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

FORM 10-K

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

For the fiscal year ended December 29 , 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			**20-4536774**
(State of incorporation)			***(I.R.S. Employer Identification No.)***
601 Jefferson Street, Suite 3400	**Houston**	**Texas**	**77002**
(Address of principal executive offices)			***(Zip Code)***

(713) 753-2000

(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 par value $0.001 per share	**KBR**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	☐	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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b) ☐

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

The aggregate market value of the voting stock held by non-affiliates on June 30, 2023 was approximately $ 8.7 billion, determined using the closing price of shares of the registrant's common stock on the New York Stock Exchange on that date of $65.06.

As of January 26, 2024, there were 135,071,541 shares of KBR, Inc. Common Stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Proxy Statement for its 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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Glossary of Terms

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

Acronym	Definition
Affinity	Affinity Flying Training Services Ltd.
Aspire Defence	Aspire Defence Limited
AOCL	Accumulated other comprehensive loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BRIS	Brown & Root Industrial Services Joint Venture
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
EAC	Estimate at completion
EBITDA	Earnings before interest, taxes, depreciation and amortization
ERGs	Employee Resource Groups
ESPP	Employee Stock Purchase Plan
EVP	Employee Value Proposition
Exchange Act	Securities Exchange Act of 1934, as amended
E.U.	European Union
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCA	False Claims Act
FCPA	United States Foreign Corrupt Practices Act
FKTC	First Kuwaiti Trading Company
G&A	General and administrative
GAAP	Generally Accepted Accounting Principles
GS	Government Solutions
HETs	Heavy equipment transporters
HR	Human Resources
I&D	Inclusion & Diversity
IRS	Internal Revenue Service
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
MoD	Ministry of Defence
NCI	Noncontrolling interests
NYSE	The New York Stock Exchange
OAW	Operation Allies Welcome
PCAOB	Public Company Accounting Oversight Board
PFIs	Private financed initiatives and projects
PIC	Paid-in capital in excess of par

Acronym	Definition
PPE	Property, Plant and Equipment
RPA	Master Accounts Receivable Purchase Agreement
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
STS	Sustainable Technology Solutions
Tax Act	Tax Cuts and Jobs Act
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the United States
UKMFTS	U.K. Military Flying Training System
VIEs	Variable interest entities

Forward-Looking and Cautionary Statements

This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Some of the statements contained in this Annual Report on Form 10-K 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 under “Item 1A. Risk Factors” contained in Part I and other relevant sections of this Annual Report on Form 10-K.

Many of these factors are beyond our ability to control or predict. Any of the following factors, as well as the risks and uncertainties disclosed under “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K, and the risk factors and other cautionary statements contained in our other filings with the SEC, 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.

Summary Risk Factors

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. This summary should be read together with the more detailed description of each risk factor disclosed under "Item 1A. Risk Factors" contained in Part I of this Annual Report on Form 10-K.

Risks Related to Operations of Our Business

- Any loss, cancellation or delay in one or more projects by our significant customers in the future could negatively affect our financial performance.
- Our results of operations and cash flows depend on the award of new contracts and the timing of the performance of existing contracts.
- Ongoing international conflicts, and other geopolitical conditions, may adversely affect our business and results of operations.
- Global pandemics, epidemics, outbreaks of infectious diseases or public health crises have disrupted our business and could have a material adverse effect on our future results of operations and financial performance.
- If we are unable to enforce our intellectual property rights, our competitive position could be adversely impacted.
- We may not properly leverage or appropriately invest in technology advancements, which could result in the potential loss of market share and profits.
- If we are unable to attract and retain senior management and key technical professionals with elite skills and appropriate government qualifications, our ability to pursue and compete for projects to grow our business may be adversely affected.
- The nature of our business exposes us to potential liability claims and contract disputes that may exceed or be excluded from existing insurance coverage.
- Dependence on third-party subcontractors and equipment manufacturers could adversely affect our financial performance on contracts.
- We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.
- We conduct a portion of our operations through joint ventures and partnerships, which exposes us to risks and uncertainties, many of which are outside of our control.
- The nature of our contracts subjects us to risks associated with cost overruns, operating cost inflation and potential claims for liquidated damages.
- Our backlog of unfilled orders is subject to unexpected adjustments and cancellations.
- We have made and may continue to make business combinations, which may present certain risks and uncertainties.
- International and political events may adversely affect our operations.
- Internal or external cybersecurity or privacy breaches, or systems and information technology interruption or failure could adversely impact our ability to operate or expose us to significant financial losses and reputational harm.
- An impairment of all or part of our goodwill or our intangible assets could have a material adverse impact on our net earnings and net worth.
- Our actual results could differ from the estimates and assumptions used to prepare our financial statements.
- We ship a significant amount of cargo using seagoing vessels, exposing us to certain maritime risks.

Risks Related to Our Industry

- The U.S. government awards its contracts through a rigorous competitive process and our efforts to obtain future contracts may be unsuccessful.
- Our profitability and cash flow may vary based on the mix of our contracts and programs, our performance, and our ability to control costs.
- The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.
- Heightened competition could impact our ability to obtain contracts which could reduce our market share and profits.
- Our U.S. government contract work is regularly reviewed and audited and these reviews can lead to withholding or delay of payments to us and other remedies against us.
- Several of our contracts with the U.S. government are classified, which may limit investor insight into portions of our business.
- Demand for our services provided under government contracts are directly affected by spending by our customers.
- Fluctuations in commodity prices may affect our customers’ investment decisions and result in existing project cancellations or delays.

Risks Related to Financial Conditions and Markets

- Current or future economic conditions, including recession or inflation, in the credit markets may negatively affect the ability to operate our or our customers' businesses, finance working capital, implement our acquisition strategy and access our cash and short-term investments.
- We may be unable to obtain new contract awards if we are unable to provide our customers with letters of credit, surety bonds or other credit enhancements.
- Our Senior Credit Facility imposes restrictions that limit our operating flexibility and may result in additional expenses.
- Our indebtedness and the associated covenants could materially adversely affect our ability to obtain additional financing.
- We may be required to contribute additional cash to meet any unfunded benefit obligations associated with defined benefit plans we manage.
- We are subject to foreign currency exchange risks.

Risks Related to Our Common Stock

- If we need to sell or issue additional shares of common stock to refinance existing debt or to finance future acquisitions, our existing shareholder ownership could be diluted.
- Provisions in our charter documents, Delaware law and our Senior Credit Facility may inhibit a takeover or impact operational control that could adversely affect the value of our common stock.
- We may change our dividend policy in the future.

Risks Related to Regulations and Compliance

- We could be adversely impacted if we fail to comply with international export and domestic laws.
- We are subject to anti-bribery laws in the U.S. and other jurisdictions, violations of which could result in suspension or debarment of our ability to contract with governments.
- Certain of our work sites are inherently dangerous and we are subject to various environmental and worker health and safety laws and regulations.
- Our effective tax rate and tax positions may vary.

Risks Related to Climate Change

- There is a rapidly evolving awareness and focus from stakeholders with respect to global climate change and the related emphasis on environmental, social and governance practices, which could affect our business.
- Climate change and related environmental issues could have a material adverse impact on our business, financial condition and results of operations.
- We may be unable to achieve our sustainability commitments and targets which could result in the loss of investors and customers and damage to our reputation.

PART I

Item 1. Business

Company Overview

KBR, Inc., a Delaware corporation ("KBR" or, the "Company"), 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.

Our Business

Our people leverage dynamic teams that combine deep mission understanding, market-leading technical expertise and an unwavering operational focus to deliver solutions to solve our clients' most complex issues. In 2023, KBR's operating model continued to shift toward agile, technology-driven, solutions-oriented delivery and was streamlined to increase strategic focus to move upmarket into differentiated areas that we believe will provide attractive returns and consistent growth with favorable cash conversion.

Our key areas of strategic focus are as follows:

- **Government.** KBR delivers 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., the U.K. and Australia under long-term programs with key technical, scientific or mission-specific differentiation. KBR's services cover the full spectrum spanning research and development, advanced prototyping, acquisition support, systems engineering, systems assurance and technology, C5ISR, cyber analytics, space domain awareness, test and evaluation, systems integration and program management, global supply chain management, digital transformation and operations readiness and support. 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, other U.K. Crown Services; the Royal Australian Air Force, Navy and Army; and other national governments. Areas of long-term strategic focus include defense modernization, space superiority and health and human performance.
- **Sustainable Technology.** Consistent with our corporate focus towards sustainability, KBR continues to develop and prioritize investment in commercial process technologies that are innovative, proprietary and sustainability-focused. We market high-end advisory and consulting services 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; and digitally-enabled operating and monitoring solutions. Key customers include commercial and industrial companies. Areas of long-term

strategic focus include sustainable technology solutions, energy transition, energy security and technology-led asset optimization.

Competitive Advantages

We operate in global markets with customers who demand innovation, technical and domain expertise and digitally-enabled, technology-led sustainable solutions. We seek to differentiate ourselves in areas in which we believe we have a competitive advantage, including:

- **People**
    - Distinctive, mission-focused and inclusive team ethos and culture, which we refer to as “One KBR”.
    - Deep domain expertise resident across nationally recognized subject matter experts.
    - Employee base that includes individuals with high-level security clearance.

- **Sustainability Leadership**
    - Our Zero Harm philosophy includes ten key areas of sustainability focus across our company and correspond with the United Nations’ (U.N.) Sustainable Development Goals (SDGs).
    - As signatories to the U.N. Global Compact, we align our business with the U.N. SDGs that serve as a benchmark for accomplishing our sustainability goals.
    - We have a dedicated Global Sustainability Committee made up of leaders from across key corporate and business functions, and the Chair of that Committee reports quarterly to the Board.
    - Achieved carbon neutrality from 2019 and established a 2030 operational net-zero carbon ambition.
    - Based on our Science Based Targets Initiative commitments, we have set preliminary reduction targets in line with a 1.5 degree Celsius ambition. These targets include a 25% reduction in business travel, renewable energy agreements and certifications and increasing our green fleets.
    - We have a dedicated Net Zero Roadmap project team working with each section of the business to measure and monitor GHG emissions for developing discrete and tailored reduction programs, alongside the corporate level reduction plans and targets.
    - As an industry leader, we have and will continue to invest in the development of disruptive, innovative clean energy solutions that promote a cleaner, greener future and a sustainable world.
    - World leader in ammonia technology, a leading hydrogen energy enabler, with a fully developed, proprietary, end-to-end green ammonia solution K-GreenNTM.
    - Exclusive licensor of Hydro-PRTTM, a cutting-edge, scalable technology that utilizes supercritical steam to convert a wide range of single-use and other plastics into virgin-grade feedstocks used to produce new plastics, delivering a truly circular economy.
    - Safe and responsible operations are essential, and our Zero Harm culture prioritizes the safety and security of our people as well as the active management of our environmental impact.

- **Technical Excellence and Digital Solutions**
    - Innovative, sustainable, proprietary process technology, expertise and solutions.
    - Innovative digital solutions and advanced capabilities to improve operations, reliability and environmental impact, including machine learning and artificial intelligence.
    - Virtual and augmented reality visualizations to provide greater perspectives, insights and training in a controlled environment.

- **Customer Relationships**
    - Customer missions and objectives are placed at the center of our planning and delivery model.
    - Decades of enduring relationships with government and commercial client base.

- **Financial Strength**
    - Diverse portfolio of multi-year, mission critical programs creating stability and resilience.
    - Low capital intensity business model generating favorable operating cash flows.
    - Strong liquidity with ample capacity for growth.

Our Business Segments

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. Our business is organized into two core business segments and one non-core business segment as follows:

Core business segments

- Government Solutions
- Sustainable Technology Solutions

Non-core business segment

- Other

Our business segments are 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 80 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.

Significant Customers

We provide services to a diverse customer base, including domestic and foreign governments and commercial and industrial companies.

We generate significant revenues within our GS business segment from key U.S. government customers including U.S. DoD and NASA, and from the U.K government. No other customers represented 10% or more of consolidated revenues in any of the periods presented. The following table summarizes our revenues from contracts with U.S. and U.K. government agencies for which we are the prime contractor, as well as for those contracts in which we are a subcontractor and the ultimate customer is a U.S. or U.K. government agency, respectively.

Revenues and percentage of consolidated revenues from major customers:

	Years ended,					
	December 29,		December 31,		December 31,	
Dollars in millions	2023		2022		2021	
U.S. government	$ 4,000	58 %	$ 4,034	61 %	$ 5,122	70 %
U.K. government	$ 634	9 %	$ 584	9 %	$ 508	7 %

Information relating to our customer concentration is described in “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K. Also, see further explanations in Note 1 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

Significant Joint Ventures and Alliances

We enter into joint ventures and alliances with other reputable industry participants to capitalize on the strengths of each party, provide greater flexibility in delivering our services based on expertise, cost and geographical efficiency, increase the number of opportunities that can be pursued, reduce exposure and diversify risk. Our significant joint ventures and alliances are described below. All joint venture ownership percentages presented are stated as of December 29, 2023.

