering parties to the Protocol, the terms of the Protocol will replace the terms of this paragraph. In the event of any inconsistencies between this Agreement and the terms of the Protocol, the Bilateral Agreement or the Bilateral Terms (each, the “**QFC Stay Terms**”), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to “this Agreement” include any related credit enhancements entered into between the parties or provided by one to the other. In addition, the parties agree that the terms of this paragraph shall be incorporated into any related covered affiliate credit enhancements, with all references to Dealer replaced by references to the covered affiliate support provider. “**QFC Stay Rules**” means the regulations codified at 12 C.F.R. 252.2, 252.81–8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

Bank of America, N.A.

By: /s/ Eric Coghlin
Name: Eric Coghlin
Title: Managing Director

KBR, Inc.

By: /s/ Mark Sopp
Name: Mark Sopp
Title: Executive Vice President & Chief
Financial Officer

WARRANT AMENDMENT AGREEMENT
dated as of June 1, 2023
Between KBR, INC. and BNP PARIBAS

THIS WARRANT AMENDMENT AGREEMENT (this “**Agreement**”) with respect to the Warrants Confirmation (as defined below) is made as of June 1, 2023, between KBR, Inc. (“**Company**”) and BNP Paribas (“**Dealer**”).

WHEREAS, Company issued \$350,000,000 principal amount of 2.50% Convertible Senior Notes due 2023 (the “**Convertible Notes**”) pursuant to an Indenture dated as of November 15, 2018 between Company and Citibank, N.A., as trustee;

WHEREAS, concurrently with the pricing of the Convertible Notes, Dealer and Company entered into a Base Warrants Transaction (the “**Warrants Transaction**”) pursuant to an ISDA confirmation dated as of November 12, 2018, which supplements, forms a part of, and is subject to an agreement in the form of the ISDA 2002 Master Agreement, pursuant to which Dealer purchased from Company 2,743,727 warrants (as amended, modified, terminated or unwound from time to time, the “**Warrants Confirmation**”); and

WHEREAS, pursuant to a partial termination of the Warrants Transaction pursuant to that certain Warrant Termination Agreement, dated as of June 1, 2023, 1,980,930 warrants remain outstanding under the Warrants Confirmation (the “**Remaining Warrants**”);

WHEREAS, the parties wish to amend the Warrants Confirmation pursuant to this Agreement to, among other things, provide for net cash settlement of the Remaining Warrants under the Warrants Transaction, each in accordance with the terms and conditions herein specified;

NOW, THEREFORE, in consideration of their mutual covenants herein contained, the parties hereto, intending to be legally bound, hereby mutually covenant and agree as follows:

1. Defined Terms. Any capitalized term not otherwise defined herein shall have the meaning set forth for such term in the Warrants Confirmation.

2. Amendments. Each party hereto agrees that the Warrants Confirmation is hereby amended by amending and restating the provisions under the heading “Settlement Terms” in Section 2 of the Warrants Confirmation in their entirety as follows:

“Settlement Method Election:

Applicable; *provided* that (i) references to “Physical Settlement” in Section 7.1 of the Equity Definitions shall be replaced by references to “Net Share Settlement”; (ii) Company may elect Cash Settlement only if Company represents and warrants to Dealer in writing on the date of such election that (A) Company is not in possession of any material non-public information regarding Company or the Shares, (B) Company is electing Cash Settlement in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws, and (C) the assets of Company at their fair valuation exceed the liabilities of Company (including contingent liabilities), the capital of Company is adequate to conduct the business of Company, and Company has the ability to pay its debts and obligations as such debts mature and does not intend to, or does not believe that it will, incur debt beyond its ability to pay as such debts mature; and (iii) the same election of settlement method shall apply to all Expiration Dates hereunder.

Electing Party:

Company

Settlement Method Election Date:

The third Scheduled Trading Day immediately preceding the First Expiration Date.

Default Settlement Method:

Net Share Settlement

Net Share Settlement:	If Net Share Settlement is applicable, then on the relevant Settlement Date, Company shall deliver to Dealer a number of Shares equal to the Share Delivery Quantity for such Settlement Date to the account specified herein free of payment through the Clearance System, and Dealer shall be treated as the holder of record of such Shares at the time of delivery of such Shares or, if earlier, at 5:00 p.m. (New York City time) on such Settlement Date, and Company shall pay to Dealer cash in lieu of any fractional Share based on the Settlement Price on the relevant Valuation Date.
Share Delivery Quantity:	For any Settlement Date, a number of Shares, as calculated by the Calculation Agent, equal to the Net Share Settlement Amount for such Settlement Date <i>divided by</i> the Settlement Price on the Valuation Date for such Settlement Date.
Net Share Settlement Amount:	For any Settlement Date, an amount equal to the product of (i) the number of Warrants exercised or deemed exercised on the relevant Exercise Date, (ii) the Strike Price Differential for the relevant Valuation Date and (iii) the Warrant Entitlement.
Cash Settlement:	If Cash Settlement is applicable, on the relevant Settlement Date, Company shall pay to Dealer an amount of cash in USD equal to the Net Share Settlement Amount for such Settlement Date.
Settlement Price:	For any Valuation Date, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page KBR <equity> AQR (or any successor thereto) in respect of the period from the scheduled opening time of the Exchange to the Scheduled Closing Time on such Valuation Date (or if such volume-weighted average price is unavailable, the market value of one Share on such Valuation Date, as determined by the Calculation Agent). Notwithstanding the foregoing, if (i) any Expiration Date is a Disrupted Day and (ii) the Calculation Agent determines that such Expiration Date shall be an Expiration Date for fewer than the Daily Number of Warrants, as described above, then the Settlement Price for the relevant Valuation Date shall be the volume-weighted average price per Share on such Valuation Date on the Exchange, as determined by the Calculation Agent based on such sources as it deems appropriate using a volume-weighted methodology, for the portion of such Valuation Date for which the Calculation Agent determines there is no Market Disruption Event.
Settlement Dates:	As determined pursuant to Section 9.4 of the Equity Definitions, subject to Section 9(i)(i) hereof; <i>provided</i> that Section 9.4 of the Equity Definitions is hereby amended by (i) inserting the words “or cash” immediately following the word “Shares” in the first line thereof and (ii) inserting the words “for the Shares” immediately following the words “Settlement Cycle” in the second line thereof.
Other Applicable Provisions:	If Net Share Settlement is applicable, the provisions of Sections 9.1(c), 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions will be applicable, except that all references in such provisions to “Physically-settled” shall be read as references to “Net Share Settled.” “Net Share Settled” in relation to any Warrant means that Net Share Settlement is applicable to that Warrant.
Representation and Agreement:	Notwithstanding Section 9.11 of the Equity Definitions, the parties acknowledge that any Shares delivered to Dealer may be, upon

delivery, subject to restrictions and limitations arising from Company's status as issuer of the Shares under applicable securities laws."