Aspire Defence Limited, a joint venture owned by KBR and two financial investors, provides a range of facilities life cycle management services at the British Army’s garrisons at Aldershot and across the Salisbury Plain in the U.K. KBR owns 45% of Aspire Defence Limited that is reported within our GS business segment using the equity method of accounting.

In 2016, we established the Affinity joint venture with Elbit Systems Ltd. to procure, operate and maintain aircraft and aircraft-related assets over an 18-year contract period, in support of the UKMFTS project. KBR owns a 50% interest in Affinity. In addition, KBR owns a 50% interest in the two joint ventures, Affinity Capital Works and Affinity Flying Services, which provide procurement, operations and management support services under subcontracts with Affinity. The investments are accounted for within our GS business segment using the equity method of accounting.

Brown & Root Industrial Services is a joint venture with Bernhard Capital Partners and offers maintenance services, turnarounds and small capital projects, primarily in North America, in which we own 50% equity interest. The investment is accounted for within our STS business segment using the equity method of accounting.

JKC Australia LNG is a joint venture contracted to perform the engineering, procurement, supply, construction and commissioning of onshore LNG facilities for a client in Darwin, Australia. The project is being executed through two entities (collectively, "JKC"), which are VIEs, in which we own a 30% equity interest. The investment is accounted for within our STS business segment using the equity method of accounting.

KZJV is a joint venture with Zachary Group that performs certain design, engineering, procurement and construction-related services for a LNG facility in Plaquemines Parish, Louisiana. KBR owns a 45% interest in KZJV, which is a VIE. The investment is accounted for within our STS business segment using the equity method of accounting.

HomeSafe, a KBR led joint venture with Tier One Relocation, was established to be the exclusive provider of household goods move management services for the U.S. Armed Forces, U.S. DoD civilians and their families. KBR owns a 72% interest in HomeSafe. The joint venture is a VIE that is consolidated for financial reporting purposes and is accounted for within our GS business segment.

Additional information relating to our joint ventures is described in Part II of this Annual Report on Form 10-K in Note 9 to our consolidated financial statements.

Backlog of Unfulfilled Orders

Backlog is our estimate of the U.S. dollar amount of future revenues we expect to realize as a result of performing work on awarded contracts. For projects within our unconsolidated joint ventures, we have included our percentage ownership of the joint venture’s estimated revenues in backlog to provide an indication of future work to be performed. The future revenues we expect to realize as a result of backlog were $17.3 billion and $15.6 billion as of December 29, 2023 and December 31, 2022, respectively, with approximately 24% and 25%, respectively, related to work being executed by joint ventures accounted for using the equity method of accounting. We estimate as of December 29, 2023, 30% of our backlog will be recognized as revenues or equity in earnings of unconsolidated affiliates within fiscal year 2024. For additional information regarding backlog, see our discussion within “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Part II of this Annual Report on Form 10-K.

Government Contracts and Regulations

Our business is heavily regulated. We contract with numerous U.S. government agencies and entities, principally the U.S. DoD and NASA. When working with these and other U.S. government agencies and entities, we must comply with various laws and regulations relating to the formation, administration and performance of contracts. U.S. government contracts are generally subject to the FAR, which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government, other agency-specific regulations that implement or supplement the FAR, such as the DoD FAR Supplement ("DFARS") and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment and audit requirements. Among other things, these laws and regulations:

- require certification and disclosure of all cost and pricing data in connection with certain contract negotiations;
- define allowable and unallowable costs and otherwise govern our right to reimbursement under various cost-type U.S. government contracts;
- require compliance with CAS;
- require reviews by the DCAA, DCMA and other regulatory agencies for compliance with a contractor’s business systems;
- restrict the use and dissemination of and require the protection of unclassified contract-related information and information classified for national security purposes and the export of certain products and technical data; and
- prohibit competing for work if an actual or potential organizational conflict of interest, as defined by these laws and regulations, related to such work exists and/or cannot be appropriately mitigated, neutralized or avoided.

Our GS business segment primarily performs work under cost-reimbursable contracts in the U.S. with the DoD and other U.S. governmental agencies. If the U.S. government concludes costs charged to a contract are not reimbursable under the terms of the contract or applicable procurement regulations, these costs are disallowed or, if already reimbursed, we may be required to refund the reimbursed amounts to the customer. Such conditions may also include interest and other financial penalties. If performance issues arise under any of our government contracts, the customer retains the right to pursue remedies, which could include termination under any affected contract. Generally, our customers have the contractual right to terminate or reduce the amount of work under our contracts at any time. For more information, see “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K.

Our GS business segment also participates in PFI contracts, such as the Aspire Defence and UKMFTS projects. PFIs are long-term contracts that outsource the responsibility for the construction, procurement, financing, operation and maintenance of government-owned assets to the private sector. These contracts may contain both fixed-price and cost-reimbursable elements. The PFI projects in which KBR participates are all located in the U.K. with contractual terms ranging from 15 to 35 years and involve the provision of services to various types of assets ranging from acquisition and maintenance of major military equipment and housing to transportation infrastructure. Under most of these PFI contracts, the primary deliverables of the contracting entity are the initial construction or procurement of assets for the customer and the subsequent provision of lifecycle management services for the life of such assets. The amount of renumeration from the customer to the contracting entity is negotiated on each contract and varies depending on the specific terms for each PFI.

Contract Types

The Company performs work under contracts that broadly consist of fixed-price, cost-reimbursable, time-and-materials or a combination of the three.

Under fixed-price contracts, we perform a defined scope of work for a specified fee to cover all costs and any profit element. Fixed-price contracts entail risk to us because they require us to predetermine the work to be performed, the project execution schedule and all the costs associated with the scope of work. Additionally, unit-rate contracts are essentially fixed-price contracts with the only variable being units of work to be performed. Further, our fixed-price contracts may include cost escalation and other features that allow for increases in price should certain events occur or conditions change. Fixed-price contracts are typically subject to change orders if the scope of work changes or unforeseen conditions arise resulting in adjustments to the fixed price. Although fixed-price contracts involve greater risk than cost-reimbursable contracts, they also are potentially more profitable because the owner/customer pays a premium to transfer project risks to us.

Time-and-materials contracts typically provide for negotiated fixed hourly rates for specified categories of direct labor. The rates cover the cost of direct labor, indirect expense and fee. These contracts can also allow for reimbursement of cost of material plus a fee, if applicable. In U.S. government contracting, this type of contract is generally used when there is uncertainty of the extent or duration of the work to be performed by the contractor at the time of contract award or it is not possible to anticipate costs with any reasonable degree of confidence. With respect to time-and-materials contracts, we assume the price risk because our costs of performance may exceed negotiated hourly rates. In commercial and non-U.S. government contracting, this contract is generally used for defined and non-defined scope contracts where there is a higher degree of uncertainty and risks as to the scope of work. These types of contracts may also provide for a guaranteed maximum price where the total cost plus the fee cannot exceed an agreed upon guaranteed maximum price or not-to-exceed provisions.

Under cost-reimbursable contracts, the price is generally variable based upon our actual allowable costs incurred for materials, equipment, reimbursable labor hours, overhead and G&A expenses. Profit on cost-reimbursable contracts may be in the form of a fixed fee or a mark-up applied to costs incurred, or a combination of the two. The fee may also be an incentive fee based on performance indicators, milestones or targets and can be based on customer discretion or in the form of an award fee determined based on customer evaluation of the Company's performance against contractual criteria. Cost-reimbursable contracts may also provide for a guaranteed maximum price where the total fee plus the total cost cannot exceed an agreed upon guaranteed maximum price. Cost-reimbursable contracts are generally less risky because the owner/customer retains many of the project risks, however it generally requires us to use our best efforts to accomplish the scope of the work within a specified time and budget. Cost-reimbursable contracts with the U.S. government are generally subject to the FAR and are competitively priced based on estimated or actual costs of providing the contractual goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer.

Raw Materials and Suppliers

Equipment and materials essential to our business are obtained from a variety of global sources. The principal equipment and materials we use in our business are subject to availability and price fluctuations due to customer demand, producer capacity and market conditions. We monitor the availability and price of equipment and materials on a regular basis. Our procurement function seeks to leverage our size and buying power to ensure that we have access to key equipment and materials at low prices and ideal delivery schedules. While political and economic conditions and regional conflict and war have resulted in significant supply chain disruptions and inflation globally and within the United States that are still ongoing, we have not experienced, and do not anticipate experiencing, any significant procurement difficulties, as we purchase our required materials and equipment from a variety of sources. However, a number of factors that we may not be able to predict or control could result in increased costs for materials as well as global trade relationships, regional conflict and wars and other general market and political conditions. These potential increased costs could reduce profitability on our contracts, particularly those that are fixed price. See “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K for more information.

Intellectual Property

The use of intellectual property generally benefits our STS business segment. We have developed, acquired or otherwise have the right to license leading technologies, including technologies held under license from third parties, used for the production of a variety of petrochemicals and in the areas of olefins, refining, fertilizers, coal gasification, semi-submersibles and specialty chemicals. We also license a variety of technologies for the transformation of raw materials into commodity chemicals such as phenol which is used in the production of consumer end products. In addition, we are a licensor of ammonia process technologies used in the conversion of natural gas to ammonia with a fully developed, proprietary, end-to-end green ammonia solution K-GreeN™. We are the exclusive licensor of Hydro-PRT™, a cutting-edge, scalable technology that utilizes supercritical steam to convert a wide range of single-use and other plastics into commercial raw materials used to produce new plastics. In 2023, we launched our Sustainable Aviation Fuel technology to extend our decarbonization efforts into the aviation sector. We also offer technologies for crystallization and evaporation, concentration and purification of strong inorganic acids. We believe our technology portfolio and experience in the commercial application of these technologies and our related know-how differentiates us, enables our sustainability strategy and enhances our margins.

Our rights to make use of technologies licensed to us are governed by written agreements of varying durations, including some with fixed terms that are subject to renewal based on mutual agreement. Generally, each agreement may be further extended and we have historically been able to renew existing agreements before they expire. We expect these and other similar agreements to be extended so long as it is mutually advantageous to both parties at the time of renewal. For technologies we own, we protect our rights, know-how and trade secrets through patents and confidentiality agreements.

Seasonality

Our operations are not generally affected by seasonality. However, various factors can affect the distribution of our sales between accounting periods, including the timing of government awards, the availability of government funding, product deliveries and customer acceptance. Additionally, weather and natural phenomena can temporarily affect the performance of our services.

Environmental Regulation

Our business involves design, management, operations and maintenance at various project sites throughout the world, which may be in and around sensitive environmental areas, such as rivers, lakes and wetlands. Our operations may require us to manage, handle, transport and dispose of toxic or hazardous substances, which are subject to stringent and complex laws relating to environmental protection.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental and worker health and safety laws and regulations, and some laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable national and state laws that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire clean-up costs on owners, operators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other environmental laws applicable to our and customers' operations affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Water Act, the Occupational Safety and Health Act and the Toxic Substances Control Act as well as other comparable foreign and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances or a failure to comply with any applicable environmental and worker health and safety laws and regulations could result in substantial costs to us, including cleanup costs, fines, civil or criminal sanctions, third-party claims for property damage, personal injury or cessation of remediation activities.

Additional information relating to environmental regulations is described in "Item 1A. Risk Factors" contained in Part I of this Annual Report on Form 10-K and in Note 13 to our consolidated financial statements.

Human Capital Management

Every day, the people of KBR help solve some of the world’s most challenging scientific, technological and engineering problems. From our promising new interns to world-renowned experts, this diverse Team of Teams delivers for our customers, so in turn, we put them first. At the end of 2023, we employed approximately 34,000 people performing diverse, complex and mission critical roles in over 30 countries. In addition, our unconsolidated joint ventures employ approximately 9,000 employees.

Our Employee Value Proposition ("EVP") is the unique set of experiences and offerings that help differentiate KBR from other competitors for our employees’ time and talents and describes in practical terms how we put our people first.

Purpose & Values

At the center of our EVP is Purpose, because at KBR, we do work that matters, helping to solve the great challenges of our time while striving to create a better, safer, more sustainable world. Our vision is to bring together the best and brightest employees to deliver technology and solutions that help our customers accomplish their most critical missions and objectives, and this important work enables us to attract and retain some of the world’s best talent, who thrive in this purposeful environment.

Our Values unite us across our diverse global cultures, guiding our behavior and decision making throughout KBR. We have embedded our values in our business processes, established them as a foundation for our learning and development activities and regularly celebrate employees who epitomize our values-led behavior. Our employees have told us that their experience is aligned to our values even in the ‘new normal’ of a hybrid and flexible working environment.

While our One KBR Values unite us, as a global business operating in distinct markets and environments, we recognize and respect that our cultures are different. Acknowledging this diversity, our sustainability culture weaves a golden thread through KBR. Our employees take enormous pride in being part of an organization with a philosophical, practical and proven commitment to Zero Harm.

Health and Safety

We are subject to numerous worker health and safety laws and regulations. Our commitment to the health and safety of each employee as well as anyone we work with is the foundation of our Zero Harm culture. We know that our employees’ willingness to implement each commitment into their daily work tasks is vital to our operations and has contributed to our strong safety performance among our customers, partners and peers.

The six core processes that comprise our Transactional Health, Safety, Security, Environmental ("HSSE") Management that lead to Transformational Leadership are non-negotiable KBR safety standards that are required to be observed and followed by employees and contractors at all locations and projects. By requiring all of our employees to personally internalize and adhere to these standards, we aim to safeguard our individual health and safety and the well-being of all those around us.

We believe that KBR has provided the tools and processes our people need to achieve the mindset of 24/7 Zero Harm. One process known as the Courage to Care Conversation is instrumental in developing a continual awareness of unsafe acts through observation, intervention and conversation. A web-application to log conversations was created in-house and is available to all KBR employees. The goal of the Courage to Care Conversation is to continuously evaluate the work environment and to focus on people and their actions.

Thanks to our people's commitment to our Zero Harm culture, we recorded another consecutive year of industry-leading HSSE performance, with a total recordable incident rate of 0.067.

Our Journey to Zero Harm has allowed us to create a company culture where safe execution is non-negotiable and people take responsibility and accountability. When it comes to safety, we strive for one number: Zero.

Ethics and Compliance

KBR's ethics and our Code of Business Conduct (the “Code”) are rooted in our values and provide the standards and support to help us successfully navigate issues, make the right decisions, and conduct our business with the integrity that reflects our heritage and ethical reputation. Additionally, our Code is essential to how we as a Team of Teams interact with the world around us and to our success.

We believe that an ethical culture, where employees are treated fairly, respectfully and without favoritism, is key to employee satisfaction and retention. We promote a speak-up culture where employees are comfortable with making reports of possible unethical behavior and workplace issues. The Business Integrity Team has implemented a Question Manager as part of our Ethics Hotline for employees to receive advice, confidentially or anonymously, on ethical or other inquiries. Employees speaking up and reporting issues enable us to address and remediate these issues early and effectively while instilling confidence that employee concerns are heard and addressed. The recent People Perspective Survey indicates that a majority of our employees feel safe to report misconduct and reflects our dedication to an ethical culture.

Retaliation undermines a speak-up culture and is not tolerated. Our Code sets forth our anti-retaliation commitment, which is reinforced in our communications and our annual Ethics training. To further convey to the workforce that reports of unethical behavior are investigated and remediated, the Ethics training incorporates examples of past misconduct incidents.

Career

As well as providing meaningful work from Day 1, our employees and job applicants are attracted to KBR because of the opportunity to develop personally and reach their full potential. Providing the opportunity to ‘Grow’ at KBR is a key component in our EVP. We have a good reputation among our employees for providing growth opportunities and have continued to focus on enhancing these growth prospects in a number of ways throughout 2023 with the introduction of internal career fairs and expansion of global career opportunities. In addition, we invest in training our employees across a range of topics that align with and enhance our values, including programs that focus on leadership, I&D, ethics and technical development.

Technical Professionals

For our Technical Talent, our One KBR Tech Fellows program provides funding and opportunities for these world-leading scientists and technical professionals to conduct advanced research into topics ranging from carbon capture to machine learning. Our Fellows also provide valuable input into strategy development, business development and talent development within KBR. KBR Communities of Interest ("COIs") are collaborative, virtual forums for subject matter experts and those who support them. Our COIs continue to evolve, ensuring that subject matter experts across the globe can connect and collaborate on Data Science & Analytics, Digital Engineering, Cloud, Cyber and other technical specialties that inform our customers’ and society’s greatest challenges today.

Leadership

Our flagship leadership program, the Global Leadership Development Program, is designed to expand the capabilities of future executives. As well as developing strategic thinking through research projects ranging from sustainability investments to digital supply chain solutions, these leaders attended intense learning events focused on executive skills and leading courageously and with integrity. We also strengthen our future leadership by running regular Manager Excellence Programs, and in 2023, we launched our Front Line Leaders Program globally, to support employees newly transitioning into these critical roles.

Talent Development & Succession Planning

In 2023, we continued to expand the scope of our Talent Calibration conversations, covering over 4,100 KBR employees in this rigorous assessment of performance and potential. As well as providing organization-wide talent trends and data, these conversations lead to individual career plans and added rigor to our succession plans. The Board Nominations & Corporate Governance Committee received regular updates on this process throughout the year, culminating in detailed discussions on updated succession plans for the CEO and Executive Leadership Team.

Performance Management

2023 also saw the expansion of our new agile approach to performance management, focused on forward-looking discussions on performance and priorities between managers and their team members. Our employee survey showed that this modern, real-time performance management approach was welcomed by a majority of participants, helping us retain critical talent, so in 2023 we adopted Agile Performance & Development across KBR.

Inclusion & Diversity

At KBR, we aim to become a magnet for diverse talent, known for a culture of belonging and equality. Our commitment to Inclusion & Diversity ("I&D") helps us innovate, helps our global Team of Teams perform and helps create an environment where everyone can belong. We believe we have made significant progress over many years and our progress is acknowledged by our employees. Their continued efforts help us to further build our reputation as a leader in this space, as exemplified by our maintaining a ranking on Forbes's World's Top Companies for Women list in 2023.

To help us continue our progress in I&D, we review trends and patterns using anonymized employee demographics to ensure we are providing equality of opportunity for all. We expanded our data capture further in 2023, encompassing veteran status and sexual orientation in relevant markets. Having this data helps us monitor our I&D progress, however, we respect our employees' right to privacy. We maintain strict confidentiality for all those who voluntarily disclose and provide opt-out options for those who prefer not to disclose their personal information.

As of December 29, 2023, where permitted by law, our employees voluntarily self-disclosed the following gender and race/ethnicity demographics:

	December 29, 2023
White	47.8 %
Asian	22.8 %
Black	8.1 %
Hispanic/Latino	6.1 %
Prefer not to answer	5.7 %
Not disclosed	5.3 %
Other Ethic Group	2.2 %
Multiracial	2.0 %

	December 29, 2023
Men	73.9 %
Women	25.7 %
Not Disclosed	0.2 %
Prefer not to answer	0.1 %
Other Gender Identity/Non-binary	0.1 %

Our Board of Directors is 33% female and 22% ethnic or racial minority. Our Executive Leadership Team ("ELT") is 22% female and 11% ethnic or racial minority.

In 2023, our I&D Council researched best practices for STEM outreach, communications, manager support, and inclusion for all. In 2024, we plan to incorporate their recommendations into our global plans as well as the local I&D Improvement Plans for every business and function.

Employee Engagement

Our annual employee survey measures our progress through the eyes of our people. We partner with Great Place to Work to conduct the survey on our behalf, enabling us to provide the survey in multiple languages and benchmark how we perform compared to other similar organizations. A significant majority of our employees who responded to the survey reported that they believe KBR is a Great Place to Work, resulting in KBR being certified as a Great Place to Work in several countries, including the U.S., U.K., Australia and India.

We continue to make improvements in a number of survey focus areas, including:

- Benefits – we improved our employee benefits offerings in 2023, such as the introduction of Next Gen Flex Work, which allows employees in eligible countries to work up to four weeks each year in a different location and provides an opportunity for sabbatical leave, as well as the expansion of our Employee Stock Purchase Plan to new markets. These changes and improved communications resulted in an increase in employees' positive perception of our benefits.
- Celebrations – with the introduction of One KBR Values Awards, expansion of celebratory events across different business areas and a deliberate focus on connections through our EVP, we were pleased to see survey responses improve positively for celebrating special events and for providing opportunities for special recognition. For example, in 2023 we held our first KBR Global Hackathon, which connected hundreds of employees to develop innovative solutions to challenges related to digitalization, sustainability and branding. We celebrated the achievements of the top teams in six regions, and each region's overall winners attended the final in Abu Dhabi, during which the ELT selected the global winners. In 2024, this team will travel around the world with KBR, further building connections across business and geographic boundaries.

With over 16,000 employee responses, the data from our survey was reviewed in detail by different team leaders and across different business areas, resulting in tailored action plans that are already being executed across KBR.

Employee Resource Groups

Our employees are encouraged to create and join multiple employee resource groups ("ERGs") where they can continue to develop cultural competence across various categories of diversity, enhance their personal networks, develop leadership skills and actively contribute to workplace culture. In 2023, we continued to provide technical and professional development, networking and community outreach opportunities through IMPACT, our long-standing ERG for early career professionals. We also have OK NoW, focused on Mental Health & Fitness, and a range of I&D-focused ERGs, which come together to collaborate in the All-In Community. With events ranging from book clubs and picnics to discussions on pay equity and mindfulness, the ERGs create a vibrant community for networking, advocacy and education across KBR. We also support and partner with charitable organizations through our ERGs.

Total Reward

Competition for talent continued to be fierce in 2023, compounded by high levels of inflation in the general economy. Recognizing the impact of the fluid economic environment on our employees, at the beginning of the year, we committed to carrying out an additional mid-year salary review. By staying current with pay trends and partnering with our customers, we applied an additional increase in compensation mid-year for select employees across various levels in the organization. Throughout 2023, we introduced improved benefits packages for many employees as described above, and we continue to benchmark benefits in local markets and expand our offerings to help us attract and retain the best and brightest talent.

Talent Acquisition

While the different components of our EVP outlined above help us attract and retain some of the best talent in KBR, we recognize that the ‘war for talent’ demands continued innovation and improvement in Talent Acquisition. In 2023, we continued to raise KBR’s brand awareness while providing an attractive and streamlined candidate journey to ensure we have the right people in the right place at the right time. We appointed a global leader for talent acquisition, helping bring together our community of recruiters to identify and institute best practices from sourcing to onboarding.

During 2023, we also embedded our Candidate Relationship Management platform that is integrated with our HR system. This platform uses artificial intelligence to promote suitable career opportunities to candidates, helps implement ongoing marketing campaigns and enables recruiters to focus on attracting and securing talent rather than dedicating time and resources to administrative matters.

As a result of this innovation and team effort, we hired over 7,900 employees in 2023, supporting our ability to deliver excellent solutions for our customers and meet our strategic growth targets. Of the new hires, 25% are female and 54% are an ethnic or racial minority.

Website Access

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our website at www.kbr.com as soon as reasonably practicable after we have electronically filed the material with, or furnished it to, the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers like us that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

Risks Related to Operations of Our Business

A significant portion of our revenues is generated by large, recurring business from certain significant customers, including the U.S. government. Any loss, cancellation or delay in one or more projects by our significant customers in the future could negatively affect our financial performance.

A considerable percentage of our revenues, particularly in our GS business segment, is generated from transactions with certain significant customers. Revenues from the U.S. government represented 58% of our total consolidated revenues for the year ended December 29, 2023. Budget uncertainty, the potential for U.S. government shutdowns, the use of continuing resolutions and the federal debt ceiling can adversely affect our industry and the funding for our contracts. If appropriations are delayed or a government shutdown were to occur and were to continue for an extended period of time, we could be at risk of contract cancellations and other disruptions and nonpayment. When the U.S. government operates under a continuing resolution, new contract starts are restricted and funding for our programs may be unavailable, reduced or delayed. Shifting funding priorities or federal budget compromises, also could result in reductions in overall defense spending on an absolute or inflation-adjusted basis, which could adversely impact our business.

Our results of operations and cash flows depend on the award of new contracts and the timing of the performance of existing contracts.