3. Representations and Warranties of Company. Company represents and warrants to Dealer on the date hereof that:

(a) it has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance;

(b) such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any material contractual restriction binding on or affecting it or any of its assets;

(c) all governmental and other consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(d) its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(e) each of it and its affiliates is not in possession of any material nonpublic information regarding Company or the Shares (other than regarding the repurchase of certain Convertible Notes and the unwind of related call option and warrant transactions to be announced prior to the opening of the Exchange on June 2, 2023);

(f) it is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares) or otherwise in violation of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**");

(g) it (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least USD 50 million; and

(h) it is not "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)).

4. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine).

5. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all of the signatures thereto and hereto were upon the same instrument.

6. No Reliance, etc. Company confirms that it has relied on the advice of its own counsel and other advisors (to the extent it deems appropriate) with respect to any legal, tax, accounting, or regulatory consequences of this Agreement, that it has not relied on Dealer or its affiliates in any respect in connection therewith, and that it will not hold Dealer or its affiliates accountable for any such consequences.

7. Designation by Dealer. Notwithstanding any other provision in this Agreement to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Company, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such shares or other securities and otherwise to perform Dealer obligations in respect of the transactions contemplated by this Agreement and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Company to the extent of any such performance.

8. No Other Changes. Except as expressly set forth herein, all of the terms and conditions of the Warrants Confirmation shall remain in full force and effect and are hereby confirmed in all respects.

9. *Role of Agent.* Company agrees and acknowledges that (i) BNP Paribas Securities Corp. (“**BNPPSC**”), an affiliate of Dealer, has acted solely as agent and not as principal with respect to the transactions contemplated by this Agreement and (ii) BNPPSC has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of the transactions contemplated by this Agreement (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party’s obligations under the transactions contemplated by this Agreement. For the avoidance of doubt, any performance by Dealer of its obligations to Company hereunder solely to BNPPSC shall not relieve Dealer of such obligations. Any performance by Company of its obligations (including notice obligations) through or by means of BNPPSC’s agency for Dealer shall constitute good performance of Company’s obligations hereunder to Dealer.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

BNP Paribas

By: /s/ Stephan Nawrocki
Name: Stephan Nawrocki
Title: Managing Director

By: /s/ Robert McDonald
Name: Robert McDonald
Title: Managing Director

KBR, Inc.

By: /s/ Mark Sopp
Name: Mark Sopp
Title: Executive Vice President & Chief
Financial Officer

WARRANT AMENDMENT AGREEMENT
dated as of June 1, 2023
Between KBR, INC. and CITIBANK, N.A.

THIS WARRANT AMENDMENT AGREEMENT (this “**Agreement**”) with respect to the Warrants Confirmation (as defined below) is made as of June 1, 2023, between KBR, Inc. (“**Company**”) and Citibank, N.A. (“**Dealer**”).

WHEREAS, Company issued \$350,000,000 principal amount of 2.50% Convertible Senior Notes due 2023 (the “**Convertible Notes**”) pursuant to an Indenture dated as of November 15, 2018 between Company and Citibank, N.A., as trustee;

WHEREAS, concurrently with the pricing of the Convertible Notes, Dealer and Company entered into a Base Warrants Transaction (the “**Warrants Transaction**”) pursuant to an ISDA confirmation dated as of November 12, 2018, which supplements, forms a part of, and is subject to an agreement in the form of the ISDA 2002 Master Agreement, pursuant to which Dealer purchased from Company 4,115,590 warrants (as amended, modified, terminated or unwound from time to time, the “**Warrants Confirmation**”); and

WHEREAS, pursuant to a partial termination of the Warrants Transaction pursuant to that certain Warrant Termination Agreement, dated as of June 1, 2023, 2,971,400 warrants remain outstanding under the Warrants Confirmation (the “**Remaining Warrants**”);

WHEREAS, the parties wish to amend the Warrants Confirmation pursuant to this Agreement to, among other things, provide for net cash settlement of the Remaining Warrants under the Warrants Transaction, each in accordance with the terms and conditions herein specified;

NOW, THEREFORE, in consideration of their mutual covenants herein contained, the parties hereto, intending to be legally bound, hereby mutually covenant and agree as follows:

1. Defined Terms. Any capitalized term not otherwise defined herein shall have the meaning set forth for such term in the Warrants Confirmation.

2. Amendments. Each party hereto agrees that the Warrants Confirmation is hereby amended by amending and restating the provisions under the heading “Settlement Terms” in Section 2 of the Warrants Confirmation in their entirety as follows:

“Settlement Method Election:

Applicable; *provided* that (i) references to “Physical Settlement” in Section 7.1 of the Equity Definitions shall be replaced by references to “Net Share Settlement”; (ii) Company may elect Cash Settlement only if Company represents and warrants to Dealer in writing on the date of such election that (A) Company is not in possession of any material non-public information regarding Company or the Shares, (B) Company is electing Cash Settlement in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws, and (C) the assets of Company at their fair valuation exceed the liabilities of Company (including contingent liabilities), the capital of Company is adequate to conduct the business of Company, and Company has the ability to pay its debts and obligations as such debts mature and does not intend to, or does not believe that it will, incur debt beyond its ability to pay as such debts mature; and (iii) the same election of settlement method shall apply to all Expiration Dates hereunder.

Electing Party:

Company

Settlement Method Election Date:

The third Scheduled Trading Day immediately preceding the First Expiration Date.