Our revenues are directly and indirectly derived from contract awards. Reductions in the number and amounts of new awards, delays in the timing of anticipated awards or potential cancellations of such prospects as a result of economic conditions, material and equipment pricing and availability or other factors could adversely impact our long-term projected results. It is particularly difficult to predict whether or when we will receive large-scale international and domestic projects as these contracts usually involve a lengthy and complex bidding and selection process. This process can be affected by a number of factors, including market conditions and governmental and environmental approvals, and in some cases, the customer's ability to secure the necessary financing for a project to proceed. As a portion of our revenues is generated from such projects, our results of operations and cash flows can fluctuate significantly from quarter to quarter depending on the timing of our contract awards and the commencement or progress of work under awarded contracts. The uncertainty of our contract award timing can also present difficulties in matching workforce size with contract needs. In some cases, we maintain and bear the cost of a ready workforce that is larger than necessary under existing contracts in expectation of future workforce needs for anticipated contract awards. If an anticipated contract award is delayed or not received, we may incur additional costs resulting from reductions in staff or redundancy of facilities that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Following contract award, we may also encounter significant expense, delay, contract modifications or even contract loss. Additionally, certain contract awards (including the performance of such awards) have been and may in the future be contested and/or otherwise involved in ongoing legal proceedings, inquiries or other similar developments outside of our control, which may result in significant delays in the project timeline or the wholesale cancellation or termination of a project. Any project delays, cancellations or contract modifications following the award of a contract could have a material adverse effect on our business, financial condition, results of operations, backlog, revenue recognition timing and cash flows.

Ongoing international conflicts, and other geopolitical conditions, may adversely affect our business and results of operations.

Political, economic and other conditions in foreign countries and regions, including geopolitical risks, such as the current conflict between Russia and Ukraine and political and economic instability and conflict in the Middle East, may adversely affect our business and operations as a portion of our revenue is derived from foreign operations. Additionally, the full scope, duration and broader implications of international conflicts, which may include additional international sanctions, embargoes, regional instability and geopolitical shifts; increased tensions between the United States and countries in which we operate; and the extent of the conflicts' effects on our business and results of operations as well as the global economy, cannot be predicted. Any alleged or actual failure to comply with any sanctions and trade control measures implemented in response to international conflicts may subject us to government scrutiny, civil and/or criminal proceedings, sanctions and other liabilities, which may have an adverse effect on our international operations, financial condition and results of operations.

To the extent current conflicts or other geopolitical conflicts adversely affect our business, they may also have the effect of heightening many of our other risks identified in this Annual Report on Form 10-K, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, the following:

- adverse effects on macroeconomic conditions, including inflation, demand for our products and potential recessionary economic conditions;
- increased cyber security threats;
- adverse changes in trade policies, taxes, government regulations and tariffs;
- our ability to obtain compensation for increased costs incurred related to rising costs of equipment, materials and labor on fixed-price contracts;
- our ability to implement and execute our business strategy;
- disruptions in global supply chains;
- our exposure to foreign currency fluctuations; and
- constraints, volatility or disruption in the capital markets.

Global pandemics, epidemics, outbreaks of infectious diseases or public health crises have disrupted our business and could have a material adverse effect on our future results of operations and financial performance.

The spread of COVID-19 and other pandemics, epidemics, outbreaks of infectious diseases or public health crises across the globe have disrupted, and may in the future disrupt our business, which could materially and adversely affect our financial condition, results of operations, cash flows and/or future expectations. Our business, operations and financial performance have been, and may continue to be affected by the still ongoing macroeconomic impacts resulting from the COVID-19 pandemic. As a result, our financial performance and growth rates may differ from pre-pandemic historical periods, and our future results may fall below expectations. Any health crisis may negatively affect worldwide economic and commercial activity, disrupt global supply chains and the labor market and create significant volatility and disruption of financial and commodity markets. The extent to which our business will continue to be affected and may in the future be affected by pandemics, infectious disease outbreaks and other public health crises depends on a number of factors outside of our control, including but not limited to the extent and duration of labor disruptions, business operations disruptions from quarantines, travel restrictions and other requirements imposed by regulators and health authorities, delays, modifications and terminations of contracts, supply chain disruptions, increased cybersecurity and data protection risks, increased costs of doing business and other macroeconomic disruptions.

If we are unable to enforce our intellectual property rights, or if our intellectual property rights are challenged or become obsolete, our competitive position could be adversely impacted.

We utilize a variety of intellectual property rights in providing services to our customers. We view our portfolio of process and design technologies as one of our competitive strengths and we use it as part of our efforts to differentiate our service offerings. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented, challenged or infringed upon. In addition, the laws of some foreign countries in which our services may be sold do not protect intellectual property rights to the same extent as the laws of the U.S. We also license technologies from third parties and there is a risk that our relationships with licensors may terminate, expire or be interrupted or harmed. If we are unable to protect and maintain our intellectual property rights, or if there are any successful intellectual property challenges or infringement proceedings against us, our ability to differentiate our service offerings could diminish. In addition, if our intellectual property rights or work processes become obsolete, we may not be able to differentiate our service offerings and some of our competitors may be able to offer more attractive services to our customers. We will also need to continue to respond to and anticipate changes resulting from disruptive technologies, including in areas of artificial intelligence and machine learning. If we are not successful in protecting and preserving our intellectual property rights and licenses, or in staying ahead of developing artificial intelligence and machine learning technologies and strategically incorporating them into our business, our business and financial performance could be materially and adversely affected.

We may not properly leverage or appropriately invest in technology advancements, which could diminish any sustainable competitive advantage in our service offerings resulting in the potential loss of market share and profits.

Our business is dependent on information technology as we operate in global markets with customers who demand innovation, technical and domain expertise and digitally-enabled, technology-led solutions. Robust information technology systems, platforms and products are integral in our efforts to differentiate our service offerings and maintain our competitive advantages. Disruptive technologies, including in areas of artificial intelligence and machine learning, are rapidly changing the environment in which we, our customers, and our competitors operate and could affect the nature of how we generate revenue. We will need to continue to respond to and anticipate these changes by enhancing our product and service offerings to maintain our competitive position.

It is strategically important that we lead the digital transformation occurring in our industry. However, we may not be successful in structuring our technology or developing, acquiring or implementing technology systems in ways that are competitive and responsive to the needs of our customers. We may lack sufficient resources to continue to make the significant technology investments to effectively compete with our competitors. Certain technology initiatives that management considers important to our long-term success will require capital investment, have significant risks associated with their execution and could take several years to implement. If we are unable to develop and implement these initiatives in a cost-effective, timely manner or at all, it could damage our relationships with our customers and negatively impact our financial condition and results of operations. There can be no assurance that others will not acquire similar or superior technologies sooner than we do or that we will acquire technologies on an exclusive basis or at a significant price advantage. If we do not accurately predict, prepare and respond to new technology innovations, market developments and changing customer needs, our revenues, profitability and long-term competitiveness could be materially adversely affected.

If we are unable to attract and retain senior management and key technical professionals with elite skills and appropriate government qualifications, our ability to pursue and compete for projects to grow our business may be adversely affected, our operating income may decrease and our reputation may be negatively impacted.

KBR's forward-looking strategy requires talent with dynamic and elite skills as KBR moves upmarket. Our rate of growth and the success of our business depend upon our ability to attract, develop, retain and replace key qualified technical and management professionals, either through direct hire, subcontracts or acquisition of other firms, who possess the elite skills to successfully deliver the solutions strategy. The market for these professionals is competitive in the sectors in which we compete, and we rely heavily upon the expertise and leadership of our professionals to perform, execute and complete projects as required by our clients.

We currently hold U.S. government-issued facility security clearances and a large number of our employees have qualified for and hold U.S. government-issued personal security clearances necessary to ultimately perform certain U.S. government contracts. Obtaining and maintaining security clearances for employees involves lengthy processes, and it is difficult to identify, recruit and retain employees who already hold security clearances. If our employees are unable to obtain or retain security clearances or if our employees who hold security clearances terminate employment with us and we are unable to find replacements with equivalent security clearances, we may be unable to perform our obligations to customers whose work requires cleared employees, or such customers could terminate their contracts or decide not to renew them upon their expiration. Our facility security clearances could be marked as "invalid" for several reasons including unapproved foreign ownership, control or influence, mishandling of classified materials or failure to properly report required activities. An inability to obtain or retain our facility security clearances or engage employees with the required security clearances for a particular contract could disqualify us from bidding for and winning new contracts with security requirements.

If we are unable to attract and retain a sufficient number of elite skilled professionals with appropriate government qualifications, our ability to pursue projects may be adversely affected, our operating income may decline, and our reputation may be damaged. Our future success depends on the continued services of our executive officers as well as our ability to effectively transition to their successors. Our inability to attract, develop and retain qualified employees that can succeed our executive officers could have a material adverse effect on our operating income and reputation.

The nature of our business exposes us to potential liability claims and contract disputes that may exceed or be excluded from existing insurance coverage.

We engage in activities for large facilities where design, construction or systems failures can result in substantial injury or damage to employees or other third parties or delays in completion or commencement of commercial operations, exposing us to legal proceedings, investigations and disputes. The nature of our business results in clients, subcontractors and vendors occasionally presenting claims against us for recovery of costs they incurred in excess of what they expected to incur or for which they believe they are not contractually liable. If it is determined that we have liability, we may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed our policy limits. Our professional liability coverage is on a “claims-made” basis covering only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles, which result in our assumption of exposure for a layer of coverage with respect to any such claims. Any liability not covered by our insurance, in excess of our insurance limits or if covered by insurance but subject to a high deductible, could result in a significant loss for us, which may reduce our profits and cash available for operations. Furthermore, there is risk of mass casualty or environmentally damaging events that may involve our and third-party personnel and property, which could lead to future claims and litigation, impact our reputation and investor confidence and ultimately result in reduced share price.

We occasionally bring claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as owner-caused delays or changes from the initial project scope that may result in additional direct and indirect costs. Often these claims can be the subject of lengthy negotiations, arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to recover on these types of claims fully or promptly could have a material adverse impact on our liquidity and financial results.

For example, we have a 30% ownership interest in JKC, which was contracted to perform the engineering, procurement, supply, construction and commissioning of onshore LNG facilities for a client in Darwin, Australia (the "Ichthys LNG Project"). Prior to completion, the project experienced significant cost increases associated with a variety of issues related to delays, changes in the scope of work and lower than expected subcontractor productivity. These issues resulted in significant unapproved change orders and claims against the client as well as estimated recoveries of claims against suppliers and subcontractors that have been included in the project estimates-at-completion. While JKC entered into binding settlement agreements that resolved the outstanding claims and disputes between JKC and its client, Ichthys LNG Pty, Ltd and JKC and its consortium of subcontractors, we were required to record significant non-cash charges to equity in earnings (losses) of unconsolidated affiliates in connection with these disputes.

Dependence on third-party subcontractors and equipment manufacturers could adversely affect our financial performance on contracts.

We rely on third-party subcontractors and equipment manufacturers in order to complete many of our projects. Certain subcontractors and suppliers, such as those used on our U.S. government contracts, are subject to the same rigorous government requirements that we are and if they are unable to comply with these requirements, in many cases, there are limited alternative subcontractors and suppliers available in the market, particularly those with the requisite security clearances. We sometimes have disputes with our contracting parties, including disputes regarding the cost, quality and timeliness of work performed or customer concerns about the other party's performance. We also have been and in the future could be adversely affected by actions or issues experienced by our contracting parties that are outside of our control, such as misconduct and reputational issues involving our contracting parties, which has and could in the future subject us to liability and reputational harm or adversely affect our ability to compete for contract awards. In addition, if any subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason including, but not limited to, the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed. Furthermore, if the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price contracts, we could experience losses in the performance of these contracts.

We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.

A significant portion of our revenues and profits are measured and recognized over time using the cost-to-cost method of revenue recognition. Our use of this accounting method results in recognition of revenues and profits over the life of a contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to estimated revenues and costs are recorded when the amounts are known or can be reasonably estimated. In addition, we record unapproved change orders and claims against clients as well as estimated recoveries of claims against suppliers and subcontractors that have been included in the estimated profit at completion for certain projects. Revisions to these estimates could occur in any period and their effects could be material. The uncertainties inherent in estimating the progress towards completion or the recoverability of claims of long-term contracts make it possible for actual revenues and costs to vary materially from our estimates, including reductions or reversals of previously recorded revenues and profits.

We conduct a portion of our operations through joint ventures and partnerships, exposing us to risks and uncertainties, many of which are outside of our control.

We conduct a portion of our operations through project-specific joint ventures where control may be shared with unaffiliated third parties or control may be held by the unaffiliated third parties. These projects include the facilitation of nonrecourse financing, the design and construction of facilities, the provision of operation and maintenance services and warranty obligations for an agreed-upon period after the facilities have been completed. If a project is unable to obtain financing, we could incur losses on our investments and any related contractual receivables. As with any joint venture arrangement, differences in views among the joint venture partners may result in delayed decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including failure to comply with applicable laws or regulations, nonperformance and default or bankruptcy of our joint venture partners. Also, we often share liabilities on a joint and several basis with our joint venture partners under these arrangements. If our partners do not meet their contractual obligations, the joint venture may be unable to adequately perform and deliver its contracted services, requiring us to make additional investments or perform additional services to ensure the adequate performance and delivery of services to the customer, which could ultimately result in litigation. We could be liable for both our obligations and those of our partners, which may result in reduced profits, significant losses on the project and a negative impact to our cash flows. Additionally, these factors could have a material adverse effect on the business operations of the joint venture and, in turn, our business operations and reputation.