Default Settlement Method:

Net Share Settlement

Net Share Settlement:	If Net Share Settlement is applicable, then on the relevant Settlement Date, Company shall deliver to Dealer a number of Shares equal to the Share Delivery Quantity for such Settlement Date to the account specified herein free of payment through the Clearance System, and Dealer shall be treated as the holder of record of such Shares at the time of delivery of such Shares or, if earlier, at 5:00 p.m. (New York City time) on such Settlement Date, and Company shall pay to Dealer cash in lieu of any fractional Share based on the Settlement Price on the relevant Valuation Date.
Share Delivery Quantity:	For any Settlement Date, a number of Shares, as calculated by the Calculation Agent, equal to the Net Share Settlement Amount for such Settlement Date <i>divided by</i> the Settlement Price on the Valuation Date for such Settlement Date.
Net Share Settlement Amount:	For any Settlement Date, an amount equal to the product of (i) the number of Warrants exercised or deemed exercised on the relevant Exercise Date, (ii) the Strike Price Differential for the relevant Valuation Date and (iii) the Warrant Entitlement.
Cash Settlement:	If Cash Settlement is applicable, on the relevant Settlement Date, Company shall pay to Dealer an amount of cash in USD equal to the Net Share Settlement Amount for such Settlement Date.
Settlement Price:	For any Valuation Date, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page KBR <equity> AQR (or any successor thereto) in respect of the period from the scheduled opening time of the Exchange to the Scheduled Closing Time on such Valuation Date (or if such volume-weighted average price is unavailable, the market value of one Share on such Valuation Date, as determined by the Calculation Agent). Notwithstanding the foregoing, if (i) any Expiration Date is a Disrupted Day and (ii) the Calculation Agent determines that such Expiration Date shall be an Expiration Date for fewer than the Daily Number of Warrants, as described above, then the Settlement Price for the relevant Valuation Date shall be the volume-weighted average price per Share on such Valuation Date on the Exchange, as determined by the Calculation Agent based on such sources as it deems appropriate using a volume-weighted methodology, for the portion of such Valuation Date for which the Calculation Agent determines there is no Market Disruption Event.
Settlement Dates:	As determined pursuant to Section 9.4 of the Equity Definitions, subject to Section 9(i)(i) hereof; <i>provided</i> that Section 9.4 of the Equity Definitions is hereby amended by (i) inserting the words “or cash” immediately following the word “Shares” in the first line thereof and (ii) inserting the words “for the Shares” immediately following the words “Settlement Cycle” in the second line thereof.
Other Applicable Provisions:	If Net Share Settlement is applicable, the provisions of Sections 9.1(c), 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions will be applicable, except that all references in such provisions to “Physically-settled” shall be read as references to “Net Share Settled.” “Net Share Settled” in relation to any Warrant means that Net Share Settlement is applicable to that Warrant.
Representation and Agreement:	Notwithstanding Section 9.11 of the Equity Definitions, the parties acknowledge that any Shares delivered to Dealer may be, upon

delivery, subject to restrictions and limitations arising from Company's status as issuer of the Shares under applicable securities laws."

3. Representations and Warranties of Company. Company represents and warrants to Dealer on the date hereof that:

(a) it has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance;

(b) such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any material contractual restriction binding on or affecting it or any of its assets;

(c) all governmental and other consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(d) its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(e) each of it and its affiliates is not in possession of any material nonpublic information regarding Company or the Shares (other than regarding the repurchase of certain Convertible Notes and the unwind of related call option and warrant transactions to be announced prior to the opening of the Exchange on June 2, 2023);

(f) it is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares) or otherwise in violation of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**");

(g) it (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least USD 50 million; and

(h) it is not "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)).

4. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine).

5. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all of the signatures thereto and hereto were upon the same instrument.

6. No Reliance, etc. Company confirms that it has relied on the advice of its own counsel and other advisors (to the extent it deems appropriate) with respect to any legal, tax, accounting, or regulatory consequences of this Agreement, that it has not relied on Dealer or its affiliates in any respect in connection therewith, and that it will not hold Dealer or its affiliates accountable for any such consequences.

7. Designation by Dealer. Notwithstanding any other provision in this Agreement to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Company, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such shares or other securities and otherwise to perform Dealer obligations in respect of the transactions contemplated by this Agreement and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Company to the extent of any such performance.

8. No Other Changes. Except as expressly set forth herein, all of the terms and conditions of the Warrants Confirmation shall remain in full force and effect and are hereby confirmed in all respects.

9. ISDA 2018 U.S. Resolution Stay Protocol (“U.S. Stay Protocol”). The parties agree that the definitions and provisions contained in the ISDA 2018 U.S. Stay Protocol and Attachment thereto as published by the International Swaps and Derivatives Association, Inc. on July 31, 2018 are hereby incorporated into and apply to this Agreement as if set forth in full herein. For these purposes, the following terms as used in the U.S. Stay Protocol shall have the following meanings: “Regulated Entity” shall mean Dealer and “Protocol Covered Agreement” or “Covered Agreement”, as applicable, shall mean this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

Citibank, N.A.

By: /s/ Eric Natelson
Name: Eric Natelson
Title: Authorized Signatory

KBR, Inc.

By: /s/ Mark Sopp
Name: Mark Sopp
Title: Executive Vice President & Chief
Financial Officer

**AMENDMENT NO. 10 TO CREDIT AGREEMENT
(INCREMENTAL TERM A LOAN)**

This AMENDMENT NO. 10 TO CREDIT AGREEMENT (this “Amendment”), dated as of July 26, 2023, is entered into by and among KBR, INC., a Delaware corporation (“KBR”), the Guarantors (as identified on the signature pages hereto, and together with KBR, the “Loan Parties”), each Term A-4 Lender (as defined below), certain of the Existing Lenders (as defined below) party hereto, BANK OF AMERICA, N.A., as administrative agent (in such capacity, the “Administrative Agent”) and as the Swing Line Lender (as defined in the Existing Credit Agreement (as defined below)), and each L/C Issuer (as defined in the Existing Credit Agreement).

RECITALS

WHEREAS, the Borrowers, the Administrative Agent and certain banks and other financial institutions (to the extent of their Loans and Commitments under the Existing Credit Agreement as in effect immediately prior to giving effect to this Amendment, the “Existing Lenders”) are parties to that certain Syndicated Facility Agreement, dated as of April 25, 2018 (as previously amended, as amended hereby and as further amended, restated, amended and restated, extended, supplemented or otherwise modified from time to time, the “Credit Agreement” and the Credit Agreement prior to giving effect to this Amendment being referred to as the “Existing Credit Agreement”), pursuant to which the Existing Lenders have extended certain revolving and term loan facilities to KBR;

WHEREAS, subject to the terms and conditions of the Existing Credit Agreement, and pursuant to Section 2.14 of the Existing Credit Agreement, KBR has requested that (a) the Lenders party hereto agree to provide an Incremental Term A Loan in an aggregate principal amount of \$200,000,000 (the “Term A-4 Loan”), and each of the Lenders with a commitment to the Term A-4 Loan in the amount listed on Exhibit A hereto (such Lenders, the “Term A-4 Lenders”) is willing to effect such Term A-4 Loans, as provided in, and on the terms and conditions contained in, this Amendment and the Existing Credit Agreement and (b) the Existing Credit Agreement be amended in the manner provided herein (the transactions described in this paragraph, collectively, the “Transactions”).

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Existing Credit Agreement or Amendment No. 8 (as defined below), as applicable.

2. Term A-4 Loans. Subject to the terms and conditions hereof and in accordance with Section 2.14 of the Existing Credit Agreement:

(a) Making of Term A-4 Loans. Each Term A-4 Lender hereby severally agrees to make Term A-4 Loans to KBR in an aggregate amount equal to \$200,000,000 in a single drawing on the Amendment No. 10 Effective Date (as defined below), with each such Term A-4 Lender making Term A-4 Loans in the aggregate principal amount set forth for such Term A-4 Lender on Exhibit A hereto and each such Term A-4 Lender’s “Applicable Percentage” with respect to the Term A-4 Loans being the applicable percentage of such Term A-4 Lender set forth on Exhibit A hereto, on the terms and subject to the conditions set forth in this Amendment. Any Term A-4 Loans borrowed and subsequently repaid or prepaid may not be reborrowed. For purposes of a Borrowing of Term A-4 Loans, or a continuation of a Term A-4 Loan, KBR shall use the Term A-4 Loan Notice attached to this Amendment as Exhibit B.

(b) Term A-4 Loans Provisions. The Term A-4 Loans shall: (i) constitute Obligations, Incremental Term A Loans, Term Loans and Loans under the Credit Agreement and the other Loan Documents and have all of the benefits thereof, (ii) be secured by the Collateral and rank pari passu in right of payment and security with the existing Loans under the Credit Agreement and (iii) except as specifically provided in this Amendment, be subject to all the same terms and conditions (including, without limitation, (A) borrowing, conversion, continuation and prepayment terms, (B) prepayment rights and rights with respect to Events of Default and (C) the conforming changes and successor rate provisions set forth in that certain Amendment No. 8 to Credit Agreement dated as of February 6, 2023 (“Amendment No. 8”)) as the Term A-2 Loans under the Term A-2 Facility. The Term A-4 Loans constitute term “A” loans and not term “B” loans. Notwithstanding, but without limitation of, the foregoing:

(i) the following new definitions are added to the Credit Agreement in their proper alphabetical order:

“Amendment No. 8” means that certain Amendment No. 8 to Credit Agreement dated as of February 6, 2023.

“Amendment No. 10” means that certain Amendment No. 10 to Credit Agreement dated as of the Tenth Amendment Closing Date.

“Required Term A-4 Lenders” means, as of any date of determination, Term A-4 Lenders having Total Term A-4 Loan Exposure representing more than 50% of the Total Term A-4 Loan Exposure of all Term A-4 Lenders on such date; provided that the portion of the Term A-4 Facility held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Term A-4 Lenders.

“Tenth Amendment Closing Date” means July 26, 2023.

“Term A-4 Borrowing” means a borrowing consisting of simultaneous Term A-4 Loans of the same Type and, in the case of Term A-4 Loans bearing interest at Affected Facility Term SOFR (as defined in Amendment No. 8), having the same Interest Period made by each of the Term A-4 Lenders pursuant to Section 2.01(a)(iv).

“Term A-4 Commitment” means, as to each Term A-4 Lender, its obligation to make Term A-4 Loans to the Borrower pursuant to Section 2.01(a)(iv) in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Term A-4 Lender’s name on Schedule 2.01 under the caption “Term A-4 Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Term A-4 Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Term A-4 Facility” means, at any time, (a) on the Tenth Amendment Closing Date, the aggregate amount of the Term A-4 Commitments at such time, and (b) thereafter, the aggregate principal amount of the Term A-4 Loans of all Term A-4 Lenders outstanding at such time. The Term A-4 Facility shall be a Dollar denominated facility available, as otherwise provided herein, in Dollars.

“Term A-4 Lender” means, at any time, any Lender that has a Term A-4 Commitment or that holds Term A-4 Loans at such time.

“Term A-4 Loan” means an advance made by any Term A-4 Lender under the Term A-4 Facility.

“Term A-4 Loan Notice” means a notice of (a) a borrowing of the Term A-4 Loans on the Tenth Amendment Closing Date, (b) a conversion of Term A-4 Loans from one Term A-4 Loan Type to the other, or (c) a continuation of Term A-4 Loans bearing interest at Affected Facility Term SOFR, which shall be substantially in the form of Exhibit B attached to Amendment No. 10 or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of KBR.

“Term A-4 Note” means a promissory note made by the Borrower in favor of a Term A-4 Lender evidencing Term A-4 Loans made by such Term A-4 Lender, substantially in the form of the Term A-4 Note attached as Exhibit C to Amendment No. 10.

“Total Term A-4 Loan Exposure” means, as to any Term A-4 Lender at any time, the unused Term A-4 Commitments (if any) and the Outstanding Amount of all Term A-4 Loans of such Term A-4 Lender at such time.

The new definitions set forth in this clause (b)(i) (except for “Amendment No. 8”, “Amendment No. 10” and “Tenth Amendment Closing Date”) shall have the same usage in the Credit Agreement as the corresponding defined terms set forth in the Existing Credit Agreement with respect to the Term A-2 Loans and the Term A-2 Loan Facility.

(ii) the definition of “Borrowing” shall be amended and restated to read as follows:

“‘Borrowing’ means a Revolving Credit Borrowing, a Swing Line Borrowing, a Term A-1 Borrowing, a Term A-2 Borrowing, a Term A-3 Borrowing, Term A-4 Borrowing or a Term B Borrowing, as the context may require.”

(iii) the definition of “Term Facility” shall be amended and restated to read as follows:

“‘Term Facility’ means the Term A-1 Facility, the Term A-2 Facility, Term A-3 Facility and the Term A-4 Facility, together.”