Operating through joint ventures in which we have a minority interest could result in us having limited control over many decisions made with respect to projects and internal controls relating to projects. These joint ventures may not be subject to the same requirements regarding internal controls that are applicable to us. As a result, internal control issues may arise, which could have a material adverse effect on our financial condition and results of operations.

The nature of our contracts, particularly those that are fixed-price, subjects us to risks associated with cost overruns, operating cost inflation and potential claims for liquidated damages.

We conduct our business under various types of contracts where costs must be estimated in advance of our performance. A portion of the value of our current backlog is attributable to fixed-price contracts where we bear a significant portion of the risk of cost overruns. These types of contracts are priced, in part, on cost and scheduling estimates that are based on assumptions including pricing and availability of experienced labor, equipment and materials as well as productivity, performance and future economic conditions. If these estimates prove inaccurate, if there are errors or ambiguities as to contract specifications or if circumstances change due to, among other things, the recent rise in interest rates, continued inflation, supply-chain disruptions, unanticipated technical problems, poor project execution, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, increased costs of equipment and materials from inflation or other factors or our suppliers' or subcontractors' inability to perform, then cost overruns may occur. We may not be able to obtain compensation for additional work performed or expenses incurred. Additionally, we have in the past and may in the future be required to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts. Our failure to accurately estimate the resources and time required for fixed-price contracts or our failure to complete our contractual obligations within a specified time frame or cost estimate could result in reduced profits or, in certain cases, a loss for that contract. If the contract is significant, or we encounter issues that impact multiple contracts, cost overruns could have a material adverse effect on our business, financial condition and results of operations.

Our backlog of unfilled orders is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of our future revenues or earnings.

As of December 29, 2023, the future revenues we expect to realize as a result of backlog was approximately $17.3 billion. We cannot guarantee that the revenues projected in our backlog will be realized or that the projects will be profitable. Many of our contracts are subject to cancellation, termination or suspension at the discretion of the customer. From time to time, changes in project scope may occur with respect to contracts reflected in our backlog and could reduce the dollar amount of our backlog or the timing of the revenues and profits that we ultimately earn. Projects may remain in our backlog for an extended period of time because of the nature of the project and the timing of the particular services or equipment required by the project. Delays, suspensions, cancellations, payment defaults, scope changes and poor project execution could materially reduce or eliminate profits that we actually realize from projects in backlog. We cannot predict the impact that future economic conditions may have on our backlog, which could include a diminished ability to replace backlog once projects are completed or could result in the termination, modification or suspension of projects currently in our backlog. Such developments could have a material adverse effect on our financial condition, results of operations and cash flows.

We have made and may continue to make business combinations as a part of our business strategy, which may present certain risks and uncertainties.

We may continue to seek business acquisitions as a means of broadening our offerings and capturing additional market opportunities by our business segments. However, there is no guarantee that we will be successful in identifying target companies that meet our criteria for acquisition. We may also face increased competition from other potential acquirers who have greater financial resources or who are in a position to offer more favorable terms to the target company. This competition may limit our ability to pursue acquisition opportunities which could negatively affect our growth strategies. Additionally, future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms, if at all.

The success of our historical and future business combinations also depends on our ability to integrate the operations of the acquired businesses efficiently and effectively with our existing operations and realize the anticipated benefits from them. The potential risks associated with successful integration and realization of benefits include, but are not limited to the following:

- our due diligence may not identify or fully assess valuation issues, potential liabilities or other acquisition risks;
- acquired entities may not achieve anticipated revenue targets, cost savings or other synergies or benefits, or acquisitions may not result in improved operating performance, which could adversely affect our operating income or operating margins, and we may be unable to recover investments in any such acquisitions;
- we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties, such as incompatible accounting, information management or other control systems, and greater expenses than expected;
- we may have difficulty entering into new markets in which we are not experienced, in an efficient and cost-effective manner while maintaining adequate standards, controls and procedures;
- key personnel within an acquired organization may resign from their related positions resulting in a significant loss to our strategic and operational efficiency associated with the acquired company;
- the effectiveness of our daily operations may be reduced by the redirection of employees and other resources to acquisition and integration activities;
- we may assume liabilities of an acquired business (including litigation, tax liabilities, contingent liabilities, environmental issues), including liabilities that were unknown at the time of the acquisition, that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- we may assume unprofitable projects that pose future risks to our working capital needs, cash flows and the profitability of related operations; or
- business acquisitions may include substantial transactional costs to complete the acquisition that exceed the estimated financial and operational benefits.

International and political events may adversely affect our operations.

A portion of our revenues is derived from foreign operations, which exposes us to risks inherent in doing business in each of the countries where we transact business. The occurrence of any of the risks described below could have a material adverse effect on our business operations and financial performance. With respect to any particular country, these risks may include, but not be limited to:

- expropriation and nationalization of our assets in that country;
- changes in government regimes and other developments that may cause, directly or indirectly, political and economic instability;
- costs to maintain the safety of our personnel and clients in high-risk locations, including but not limited to, certain parts of Africa and the Middle East, where the country or surrounding area is suffering from political, social or economic issues, war or civil unrest;
- changes in trade policies affecting the markets for our services (including but not limited to retaliatory tariffs between the United States and other countries);
- civil unrest, acts of terrorism, war or other armed conflict (including but not limited to potential U.S. sanctions on other countries);
- currency fluctuations, devaluations and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- uncertainties related to any geopolitical, economic and regulatory effects or changes due to recent or upcoming domestic and international elections;

- governmental activities or judicial actions that limit or disrupt markets, restrict payments, limit the movement of funds, result in the deprivation of contract rights or result in the inability for us to obtain or retain licenses required for operation; or
- increased polarization of political parties, in the U.S. and abroad, which may lead to more volatility in government spending or other developments such as trade wars or changes in military priorities.

Due to the unsettled political conditions in countries where we provide governmental logistical support, our financial performance is subject to the adverse consequences of war, the effects of terrorism, civil unrest, strikes, currency controls and governmental actions. In addition, despite safety precautions, military action or unrest could disrupt our operations in such locations and elsewhere and increase our costs related to security worldwide.

Internal or external cybersecurity or privacy breaches, or systems and information technology interruption or failure could adversely impact our ability to operate or expose us to significant financial losses and reputational harm.

As a U.S. government contractor and a provider of IT services operating in multiple regulated industries and geographies, we and our business partners (including our service providers, joint venture partners, suppliers and subcontractors) handle a variety of sensitive information including personally identifiable information, personnel information, protected health information, classified and controlled unclassified information, and financial information, concerning our business, employees and customers. We and our business partners are continuously exposed to cyber and other security threats, including cyberattacks such as malware/computer viruses, ransomware and phishing attacks, insider threats related to malicious and non-malicious activities from authorized and unauthorized employees or third parties, catastrophic events, power outages, natural disasters, computer system or network failures or physical break-ins. We also utilize third-party software in the performance of certain critical accounting, project management, and financial reporting systems. Technological developments in artificial intelligence and machine learning, particularly those that provide actors with the capability to use more sophisticated means to attack our systems, may exacerbate cybersecurity and data privacy risks. Any unauthorized electronic or physical intrusion or other security threat may jeopardize the protection of sensitive or other information stored or transmitted through our IT systems and networks and those of our business partners and third-party software providers. This could lead to disruptions in our business and result in decreased performance, significant remediation costs, transaction errors, loss of data (including personally identifiable information), processing inefficiencies, downtime, litigation and the loss of suppliers or customers. Under certain contracts with the U.S. government subject to the FAR and CAS, the adequacy of our business processes and related systems could be called into question. Any significant disruptions or failures could damage our reputation or have a material adverse effect on our business operations, financial performance, financial condition and reputation.

Additionally, we work with the defense industrial base industry and the U.S. government to gather and share threat intelligence and promote increased awareness and enhanced protections against cybersecurity threats. However, because of the evolving nature of these security threats, there can be no assurance that our policies, procedures and other controls will detect or prevent them, and we cannot predict their full impact. We may experience similar security threats to the IT systems that we develop, install or maintain under customer contracts, including customer contracts under which we may have access to or management responsibility for customer databases or networks that contain sensitive information relating to our customers, their employees or related third parties. Although we work cooperatively with our customers to seek to minimize the impacts of cyber and other security threats, we must usually rely on the safeguards used or required by those customers. In the event of unauthorized access to sensitive information for which we are responsible under customer contracts, our customers, their employees, or third parties may seek to hold us liable for any costs or other damages associated with the unauthorized access. In addition, government agencies may bring legal actions against us for violation of or noncompliance with regulatory requirements relating to any unauthorized access to sensitive information. Any remediation costs, damages or other liabilities related to unauthorized access of sensitive information of ours or our customers caused by cyber or other security threats may not be fully insured or indemnified by other means or our insurers. Occurrence of any unauthorized access caused by these security threats could adversely affect our reputation, business operations and impact our financial results.

While we have security measures and technology in place designed to protect our and our clients' proprietary or classified information, there can be no assurance that our efforts will prevent all threats to our computer systems. Because the techniques used to obtain unauthorized access or sabotage systems change frequently, become more sophisticated and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As a result, we may be required to expend significant resources to protect against the threat of system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation, cause us to incur significant liability and have a material adverse effect on our business, financial condition and results of operations.

We continuously evaluate the need to upgrade and/or replace our systems and network infrastructure to protect our computing environment, to stay current on vendor supported products and to improve the efficiency of our systems and for other business reasons. The implementation of new systems and information technology could adversely impact our operations by imposing substantial capital expenditures, demands on management time and risks of delays or difficulties in transitioning to new systems. In addition, our systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other information technology disruption, if not anticipated and appropriately mitigated, could have a material adverse effect on our business.

In addition, laws and regulations governing data privacy and the unauthorized disclosure of personal data, including the European Union General Data Protection Regulation ("GDPR"), the United Kingdom Data Protection Act, the California Consumer Privacy Act, the California Privacy Rights Act and other emerging U.S. state and global privacy laws pose increasingly complex compliance challenges and potentially elevate costs and may require changes to our business practices resulting from the variation of regulatory requirements and increased enforcement frequency. Failure to comply with these laws and regulations, including related regulatory enforcement and/or private litigation resulting from a potential privacy breach, could result in governmental investigations, significant fines and penalties, damages from private causes of action or reputational harm. Additionally, we are subject to laws, rules and regulations regarding cross-border transfers of personal data, including laws relating to transfer of personal data outside the European Economic Area. If we cannot rely on existing mechanisms for transferring personal data, we may be unable to transfer personal data of employees and clients in those regions, which could adversely affect our business, financial condition and operating results.

An impairment of all or part of our goodwill or our intangible assets could have a material adverse impact on our net earnings and net worth.

As of December 29, 2023, we had $2.1 billion of goodwill and $618 million of intangible assets recorded on our consolidated balance sheets. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. We perform an annual analysis of our goodwill on October 1 to determine if it has become impaired. We perform an interim analysis to determine if our goodwill has become impaired if events occur or circumstances change that would more likely than not reduce our enterprise fair value below its book value. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit’s market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, potential government actions toward our facilities and various other factors. If the fair value of a reporting unit is less than its carrying value, we could be required to record an impairment charge. An impairment of all or a part of our goodwill or intangible assets could have a material adverse effect on our net earnings and net worth.

Our actual results could differ from the estimates and assumptions used to prepare our financial statements.

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses for the periods covered and certain amounts disclosed in the notes to our consolidated financial statements. These estimates are based on information available through the date of the issuance of the financial statements and actual results could differ from those estimates, which could have a material adverse impact on our financial condition, results of operations and cash flows.

We ship a significant amount of cargo using seagoing vessels, exposing us to certain maritime risks.

We execute different projects in remote locations around the world and procure equipment and materials on a global basis. Depending on the type of contract, location, nature of the work and the sourcing of equipment and materials, we may charter seagoing vessels under time and bareboat charter arrangements and assume certain risks typical of those agreements. Such risks may include damage to the ship, liability for cargo and liability that charterers and vessel operators have to third parties “at law.” In addition, we ship a significant amount of cargo and are subject to hazards of the shipping and transportation industry.

Risks Related to Our Industry

The U.S. government awards its contracts through a rigorous competitive process and our efforts to obtain future contracts from the U.S. government may be unsuccessful.

The U.S. government conducts a rigorous competitive process for awarding most contracts. In the services arena, the U.S. government uses multiple contracting approaches. Historically, omnibus contract vehicles have been used for work that is done on a contingency or as-needed basis. In more predictable “sustainment” environments, contracts may include fixed-price, cost-reimbursable and time-and-materials elements. The U.S. government also favors multiple award task order contracts in which several contractors are selected as eligible bidders for future work. Such processes require successful contractors to continually anticipate customer requirements and develop rapid-response bid and proposal teams as well as maintain supplier relationships and delivery systems to react to emerging needs. In addition, U.S. government procurement practices sometimes emphasize price over qualitative factors, such as technical capability and past performance. As a result of these competitive pricing pressures, our profit margins on future U.S. government contracts may be reduced and may require us to make sustained efforts to reduce costs to remain competitive.

We face rigorous competition and pricing pressures for any additional contract awards from the U.S. government. Many of our existing contracts must be recompeted when their original period of performance ends, representing opportunities for competitors to take market share away from us or for our customers to obtain more favorable terms. We may be required to qualify or continue to qualify under the various multiple award task order contract criteria. Therefore, it may be more difficult for us to win future awards from the U.S. government and we may have other contractors sharing in U.S. government awards that we win. Once a contract is awarded, it may be subject to a lengthy protest process. Bid protests can result in significant expenses to us, contract modifications or even loss of the contract award and the resolution can extend the time until contract activity can begin and delay the recognition of sales and defer underlying cash flows and adversely affect our operating results. Our efforts to protest or challenge any bids for contracts that were not awarded to us also may be unsuccessful.

Our profitability and cash flow may vary based on the mix of our contracts and programs, our performance, and our ability to control costs.

Our profitability and cash flow may vary materially depending on the types of government contracts undertaken, the nature of services performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives and the stage of performance at which the right to receive fees is determined, particularly under award and incentive-fee contracts. Failure to perform to customer expectations and contract requirements may result in reduced fees or losses and may adversely affect our financial performance.

Our GS business segment primarily performs work in the U.S. under cost-reimbursable contracts with the DoD and other U.S. governmental agencies. If the U.S. government concludes costs charged to a contract are not reimbursable under the terms of the contract or applicable procurement regulations, these costs are disallowed or, if already reimbursed, we may be required to refund the reimbursed amounts to the customer. Such conditions may also include interest and other financial penalties.

Contract types primarily include fixed-price and cost-reimbursable contracts. Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract plus a fee up to a ceiling based on the amount that has been funded. Cost, schedule or technical performance issues with respect to cost-reimbursable contracts could result in reduced fees, lower profit rates, or program cancellation. Under fixed price contracts, we receive a fixed price irrespective of the actual costs we incur and therefore we carry the burden of any cost overruns. Due to the fixed-price nature of the contracts, if our actual costs exceed our estimates, our margins and profits are reduced and we could incur a loss on the respective contract which could adversely affect our financial results.

Under both fixed-price and cost-reimbursable contracts, if we are unable to control costs, our operating results could be adversely affected. Costs to complete a contract may increase for many reasons, including technical and manufacturing challenges, schedule delays, workforce-related issues, the timeliness and availability of materials from suppliers, internal and subcontractor performance or product quality issues, inability to meet cost reduction initiatives or achieve efficiencies from digital transformation, changing laws or regulations, inflation and natural disasters. Certain contracts may impose other risks, such as forfeiting fees, paying penalties, or providing replacement systems in the event of performance failure. Many of our contracts include multiple option years exercisable at the customer’s discretion, which carries risk. The customer may decline to exercise an option, or the customer may exercise an option on a contract for which we expect to incur a loss or perform at a low margin, either of which could adversely affect our financial results.

The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

We face rigorous competition and pricing pressures for any additional contract awards from the U.S. government. Our industry has experienced, and we expect it will continue to experience, significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. From time to time, new laws and regulations are enacted, and government agencies adopt new interpretations and enforcement priorities relative to laws and regulations already in effect. U.S. government agencies have and may continue to face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform as well as any resulting shifts in the buying practices of U.S. government agencies, such as increased usage of fixed-price contracts, multiple-award contracts and small business set-aside contracts, could have adverse effects on government contractors, including us. In addition, U.S. government procurement practices sometimes emphasize price over qualitative factors, such as technical capability and past performance. As a result of these competitive pricing pressures, our profit margins on future U.S. government contracts may be reduced and may require us to make sustained efforts to reduce costs to remain competitive.

Our programs for the U.S. government often operate for periods of time under Undefinitized Contract Actions (UCAs), which means that we begin performing our obligations before the terms, specifications or price are finally agreed to between the parties. The U.S. government has (and has exercised in the past) the ability to unilaterally definitize contracts, which, absent a successful appeal, obligates us to perform under terms and conditions imposed by the U.S. government. This can affect our ability to negotiate mutually agreeable contract terms and, if a contract is unilaterally imposed upon on us, it may negatively affect our expected profit and cash flows on a program or impose burdensome terms.

Heightened competition could impact our ability to obtain contracts which could reduce our market share and profits.

We serve markets that are global and highly competitive. We compete with larger companies that have greater name recognition, financial resources and a larger technical staff. We also compete with smaller, more specialized companies that are able to concentrate their resources on particular areas. Additionally, we compete with the U.S. government's own capabilities.

The markets in which we operate are characterized by rapidly changing technology and the needs of our customers change and evolve regularly. Therefore, our success depends on our ability to invest in and develop our people and technology to enable us to deliver services and products that address these changing needs. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers while understanding customer priorities and maintaining customer relationships. Our competitors may be able to provide our customers with differentiated or superior capabilities or technologies or more attractive contract terms than we can provide, including technical qualifications, past contract experience, geographic presence, price and the availability of qualified professional personnel. Some of our competitors have made or could make acquisitions of businesses, or establish teaming or other agreements among themselves or third parties, that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions or arrangements, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote greater resources to bring these products and services to market, initiate or withstand substantial price competition or develop and expand their product and service offerings at a more accelerated rate. These competitive pressures in our market or our failure to compete effectively may result in fewer orders, reduced revenue and margins and loss of market share.

Our U.S. government contract work is regularly reviewed and audited by the U.S. government, U.S. government auditors and others, and these reviews can lead to withholding or delay of payments to us, non-receipt of award fees, legal actions, fines, penalties and liabilities and other remedies against us.

U.S. government contracts are subject to specific regulations such as the FAR, the Truthful Cost or Pricing Data Statute, CAS, the Service Contract Act and DoD security regulations. Failure to comply with any of these regulations, requirements or statutes may result in contract price adjustments, financial penalties or contract termination. Our U.S. government contracts are subject to audits, cost reviews and investigations by U.S. government contracting oversight agencies such as the DCAA. The DCAA reviews the adequacy of, and our compliance with, our internal control systems and policies, including our labor, billing, accounting, purchasing, property, estimating, compensation and management information systems. The DCAA has the authority to conduct audits and reviews to determine if we are complying with the requirements under the FAR and CAS, pertaining to the allocation, period assignment and allowability of costs assigned to U.S. government contracts. The DCAA presents its report findings to the DCMA. Should the DCMA determine that we have not complied with the terms of our contract or applicable statutes and regulations, payments to us may be disallowed, which could result in adjustments to previously reported revenues and refunding of previously collected cash proceeds. Additionally, we currently are and may be subject to additional qui tam litigation brought by private individuals on behalf of the U.S. government under the Federal False Claims Act, which could include claims for treble damages. These suits may remain under seal (and hence, be unknown to us) for some time while the U.S. government decides whether to intervene on behalf of the qui tam plaintiff. For more information, see Note 14 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

Given the demands of working for the U.S. government, we may have disagreements or experience performance issues. When performance issues arise under any of our U.S. government contracts, the U.S. government retains the right to pursue remedies, which could include termination under any affected contract. If any contract were so terminated, our ability to secure future contracts could be adversely affected. Other remedies that could be sought by our U.S. government customers for any improper activities or performance issues include sanctions such as forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the U.S. government. Further, the negative publicity that could arise from disagreements with our customers or sanctions as a result thereof could have an adverse effect on our reputation in the industry, reduce our ability to compete for new contracts and may also have a material adverse effect on our business, financial condition, results of operations and cash flows.

Several of our contracts with the U.S. government are classified or subject to other security restrictions, which may limit investor insight into portions of our business.

A significant portion of our revenue is from contracts with the U.S. government that are classified or subject to security restrictions that preclude the disclosure of certain information. Additionally, a large number of our employees have security clearances which prohibit them from providing information to investors and other KBR employees without security clearances regarding certain clients and the related services we provide to them. As we are limited in our ability to provide information about these contracts and services, such as the scope of work, associated risks and any disputes or claims, our investors may have limited insight into a substantial portion of our business which may hinder their ability to fully evaluate the risks related to that portion of our business.

Demand for our services provided under government contracts is directly affected by spending by our customers.

We derive a significant portion of our revenues from contracts with agencies and departments of the U.S., the U.K. and Australia governments, which is directly affected by changes in government spending and availability of adequate funding. Additionally, government regulations generally include the right for government agencies to modify, delay, curtail, renegotiate or terminate contracts at their convenience any time prior to their completion. As we are a significant government contractor, our financial performance is affected by the allocation and prioritization of government spending. Factors that could affect current and future government spending include:

- policy or spending changes implemented by the current administration, defense department or other government agencies;
- increased polarization of political parties;
- failure to pass budget appropriations, continuing funding resolutions or other budgetary decisions, including any failure of the U.S. federal government to manage its fiscal matters or to raise or further suspend the debt ceiling;
- changes, delays or cancellations of government programs or requirements;
- adoption of new laws or regulations that affect companies providing services to the governments;
- reduced buying power as a result of inflation;
- curtailment of the governments’ outsourcing of services to private contractors; or
- the level of political instability due to war, conflict or natural disasters.

We face uncertainty with respect to our government contracts due to the fiscal, economic and budgetary challenges facing our customers. Potential contract delays, modifications or terminations may arise from resolution of these issues and could cause our revenues, profits and cash flows to be lower than our current projections. The loss of work we perform for governments or decreases in governmental spending and outsourcing could have a material adverse effect on our business, results of operations and cash flows.

Fluctuations in commodity prices may affect our customers’ investment decisions which may result in existing project cancellations or delays or changes in the timing and funding of new awards.

Demand for many of our services in our commodity-based markets depends on capital spending by oil and natural gas companies, including national and international oil companies, and by industrial companies, which is directly affected by trends in the prices of oil, natural gas and other commodities. Fluctuations in commodity prices can have a direct effect on the profitability and cash flow of such companies, which may impact their willingness to continue pursuing their current investments or make new capital investments. Additionally, commodity prices can also significantly affect the costs of projects. Rising commodity prices can negatively impact the potential returns on investments that are planned, as well as those in progress, and result in customers deferring new investments or canceling or delaying existing projects. To the extent commodity prices decline or fluctuate, or the perceived risk thereof, and our customers defer new investments or cancel or delay existing projects, the demand for our services may decrease, which could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Financial Conditions and Markets

Current or future economic conditions, including recession or inflation, in the credit markets may negatively affect the ability to operate our or our customers' businesses, finance working capital, implement our acquisition strategy and access our cash and short-term investments.

We finance our business using cash provided by operations, but also depend on the availability of and access to credit markets, including bank credit lines, letters of credit and surety bonds. Our ability to obtain capital or financing on satisfactory terms will depend in part on prevailing market conditions as well as our operating results. The lack of adequate credit or funding or the unavailability of funding on terms satisfactory to us, could have a material adverse effect on our business and financial performance.

Disruptions of the capital markets could also adversely affect our clients' ability to finance projects and could result in contract cancellations or suspensions, project delays and payment delays or defaults by our clients. In addition, clients may be unable to fund new projects, may choose to make fewer capital expenditures or otherwise slow their spending on our services or seek contract terms more favorable to them. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate our contracts with little or no prior notice. Furthermore, any financial difficulties suffered by our subcontractors or suppliers could increase our cost or adversely impact project schedules. These disruptions could materially impact our backlog and financial performance.

In addition, we are subject to the risk that the lending counterparties to our Revolver may be unable to meet their contractual obligations to us if they suffer catastrophic demands on their liquidity. We also routinely enter into contracts with counterparties, including vendors, suppliers and subcontractors that may be negatively affected by events in the capital markets. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of service to our clients. These circumstances could also lead to disputes and litigation with our partners or clients, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

Furthermore, our cash balances and short-term investments are maintained in accounts held at major banks and financial institutions located primarily in North America, the U.K. and Australia. Deposits are in amounts that exceed available insurance. Although none of the financial institutions in which we hold our cash and investments have gone into bankruptcy, been forced into receivership or have been seized by their governments, there is a risk that this may occur in the future. If this were to occur, we would be at risk of not being able to access our cash and investments, which may result in a temporary decrease in liquidity that could impede our ability to fund operations or execute acquisitions.