(iv) Section 2.01(a) shall be amended to add a new Section 2.01(a)(iv) to read as follows:

“The Term A-4 Borrowings. Subject to the terms and conditions set forth herein, each Term A-4 Lender severally agrees to make a single loan in Dollars to the Borrower, on the Tenth Amendment Closing Date for the Term A-4 Facility, in an aggregate amount not to exceed such Term A-4 Lender’s Term A-4 Commitment. The Term A-4 Borrowing shall consist of Term A-4 Loans made simultaneously by the Term A-4 Lenders in accordance with their respective Term A-4 Commitments. Amounts borrowed under this Section 2.01(a)(iv) and repaid or prepaid may not be reborrowed. Term A-4 Loans made pursuant to the Term A-4 Borrowings under this Section 2.01(a)(iv) shall constitute a single Term A-4 Facility. Term A-4 Loans may be Term A-4 Loans bearing interest at Affected Facility Base Rate (as defined in Amendment No. 8) (if in Dollars only) or Term A-4 Loans bearing interest at Affected Facility Term SOFR, as further provided herein.

(v) Section 2.07(a) shall be amended to add a new Section 2.07(a)(iv) to read as follows:

“(iv) After the Tenth Amendment Closing Date, the Term A-4 Borrower shall repay to the Term A-4 Lenders the aggregate principal amount of all Term A-4 Loans in quarterly principal installments equal to 0.625% of the aggregate principal amount of the Term A-4 Loans actually made on the Tenth Amendment Closing Date, and subject to adjustment for any applicable Incremental Term Loan) (which principal amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.05) on the last Business Day of each March, June, September and December (commencing on the last Business Day of the first full fiscal quarter ending after the Tenth Amendment Closing Date; provided, however, that the final principal repayment installment of the Term A-4 Loans shall be repaid on the Maturity Date for Term A-4 Facility, and in any event shall be in an amount equal to the aggregate principal amount of all Term A-4 Loans outstanding on such date.

(vi) Section 6.11 shall be amended and restated to read in its entirety as follows:

“Use the proceeds of the Loans on or after the Closing Date, (a) with respect to proceeds of the Term B Facility, solely to fund a portion of the Transactions (including the Acquisition) on the Closing Date, (b) with respect to proceeds of the Term A-1 Facility prior to the Amendment No. 7 Effective Date and the Term A-2 Facility, solely to fund completion payments required to be funded in connection with the completion of the Ichthys Project through the Ichthys Project Joint Ventures and/or for reimbursements for any such completion payments funded prior to the Closing Date, (c) with respect to the proceeds of the Term A-3 Facility, to repay outstandings under the Revolving Credit Facility on or about the Fifth Amendment Closing Date and to pay fees and expenses in connection with the Fifth Amendment, (d) with respect to the Revolving Credit Facility, to finance a portion of the Transactions and otherwise to provide ongoing working capital and for other general corporate purposes (including Permitted Acquisitions) not in contravention of any Law or of any Loan Document, (e) with respect to proceeds of the Term A-1 Facility on and after the Amendment No. 7 Effective Date, solely to refinance in full the Term A-1 Loans outstanding immediately prior to the Amendment No. 7 Effective Date and (f) with respect to the proceeds of the Term A-4 Facility, solely to repay outstanding Borrowings under the Revolving Credit Facility on or about the Tenth Amendment Closing Date.”

(c) Interest on Term A-4 Loans.

(i) Subject to the provisions of the Credit Agreement with respect to default interest, the Term A-4 Loans shall bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to Affected Facility Term SOFR or the Affected Facility Base Rate, as the case may be, *plus* the “Term A-4 Applicable Rate” as defined and set forth on Appendix A attached to this Amendment. Each reference to “Applicable Rate” in the Credit Agreement when used with respect to Term A-4 Loans shall be deemed to refer to Term A-4 Applicable Rate.

(ii) Interest on each Term A-4 Loan that is a Term A-4 Loan bearing interest at Affected Facility Term SOFR shall be due and payable in arrears on each Affected Facility Interest Payment Date applicable thereto and at such other times as may be specified in the Credit Agreement; provided, that any prepayment of any such Term A-4 Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 of the Credit Agreement. Interest on each Term A-4 Loan that is a Term A-4 Loan bearing interest at Affected Facility Base Rate shall be due and payable in accordance with the payment of interest on such Term

A-4 Loans under the Credit Agreement. Interest on the Term A-4 Loans shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any debtor relief law.

3. Other Amendments to Credit Agreement. Subject to the terms and conditions hereof and with effect from and after the Amendment No. 10 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) The definition of “Permitted Bridge Indebtedness” in Section 1.01 of the Existing Credit Agreement is hereby amended by deleting such definition and replacing it with the following in lieu thereof:

“ ‘Permitted Bridge Indebtedness’ means any customary bridge facility of the Borrower or any Restricted Subsidiary that (a) so long as the use of proceeds is limited to the payment of consideration and related fees, expenses and transaction costs for an acquisition not prohibited hereunder, such facility is issued with the intent to convert such facility into Indebtedness that satisfies all applicable maturity and weighted average life limitations or (b) otherwise provides that if such facility is not converted into the intended conversion product, is automatically convertible into Indebtedness that satisfies all applicable maturity and weighted average life limitations.”

4. Representations and Warranties. By its execution hereof, each Loan Party hereby represents and warrants to the Administrative Agent and the Term A-4 Lenders as follows:

(a) the execution, delivery and performance by such Loan Party of this Amendment have been duly authorized by all necessary corporate or other organizational action and do not and will not (i) contravene the terms of any of such Loan Party’s Organization Documents; (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (A) any Contractual Obligation to which such Loan Party is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Loan Party or its property is subject; or (iii) violate any applicable Law, except, in the cases of clause (ii) and (iii) as could not reasonably be expected to have a Material Adverse Effect;

(b) this Amendment has been duly executed and delivered by each Loan Party, and constitutes a legal, valid and binding obligation of each Loan Party (and the Credit Agreement, as amended hereby, and each other Loan Document constitutes the legal, valid and binding obligation of each Loan Party party thereto), in each case enforceable against each Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

(c) before and after giving effect to this Amendment (including the incurrence of the Term A-4 Loans), the representations and warranties of each Loan Party contained in Article V of the Credit Agreement and each other Loan Document are true and correct in all material respects (or, with respect to representations and warranties modified by materiality standards, in all respects) on and as of the Amendment No. 10 Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (or, with respect to representations and warranties modified by materiality standards, in all respects) as of such earlier date, and except that for purposes of this clause (c), the representations and warranties contained in Sections 5.05(a) and (b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively; and

(d) before and after giving effect to this Amendment (including the incurrence of the Term A-4 Loans), no Default exists.