We may be unable to obtain new contract awards if we are unable to provide our customers with letters of credit, surety bonds or other credit enhancements.

Customers may require us to provide credit enhancements, including letters of credit, bank guarantees or surety bonds. We are often required to provide performance guarantees to customers to indemnify the customer should we fail to perform our obligations under the contract. Failure to provide the required credit enhancements on terms required by a customer may result in an inability to bid, win or comply with the contract. Historically, we have had adequate letters of credit capacity but such capacity beyond our Senior Credit Facility is generally at the provider's sole discretion. Due to events that affect the banking and insurance markets, letters of credit or surety bonds may be difficult to obtain or may only be available at significant cost. Moreover, many projects are very large and complex, which often necessitates the use of a joint venture, often with a market competitor, to bid on and perform the contract. Entering into joint ventures or partnerships exposes us to the credit and performance risk of third parties, many of whom may not be financially as strong or may encounter financial difficulties. If our joint ventures or partners fail to perform, we may be required to complete the project activities. In addition, future projects may require us to obtain letters of credit that extend beyond the term of our Senior Credit Facility. Any inability to bid for or win new contracts due to the failure of obtaining adequate letters of credit, surety bonds or other customary credit enhancements could have a material adverse effect on our business prospects and future revenues.

Our Senior Credit Facility imposes restrictions that limit our operating flexibility and may result in additional expenses, and such facility may not be available if financial covenants are violated or if an event of default occurs.

Our Senior Credit Facility includes a $1 billion revolving credit facility which matures in February 2029, a Term Loan A with debt tranches denominated in U.S. dollars and British pound sterling and a Term Loan B. The Senior Credit Facility contains a number of covenants restricting, among other things, our ability to incur liens and indebtedness, sell assets, repurchase our equity shares and make certain types of investments. We are also subject to certain financial covenants, including but not limited to maintenance of a maximum consolidated net leverage ratio and a consolidated interest coverage ratio as defined in the Senior Credit Facility agreement.

A breach of any covenant or our inability to comply with the required financial ratios could result in a default under our Senior Credit Facility, and we can provide no assurance that we will be able to obtain the necessary waivers or amendments from our lenders to remedy a default. In the event of any default not cured or waived, the lenders are not obligated to provide funding or issue letters of credit and could elect to require us to apply available cash to collateralize any outstanding letters of credit and declare any outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, thus requiring us to apply available cash to repay any borrowings then outstanding. If we are unable to cash collateralize our letters of credit or repay borrowings with respect to our Senior Credit Facility when due, our lenders could proceed against the guarantees of our major domestic subsidiaries. If any future indebtedness under our Senior Credit Facility is accelerated, we can provide no assurance that our assets would be sufficient to repay such indebtedness in full.

We have amended our Senior Credit Facility (Amendment Nos. 7, 8 and 9 to our Senior Credit Facility) to transition our Term A-1 Facility, Term A-2 Facility, Revolving Credit Facility and Term B Facility from LIBOR to SOFR. Following these amendments, we no longer have any facilities or term loans that continue to use LIBOR as a funding benchmark. The composition and characteristics of SOFR, a relatively new reference rate, are not the same as those of LIBOR. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time or in response to changes including, but not limited to, interest and yield rates, market volatility or global economic, financial, political, or regulatory events.

Our indebtedness and the associated covenants could materially adversely affect our ability to obtain additional financing, including for acquisitions and capital expenditures, limit our flexibility to manage our business, prevent us from fulfilling our financial obligations and restrict our use of capital.

We had approximately $1.8 billion of indebtedness outstanding as of December 29, 2023 which could have negative consequences to us, including, but not limited to:

- requiring us to dedicate cash flow from operations to the repayment of debt, interest and other related amounts, which reduces the funds we have available for other purposes, such as working capital, capital expenditures, acquisitions, payment of dividends and share repurchase programs;
- making it more difficult or expensive for us to obtain any necessary future financing for working capital, capital expenditures, debt service requirements, debt refinancing, acquisitions or other purposes;
- reducing our flexibility in planning for or reacting to changes in our industry and market conditions;
- causing us to be more vulnerable in the event of a downturn in our business;
- exposing us to increased interest rate risk given that a portion of our debt obligations are at variable interest rates; and
- increasing our risk of a covenant violation under our Senior Credit Facility.

We may be required to contribute additional cash to meet any unfunded benefit obligations associated with defined benefit plans we manage.

We have frozen defined benefit pension plans for employees primarily in the U.S., the U.K. and Germany. At December 29, 2023, our defined benefit pension plans had an aggregate funding deficit (calculated as the excess of the projected benefit obligations over the fair value of plan assets) of approximately $15 million. The largest potential source of deficit is related to our defined benefit pension plan in the U.K that is in a funding deficit position at December 29, 2023. In the future, our pension surpluses and deficits may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors that may require us to make additional cash contributions to our pension plans and recognize further increases in our net pension cost to satisfy our funding requirements. If we are required or elect to make up all or a significant portion of the deficit for any underfunded benefit plans, our financial position could be materially and adversely affected.

Our U.K. pension plan has been frozen to new participants for a number of years but can still have an aggregate funding deficit due to assumptions and factors noted below. For our frozen defined benefit pension plan in the U.K., the annual minimum funding requirements are based on a binding agreement with the plan trustees that is negotiated on a triennial basis. This agreement also includes other assurances and commitments regarding the business and assets that support the U.K. pension plan. It is possible that, following future valuations of our U.K. pension plan assets and liabilities or following future discussions with the trustees, the annual funding obligation will change. The future valuations under our U.K. pension plan can be affected by a number of assumptions and factors, including legislative changes, assumptions regarding interest rates, inflation, mortality and retirement rates, the investment strategy and performance of the plan assets and (in certain circumstance) actions by the U.K. pensions regulator. Adverse changes in the equity markets, interest rates or actuarial assumptions and legislative or other regulatory actions could increase the risk that the funding requirements increase following the next triennial negotiation. A significant increase in our funding requirements for our U.K. pension plan could result in a material adverse effect on our cash flows and financial position.

We are subject to foreign currency exchange risks that could adversely affect our results of operations and our ability to reinvest earnings from operations. Our ability to mitigate our foreign exchange risk through hedging transactions may be limited.

We generally attempt to denominate our contracts in U.S. dollars or in the currencies of our costs. However, we enter into contracts that subject us to currency risk exposure, primarily when our contract revenues are denominated in a currency different from the contract costs. A portion of our consolidated revenues and consolidated operating expenses are in foreign currencies. As a result, we are subject to foreign currency risks, including risks resulting from changes in currency exchange rates and limitations on our ability to reinvest earnings from operations in one country to fund the financing requirements of our operations in other countries.

The governments of certain countries have or may in the future impose restrictive exchange controls on local currencies and it may not be possible for us to engage in effective hedging transactions to mitigate the risks associated with fluctuations of a particular currency. We are often required to pay all or a portion of our costs associated with a project in the local currency. As a result, we generally attempt to negotiate contract terms with our customer, who is often affiliated with the local government, or has a significant local presence, to provide that we are only paid in the local currency for amounts that match our local expenses. If we are unable to match our local currency costs with revenues in the local currency, we would be exposed to the risk of adverse changes in currency exchange rates.

Risks Related to Our Common Stock

If we need to sell or issue additional shares of common stock to refinance existing debt or to finance future acquisitions, our existing shareholder ownership could be diluted.

Part of our business strategy is to expand into new markets and enhance our position in existing markets, both domestically and internationally, which may include the acquisition and merging of complementary businesses. To successfully fund and complete such potential acquisitions, or to refinance our existing debt, we may issue additional equity securities that may result in dilution of our existing shareholder ownership's earnings per share.

For example, we have previously issued convertible notes and may again in the future issue additional convertible notes. In addition, in connection with the pricing of the Convertible Notes, we entered into convertible note hedge transactions and warrant transactions with certain option counterparties. Although the note hedge transactions and warrant transactions are no longer outstanding, we may enter into other hedge transactions and warrant transactions if we issue more convertible notes in the future. Convertible note hedge transactions are expected to reduce potential dilution to our common stock upon any conversion of any convertible notes and/or offset any cash payments we are required to make in excess of the principal amount of converted convertible notes, as the case may be. However, warrant transactions could separately have a dilutive effect to the extent that the market value per share of our common stock exceeds the strike price of the warrants at the time of exercise.

Provisions in our charter documents, Delaware law and our Senior Credit Facility may inhibit a takeover or impact operational control that could adversely affect the value of our common stock.

Our certificate of incorporation and bylaws, as well as Delaware corporate law, contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable. These provisions include, among others, prohibiting stockholder action by written consent, advance notice for making nominations at meetings of stockholders, providing for the state of Delaware as the exclusive forum for lawsuits concerning certain corporate matters and the issuance of preferred stock with rights that may be senior to those of our common stock without stockholder approval. These provisions would apply even if a takeover offer may be considered beneficial by some of our stockholders. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline. Additionally, our Senior Credit Facility contains a default provision that is triggered upon a change in control of at least 25%, which would impede a takeover and/or make a takeover more costly.

We may change our dividend policy in the future.

We have maintained a regular cash dividend program since 2007. We anticipate continuing to pay quarterly dividends during 2024. However, any future payment of dividends, including the timing and amount of any such dividends, is at the discretion of our Board of Directors and may depend upon our earnings, liquidity, financial condition, alternate capital deployment opportunities or any other factors that our Board of Directors considers relevant. A change in our regular cash dividend program could have an adverse effect on the market price of our common stock.

Risks Related to Regulations and Compliance

We could be adversely impacted if we fail to comply with international export and domestic laws, which are rigorously enforced by the U.S. government.

To the extent that we export products, technical data and services outside of the U.S., we are subject to laws and regulations governing trade and exports, including, but not limited to, the International Traffic in Arms Regulations and the Export Administration Regulations, and trade sanctions against embargoed countries, including sanctions and export restrictions related to Russia's invasion of Ukraine, which are administered by the Office of Foreign Asset Control within the Department of the Treasury. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines as well as the denial of export privileges and debarment from participation in U.S. government contracts. U.S. government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit or suspension of payment, any of which could result in losing our status as an eligible U.S. government contractor and cause us to suffer serious reputational harm, which could have a material adverse effect on our business, financial condition or results of operations.

We are subject to anti-bribery laws in the U.S. and other jurisdictions, violations of which could result in suspension or debarment of our ability to contract with the U.S. state or local governments, U.S. government agencies or the U.K. MoD, third-party claims, loss of customers, adverse financial impact, damage to reputation and adverse consequences on financing for current or future projects.

The FCPA, the U.K. Bribery Act and similar anti-bribery laws ("Anti-bribery Laws") in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these Anti-bribery Laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with Anti-bribery Laws may conflict with local customs and practices. We train our staff concerning Anti-bribery Laws and we also inform our partners, subcontractors, agents and other third parties who work for us or on our behalf that they must comply with the requirements of these Anti-bribery Laws. We also have procedures and controls in place to monitor internal and external compliance. We cannot provide complete assurance that our internal controls and procedures will always protect us from the reckless or criminal acts committed by our employees or third parties working on our behalf. If we are found to be liable for violations of these laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

Certain of our work sites are inherently dangerous and we are subject to various environmental and worker health and safety laws and regulations. If we fail to maintain safe work sites or to comply with these laws and regulations, we may suffer damage to our reputation and incur significant costs and penalties that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain work sites often expose our employees and others to chemical and manufacturing processes, highly-regulated materials, large pieces of mechanized equipment and moving vehicles. Additionally, our employees and others at certain project sites may be exposed to severe weather events or high security risks. Failure to implement effective safety procedures may result in injury, disability or loss of life to these parties. In addition, the projects may be delayed and we may be exposed to litigation or investigations.

Our operations are subject to a variety of environmental, worker health and safety laws and regulations governing the generation, management and use of regulated materials, the discharge of materials into the environment, the remediation of environmental contamination associated with the release of hazardous substances and human health and safety. Violations of these laws and regulations can cause significant delays and additional costs to a project. When we perform our services, our personnel and equipment may be exposed to radioactive and hazardous materials and conditions. We may be subject to claims alleging personal injury, property damage or natural resource damages by employees, customers and third parties as a result of alleged exposure to or contamination by hazardous substances. In addition, we may be subject to fines, penalties or other liabilities arising under environmental and employee safety laws. A claim, if not covered by insurance at all or only partially, could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, more stringent regulation of our customers' operations with respect to the protection of the environment could also adversely affect their operations and reduce demand for our services.