5. Amendment No. 10 Effective Date.

(a) This Amendment (including the incurrence of the Term A-4 Loans) will become effective on the first date (the "Amendment No. 10 Effective Date") on which the following conditions precedent are satisfied:

(i) the Administrative Agent and the Term A-4 Lenders shall have received, in form and substance reasonably satisfactory to them, each of the following:

(A) counterparts of this Amendment duly executed by (1) each Loan Party, (2) the Administrative Agent, (3) each Term A-4 Lender and (4) Lenders constituting the Required Lenders;

(B) (1) the documentation and other information with respect to each Loan Party that is required by regulatory authorities under applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Act, and (2) if KBR qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, a Beneficial Ownership Certification in relation to KBR;

(C) one or more certificates of a Responsible Officer of each Loan Party, each in form and substance reasonably satisfactory to the Administrative Agent and together with all attachments identified below, certifying in his/her capacity as such, as of the Amendment No. 10 Effective Date:

(1) as to the accuracy of the representations and warranties set forth in Section 4 above;

(2) that since December 31, 2022, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect;

(3) that the resolutions or written consent adopted by such Loan Party approving or consenting to the Term A-4 Loans and the Organization Documents (including all amendments thereto) of such Loan Party (A) have not been modified, amended, rescinded or replaced since such Organization Documents were last delivered and certified to the Administrative Agent and continue to be in full force and effect as of the Amendment No. 10 Effective Date or (B) are attached thereto and are true and correct copies thereof, in full force and effect as of the Amendment No. 10 Effective Date and, in the case of the certificate of formation or articles of incorporation or organization (as the case may be) under this clause (B), shall be certified (to the extent such certificates are routinely issued in such jurisdiction) as of a recent date by the appropriate Governmental Authority in such Loan Party's jurisdiction of incorporation or formation; and

(4) that the attached document(s) and certification(s) as reasonably required by the Administrative Agent to evidence that such Loan Party is duly organized or formed, validly existing, in good standing (to the extent applicable) and qualified to engage in business in such Loan Party's jurisdiction of

incorporation or formation are true and correct copies thereof, in full force and effect as of the Amendment No. 10 Effective Date and certified by the appropriate Governmental Authority in such Loan Party's jurisdiction of incorporation or formation (to the extent such certificates are routinely issued in such jurisdiction) as of a recent date prior to the Amendment No. 10 Effective Date reasonably satisfactory to the Administrative Agent;

(D) to the extent requested not later than two Business Days prior to the Amendment No. 10 Effective Date, the Administrative Agent shall have received notes (which shall constitute Term A-4 Notes), if any, executed by KBR in favor of each Term A-4 Lender requesting such Term A-4 Notes; provided that any failure to request any such Term A-4 Note in connection with the Amendment No. 10 Effective Date shall not limit the ability of any Term A-4 Lender to request a Term A-4 Note from time to time pursuant to the Credit Agreement;

(E) opinions of counsel for KBR in each relevant jurisdiction (as agreed by KBR and the Administrative Agent), dated the Amendment No. 10 Effective Date and addressed to the Administrative Agent and the Term A-4 Lenders, in form and substance reasonably acceptable to the Administrative Agent;

(ii) all fees and expenses required to be paid in connection with this Amendment (including (A) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and/or its Affiliates (including the reasonable and documented fees, disbursements and other out-of-pocket charges of counsel (subject to the limitations set forth in Section 10.04(a)(i) of the Credit Agreement)) and (B) all fees due pursuant to that certain Fee Letter dated as of July 14, 2023 between BofA Securities, Inc. and KBR) shall have been paid (in the case of expenses, to the extent that KBR has received an invoice therefor at least three Business Days prior to the Amendment No. 10 Effective Date (without prejudice to any post-closing settlement of such fees, costs and expenses to the extent not so invoiced)); and

(iii) the Administrative Agent shall have received a Term A-4 Loan Notice for the advance of the Term A-4 Loans to occur on the Amendment No. 10 Effective Date, provided that if such notice requests that the Term A-4 Loans be made on the Amendment No. 10 Effective Date as Term A-4 Loans bearing interest at Affected Facility Term SOFR, such notice shall have been received at least one Business Day prior to the Amendment No. 10 Effective Date.

(b) Each Term A-4 Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required under this Section 5 to be consented to or approved by or acceptable or satisfactory to a Term A-4 Lender unless the Administrative Agent shall have received notice from such Term A-4 Lender prior to this Amendment being deemed effective by the Administrative Agent on the Amendment No. 10 Effective Date specifying its objection thereto.

(c) From and after the Amendment No. 10 Effective Date, the Credit Agreement is amended as set forth herein.

(d) Except as expressly amended and/or waived pursuant hereto, the Existing Credit Agreement and each other Loan Document shall remain unchanged and in full force and effect and each is hereby ratified and confirmed in all respects, and any waiver contained herein shall be limited to the express purpose set forth herein and shall not constitute a waiver of any other condition or circumstance under or with respect to the Credit Agreement or any of the other Loan Documents.

(e) The Administrative Agent will notify KBR and the Lenders of the occurrence of the Amendment No. 10 Effective Date.

6. No Novation; Reaffirmation. Neither the execution and delivery of this Amendment nor the consummation of any other transaction contemplated hereunder is intended to constitute a novation of the Existing Credit Agreement, the Credit Agreement or of any of the other Loan Documents or any obligations thereunder. Each Loan Party (a) acknowledges and consents to all of the terms and conditions of this Amendment, including the Term A-4 Loans constituting Loans and Obligations under the Credit Agreement, (b) confirms and affirms all of its obligations under the Loan Documents, (c) confirms and affirms that each of the Liens granted in or pursuant to the Loan Documents are valid and subsisting as security for the payment and performance of the Obligations outstanding on the Amendment No. 10 Effective Date immediately prior to and immediately after the effectiveness of the amendments provided by this Agreement and any Obligations outstanding at any time under the Credit Agreement, and (d) agrees that this Amendment and all documents executed in connection herewith (i) do not operate to reduce or discharge any Loan Party's obligations under the Loan Documents and (ii) in no manner impair or otherwise adversely affect any of the Liens granted in or pursuant to the Loan Documents.

7. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement and each other Loan Document are and shall remain in full force and effect. All references in any Loan Document to the "Credit Agreement" or "this Agreement" (or similar terms intended to reference the Credit Agreement) shall henceforth refer to the Credit Agreement as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Credit Agreement.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto, each other Term A-4 Lender and each other Loan Party, and their respective successors and assigns.

(c) THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. WITHOUT LIMITING THE FOREGOING SENTENCE, THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 10.14 AND 10.15 OF THE CREDIT AGREEMENT RELATING TO GOVERNING LAW, VENUE AND WAIVER OF RIGHT TO TRIAL BY JURY, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE INCORPORATED HEREIN IN FULL.

(d) This Amendment may be in the form of an electronic record (in ".pdf" form or otherwise) and may be executed using electronic signatures, which shall be considered as originals and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts shall be one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed Amendment which has been converted into electronic form (such as scanned into ".pdf" format), or an electronically signed Amendment converted into another format, for transmission, delivery and/or retention. This Amendment may not be amended except in accordance with the provisions of Section 10.01 of the Credit Agreement.

(e) If any provision of this Amendment, the Existing Credit Agreement as amended hereby or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity

and enforceability of the remaining provisions of this Amendment, the Credit Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(f) The Borrowers agree to pay in accordance with Section 10.04 of the Credit Agreement all reasonable out of pocket expenses incurred by the Administrative Agent and its Affiliates in connection with the preparation, execution, delivery, administration of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable and documented fees, charges and disbursements of counsel to the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities hereunder and thereunder.

(g) This Amendment shall constitute a “Loan Document” under and as defined in the Credit Agreement.

8. References. All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement as amended hereby, and as further amended, restated, supplemented or modified from time to time in accordance with the terms thereof.

9. Entire Agreement. This Amendment constitutes the entire contract among the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

10. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

11. Agents and Arrangers. Each Lender (or Affiliate thereof) listed on the cover page of the Existing Credit Agreement as a “Co-Syndication Agent”, “Co-Documentation Agent”, “Joint Lead Arranger” and/or “Joint Bookrunner” shall have each such title with respect to this Amendment and the Term A-4 Loans provided hereunder.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

LOAN PARTIES:

KBR, INC., a Delaware corporation, as KBR, Borrower

By: /s/ Stuart J. B. Bradie
Name: Stuart J. B. Bradie
Title: President & Chief Executive Officer

KELLOGG BROWN & ROOT LLC, a Delaware limited liability company, as a Guarantor

By: /s/ Stuart J. B. Bradie
Name: Stuart J. B. Bradie
Title: President & Chief Executive Officer

KBR ENGINEERING COMPANY, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ J. Jay Ibrahim
Name: J. Jay Ibrahim
Title: President, Sustainable Technology Solutions

KBR SERVICES, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

KBR WYLE SERVICES, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

KBR CONSTRUCTION COMPANY, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ J. Jay Ibrahim
Name: J. Jay Ibrahim
Title: President, Sustainable Technology Solutions

GLOBAL LOGISTICS SUPPORT, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

KBR DIEGO GARCIA, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ Dough Hill
Name: Doug Hill
Title: Senior Vice President

KBR HOLDINGS, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ Stuart J. B. Bradie
Name: Stuart J. B. Bradie
Title: President & Chief Executive Officer

KBR OVERSEAS, INC., a Delaware corporation, as a Guarantor

By: /s/ Stuart J.B. Bradie
Name: Stuart J.B. Bradie
Title: President & Chief Executive Officer

KBR TECHNICAL SERVICES, INC., a Delaware corporation, as a Guarantor

By: /s/ Stuart J.B. Bradie
Name: Stuart J.B. Bradie
Title: President & Chief Executive Officer

WYLE INC., a Delaware corporation, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

3 MAST HOLDINGS, LLC, a Virginia limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

DEPENDABLE GLOBAL SOLUTIONS, LLC, a Virginia limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

KORD TECHNOLOGIES, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

TECHNICAL STAFFING RESOURCES, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ Sonia Galindo
Name: Sonia Galindo
Title: Executive Vice President, General Counsel & Corporate Secretary

TITUS GROUP, LLC, a Virginia limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

WINDJAMMER, LLC, a Delaware limited liability company, as a Guarantor

By: /s/ William Byron Bright
Name: William Byron Bright
Title: President, Government Solutions – U.S.

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ Melissa Mullis
Name: Melissa Mullis
Title: Vice President

BANK OF AMERICA, N.A., as a Term A-4 Lender and a
Lender

By: /s/ Mukesh Singh
Name: Mukesh Singh
Title: Director

HSBC BANK USA, N.A., as a Term A-4 Lender

By: /s/ Alberto Caudillo
Name: Alberto Caudillo
Title: Sr. Relationship Manager
Officer ID: 23427

HSBC BANK USA, N.A., as a Lender

By: /s/ Alberto Caudillo
Name: Alberto Caudillo
Title: Sr. Relationship Manager
Officer ID: 23427

BNP PARIBAS, as a Term A-4 Lender and a Lender

By: /s/ Rick Pace
Name: Rick Pace
Title: Managing Director

By: /s/ Kyle Fitzpatrick
Name: Kyle Fitzpatrick
Title: Director

CAPITAL ONE, N.A., as a Term A-4 Lender and a Lender

By: /s/ Brian Keane
Name: Brian Keane
Title: Authorized Signatory

CITIBANK, N.A., as a Term A-4 Lender and a Lender

By: /s/ Jim Oleskewicz
Name: Jim Oleskewicz
Title: Vice President

CITIZENS BANK, N.A., as a Term A-4 Lender and a Lender

By: /s/ Dan Laurenzi
Name: Dan Laurenzi
Title: Managing Director

MUFG BANK, LTD., as a Term A-4 Lender and a Lender

By: /s/ Lorcan McGrath
Name: Lorcan McGrath
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Term A-4
Lender and a Lender

By: /s/ Eric H. Williams
Name: Eric H. Williams
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, HOUSTON BRANCH,
as a Term A-4 Lender and a Lender

By: /s/ Joe Lattanzi
Name: Joe Lattanzi
Title: Managing Director

TRUIST BANK, as a Term A-4 Lender and a Lender

By: /s/ Anika Kirs
Name: Anika Kirs
Title: Director

REGIONS BANK, as a Term A-4 Lender and a Lender

By: /s/ Tyler Tirpak
Name: Tyler Tirpak
Title: Vice President

STANDARD CHARTERED BANK, as a Term A-4 Lender
and a Lender

By: /s/ Kristopher Tracy
Name: Kristopher Tracy
Title: Director, Financing Solutions

SUMITOMO MITSUI BANKING CORPORATION, as a
Term A-4 Lender

By: /s/ Jeffrey Cobb
Name: Jeffrey Cobb
Title: Director

SUMITOMO MITSUI BANKING CORPORATION, as a
Lender

By: /s/ Jeffrey Cobb
Name: Jeffrey Cobb
Title: Director

RIYAD BANK HOUSTON AGENCY, as a Term A-4
Lender and a Lender

By: /s/ Chris Chambers
Name: Chris Chambers
Title: General Manager

By: /s/ Roxanne Crawford
Name: Roxanne Crawford
Title: Vice President, Administrative Officer

Annex A
Term A-4 Applicable Rate

“**Term A-4 Applicable Rate**” means (a) with respect to the Term A-4 Facility, (i) from the Tenth Amendment Closing Date to the date on which the Administrative Agent receives a Compliance Certificate pursuant to Section 6.02(b) of the Credit Agreement for the first fiscal quarter ending after the Tenth Amendment Closing Date, 1.75% per annum for Term A-4 Loans bearing interest at Affected Facility Term SOFR, 0.75% per annum for Term A-4 Loans bearing interest at Affected Facility Base Rate, and (ii) thereafter, the applicable percentage per annum set forth below determined by reference to the Consolidated Net Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b) of the Credit Agreement:

Pricing Level	Consolidated Net Leverage Ratio	Affected Facility Term SOFR Loans	Affected Facility Base Rate Loans
1	$\geq 4.25:1.00$	2.25%	1.25%
2	$< 4.25:1.00$, but $\geq 3.25:1.00$	2.00%	1.00%
3	$< 3.25:1.00$, but $\geq 2.25:1.00$	1.75%	0.75%
4	$< 2.25:1.00$, but $\geq 1.25:1.00$	1.50%	0.50%
5	$< 1.25:1.00$	1.25%	0.25%

With respect to the Term A-4 Facility any increase or decrease in the Term A-4 Applicable Rate resulting from a change in the Consolidated Net Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b) of the Credit Agreement; provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Term A-4 Lender the Pricing Level 1 shall apply in respect of the Term A-4 Facility, as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and in each case shall remain in effect until the date on which such Compliance Certificate is delivered. Notwithstanding anything to the contrary contained in this definition, the determination of the Term A-4 Applicable Rate for any period shall be subject to the provisions of Section 2.10(b) of the Credit Agreement.

Exhibit A
Commitments and Applicable Percentages for Term A-4 Loan

Lender	Term A-4 Commitment	Applicable Percentage of Term A-4 Loan
Bank of America, N.A.	\$ 21,000,000.00	10.500000000%
HSBC Bank USA, N.A.	\$ 34,600,000.00	17.300000000%
BNP Paribas	\$ 17,300,000.00	8.650000000%
Capital One, National Association	\$ 13,300,000.00	6.650000000%
Citibank, N.A.	\$ 13,300,000.00	6.650000000%
Citizens Bank, N.A.	\$ 13,300,000.00	6.650000000%
MUFG Bank, Ltd	\$ 13,300,000.00	6.650000000%
PNC Bank, National Association	\$ 13,300,000.00	6.650000000%
The Bank of Nova Scotia, Houston Branch	\$ 13,300,000.00	6.650000000%
Truist Bank	\$ 13,300,000.00	6.650000000%
Regions Bank	\$ 10,000,000.00	5.000000000%
Standard Chartered Bank	\$ 9,500,000.00	4.750000000%
Sumitomo Mitsui Banking Corporation	\$ 9,500,000.00	4.750000000%
Riyad Bank Houston Agency	\$ 5,000,000.00	2.500000000%
Total	\$200,000,000.00	100.000000000%

Exhibit A
(to Amendment No. 10 of KBR Inc.)

Exhibit B

FORM OF TERM A-4 LOAN NOTICE

Date: _____, 202__

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of April 25, 2018 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"; the terms defined therein being used herein as therein defined), among KBR, Inc., a Delaware corporation ("KBR"), the other Borrowers party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer.

KBR hereby requests (select one):

- ☐ a Term A-4 Borrowing of Term A-4 Loans
- ☐ a conversion or continuation of Term A-4 Loans

1. On _____ (a Business Day).
2. In the amount of \$_____.
3. Comprised of _____.
[Term A-4 Loan Type requested]
4. For Term A-4 Loans bearing interest at Affected Facility Term SOFR: with an Interest Period of [1][3] months.

[Signature page follows.]

KBR, INC.

By: _____

Name: _____

Title: _____

FORM OF TERM A-4 NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Term A-4 Loan from time to time made by the Lender to the Borrower under that certain Credit Agreement, dated as of April 25, 2018 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer.

The Borrower promises to pay interest on the unpaid principal amount of each Term A-4 Loan from the date of such Term A-4 Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office for Dollars. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Term A-4 Note is one of the Term A-4 Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty and is secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Term A-4 Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Term A-4 Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Term A-4 Note and endorse thereon the date, amount and maturity of its Term A-4 Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Term A-4 Note.

THIS TERM A-4 NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

KBR, INC.

By: _____

Name: _____

Title: _____

Exhibit C
(to Amendment No. 10 of KBR Inc.)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Stuart J. B. Bradie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 27, 2023

/s/ Stuart J. B. Bradie

Stuart J. B. Bradie
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Mark W. Sopp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 27, 2023

/s/ Mark W. Sopp

Mark W. Sopp
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. 1350**

The undersigned, the Chief Executive Officer of KBR, Inc. (the “Company”), hereby certifies that to his knowledge, on the date hereof:

- a) the Form 10-Q of the Company for the period ended June 30, 2023, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stuart J. B. Bradie

Stuart J. B. Bradie

Chief Executive Officer

Date: July 27, 2023

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. 1350**

The undersigned, the Chief Financial Officer of KBR, Inc. (the “Company”), hereby certifies that to his knowledge, on the date hereof:

- a) the Form 10-Q of the Company for the period ended June 30, 2023, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark W. Sopp

Mark W. Sopp
Chief Financial Officer

Date: July 27, 2023