Various U.S. federal, state and local as well as foreign environmental laws and regulations may impose liability for property damage and costs of investigation and cleanup of hazardous or toxic substances on property currently or previously owned by us or arising out of our waste management or environmental remediation activities. These laws may impose responsibility and liability without regard to knowledge or causation of the presence of contaminants. The liability under these laws may be joint and several. The ongoing costs of complying with existing environmental laws and regulations could be substantial and have a material adverse impact on our financial condition, results of operations and cash flows. Changes in the environmental laws and regulations, remediation obligations, enforcement actions, stricter interpretations of existing requirements, future discovery of contamination or claims for damages to persons, property, natural resources or the environment could result in material costs and liabilities that we currently do not anticipate.

Our effective tax rate and tax positions may vary.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining certain components of our worldwide provision for income taxes and a change in tax laws, treaties or regulations, or their interpretation, in any country in which we operate could result in higher taxes on our earnings, which could have a material impact on our earnings and cash flows from operations. In the ordinary course of our business, there are certain transactions and calculations where the ultimate tax determination is uncertain. We are audited by various U.S. and foreign tax authorities in the ordinary course of business, and our tax estimates and tax positions could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. In particular, international operations could adversely be affected by the Organization for Economic Co-operation and Development (OECD)’s proposed international taxation reform and introduction of a global minimum tax. A significant increase in tax rates could have a material adverse effect on our profitability and liquidity.

Risks Related to Climate Change

There is a rapidly evolving awareness and focus from stakeholders, such as investors, customers and current and future employees, with respect to global climate change and the related emphasis on environmental, social and governance practices, which could affect our business.

Continued attention to issues concerning climate change or other environmental matters may result in the imposition of additional environmental regulations, rules, standards and policies that seek to restrict, or otherwise impose limitations or costs upon our operations and the emission of greenhouse gases. International agreements, national, regional and state legislation and regulatory measures, including LNG exports, or other policies and restrictions on emissions of greenhouse gases could affect our clients, including those who are involved in the exploration, production or refining of fossil fuels and those who emit greenhouse gases through the combustion of fossil fuels, or through mining, manufacturing or the utilization or production of materials or goods. Such legislation or restrictions could increase the costs of projects for us and our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services that could in turn have a material adverse effect on our operations and financial condition. However, policy changes and climate legislation could also increase the overall demand for our services as our clients and partners work to comply with such policies, such as by decarbonizing their industries, transitioning from fossil fuels to renewable energy sources and developing integrated and sustainable solutions, which could have a positive impact on our business. We cannot predict when or whether any of these various legislative and regulatory proposals may become law or what their effect will be on us and our customers.

Furthermore, investor and societal expectations with respect to environmental, social and governance ("ESG") matters have been rapidly evolving and increasing. We risk damage to our reputation if we do not act responsibly in the following key areas: inclusion and diversity, environmental stewardship, support for local communities and corporate governance and transparency. A failure to adequately meet stakeholders' expectations may result in loss of business, diluted market valuation, an inability to attract and retain customers and talented personnel, increased negative investor sentiment toward us and/or our customers and the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital.

In addition, standards for tracking and reporting ESG matters continue to evolve. New laws, regulations, policies and international accords relating to ESG matters, including sustainability, climate change, human capital and diversity, are being developed and formalized in Europe, the United States, Asia and elsewhere, which may entail specific, target-driven frameworks and/or disclosure requirements. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others, and may not be in line with any new and forthcoming related disclosure rules in the United States and abroad. Methodologies for reporting ESG data may be updated and previously reported ESG data may be adjusted to reflect improvement in availability and quality of internal and third-party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting ESG matters across our operations and supply chain are evolving along with multiple disparate standards for identifying, measuring and reporting ESG metrics, including ESG-related disclosures that may be required by the SEC, European and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals or ability to achieve such goals in the future. Any failure, or perceived failure, by us to comply fully with developing interpretations of ESG laws and regulations could harm our business, reputation, financial condition and operating results and require significant time and resources to make the necessary adjustments. If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation or our attractiveness as an investment, business partner, acquirer, service provider or employer could be negatively impacted.

Climate change and related environmental issues could have a material adverse impact on our business, financial condition and results of operations.

Climate change related events, such as increased frequency and severity of storms, floods, wildfires, droughts, hurricanes, freezing conditions and other natural disasters, may have a long-term impact on our business, financial condition and results of operations. Although we are proactively seeking measures to mitigate our business risks associated with climate change, we recognize that there are innate climate related risks regardless of where and how we conduct our businesses. As such, a potential disruption to our and our customer's businesses from a natural disaster may cause us to experience work stoppages, project delays, financial losses and additional costs to resume operations such as increased insurance costs or loss of coverage, legal liability and reputational damage.

We may be unable to achieve our sustainability commitments and targets which could result in the loss of investors and customers and damage to our reputation.

We are continuously committed to advancing our environmental, social and governance strategy as evidenced by the establishment and continued focus on delivering on our 2030 operational net-zero carbon ambitions after we achieved carbon neutrality in 2019. However, achievement of our sustainability commitments and targets is subject to risks and uncertainties, many of which are outside of our control. These risks and uncertainties include, but are not limited to: our ability to execute our operational strategies and achieve our goals within the currently projected costs and the expected timeframes; the availability and cost of alternative fuels, global electrical charging infrastructure, off-site renewable energy and other materials and components; unforeseen design, operational and technological difficulties; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis such as carbon sequestration and/or other related processes; compliance with, and changes or additions to, global and regional regulations, taxes, charges, mandates or requirements relating to greenhouse gas emissions, carbon costs or climate-related goals; labor-related regulations and requirements that restrict or prohibit our ability to impose requirements on third party contractors; adapting products to customer preferences and customer acceptance of sustainable supply chain solutions; the actions of competitors and competitive pressures; an acquisition of or merger with another company that has not adopted similar carbon negative goals or whose progress towards reaching its carbon negative goals is not as advanced as ours; and the pace of regional and global recovery from the COVID-19 pandemic.

Although we believe that our sustainability commitments and targets are achievable, there is no assurance that we will be able to successfully implement our strategies and achieve our 2030 operational net-zero targets. Investors have recently increased their focus on environmental, social and governance matters, including practices related to greenhouse gas emissions and climate change. Additionally, an increasing percentage of the investment community considers sustainability factors in making investment decisions, and an increasing number of entities are considering sustainability factors in awarding business. The implementation of these goals and initiatives may require considerable investments, and our goals, with all of their contingencies, dependencies and in certain cases, reliance on third-party verification and/or performance, are complex and ambitious and may change, and we cannot guarantee that we will achieve them. If we are unable to meet our commitments and targets and appropriately address sustainability enhancement, we may lose investors, customers or partners, our stock price may be negatively impacted, our reputation may be negatively affected and it may be more difficult for us to compete effectively, all of which could have an adverse effect on our business, results of operations and financial condition, as well as on the price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

Cybersecurity risk is managed within the Company’s Enterprise Risk Management program. Our Enterprise Risk Management team works closely with our global Information Assurance team to continuously evaluate and address cybersecurity risks within the Enterprise Risk Management framework in alignment with our business objectives and operational needs. The Company has established a comprehensive global cybersecurity and information security framework to help safeguard the confidentiality, integrity and access of its information assets and to ensure regulatory, contractual and operational compliance. We understand the importance of preserving trust and protecting personal and other confidential and sensitive information. To assist us, we have a cybersecurity governance framework in place, which is designed to protect information and information systems from unauthorized access, use, disclosure, disruption, modification or destruction. The cybersecurity governance framework is built upon a foundation of advanced security technology, overseen by an experienced and trained team of experts with substantial knowledge of cybersecurity best practices. Our cybersecurity program includes controls designed to identify, protect against, detect, respond to and recover from cybersecurity and information security incidents.

The Company's cybersecurity and information security framework includes risk assessment and mitigation procedures through a threat intelligence-driven approach, application controls and enhanced security with ransomware defense. The framework is built upon the National Institute of Standards and Technology (NIST) Cyber Security Framework for measuring overall readiness to respond to cyber threats and incorporates International Organization for Standardizations (ISO) 27001 standards for general information technology security controls and Sarbanes-Oxley (SOX) for assessment of internal controls. KBR's global cybersecurity risk program also integrates the following cybersecurity frameworks across our regional operations: US Defense Federal Acquisition Regulation Supplement (DFARS) and NIST 800-171, UK Cyber Essentials and Australia's Essential Eight.

The Company utilizes policies and procedures, software, training programs and hardware solutions to protect and monitor its environment, including multifactor authentication on all critical systems, firewalls, intrusion detection and prevention systems, vulnerability and penetration testing and identity management systems. Our Chief Information Security Officer (CISO) oversees the Company’s approach to managing cybersecurity and digital risk. Our CISO reports to the General Counsel, is supported by and collaborates with the Company's executive leadership team and regularly engages with cross-functional teams at the Company, including Digital Technology, Legal, Audit, Human Resources, Facilities and Corporate Risk. Our Chief Compliance Officer (CCO), Chief Information Officer (CIO) and CISO oversee our dedicated technology risk management, which work in partnership with our internal audit department and data privacy team to review information technology-related internal controls with our independent registered public accounting firm as part of the overall internal controls process.

The Company provides mandatory annual security awareness education and training for all employees, new hires and contractors, conducts regular internal “phishing” testing and requires additional training for “clickers,” and publishes periodic tips to inform our user population of cyber best practices, any emerging external or internal threats and data privacy requirements applicable in the jurisdictions in which we operate.

We maintain a robust Cybersecurity Incident Response Plan, which provides a framework for handling cybersecurity incidents based on the severity of the incident and facilitates cross-functional coordination across the Company, and have established a global Security Operations Center to support enterprise visibility to cyber incidents in real time. Our Incident Response Plan includes the activities necessary to comply with applicable contractual and legal obligations and mitigate brand and reputational damage. We update our Cybersecurity Incident Response Plan on a regular basis.

We also engage with a range of external experts, including cybersecurity assessors, consultants and auditors, to assess and report on the effectiveness of our cybersecurity and data privacy controls, compliance with international and regional cybersecurity standards and our internal incident response preparedness, as well as to help identify areas for continued focus and improvement. The Company also has a third-party risk management program that assesses the cyber-related risks from our vendors and suppliers. We share threat intelligence and collaborate with organizations across different industries to share best practices, fight cybercrime, enhance privacy, discuss new technologies, better understand the evolving regulatory environment and advance capabilities in these areas. We also benchmark our activities and results against select peers.

Our cybersecurity team also regularly tests our controls through penetration testing, vulnerability scanning and attack simulation. We conduct annual cybersecurity penetration test exercises to evaluate the Company's cybersecurity controls, Cybersecurity Incident Response plans and identify areas for improvement. The Company conducts additional cybersecurity tabletop exercises moderated by an independent third party with respect to breach and other problematic information security scenarios. During each exercise, the moderator poses questions to participants and advises how other companies typically respond to similar situations. Participants have included the Company’s CEO; Presidents; Executive Vice President, General Counsel and Corporate Secretary; Executive Vice President and Chief Financial Officer; Senior Vice President, Finance Operations and Chief Accounting Officer; Vice President and Chief Compliance Officer; CIO; and CISO; and other members of executive management and employees, as well as our board of directors when appropriate.

Risks from Cybersecurity Threats

In the last three fiscal years, we have not experienced any material information security breach incidences and the expenses we have incurred from information security breach incidences were immaterial. We have not incurred any material penalties and settlements related to any cybersecurity breach. Other risks from cybersecurity threats have also not materially impacted our business strategy, results of operations or financial condition, and as of the date of this report, we do not reasonably believe that such risks will have a material impact on our business strategy, results of operations or financial condition.

<u>Governance</u>

Our CISO oversees the Company’s approach to managing cybersecurity and digital risk and leads our global Information Assurance team, which includes representatives based in several of our worldwide locations. Our CISO brings over 15 years of experience, which includes implementing and verifying effectiveness of cybersecurity controls in high-security environments, serving as a cybersecurity consultant and virtual CISO to clients in the government and defense sectors, and defining and executing cybersecurity strategy to enable business delivery while simultaneously protecting IP and privacy. Our CISO maintains the following internationally recognized certifications: ISC2 - Certified Information System Security Professional (CISSP) and Project Management Institute - Project Management Professional (PMP).

Our CIO oversees the Company’s information technology infrastructure and implements policies and procedures issued by the CISO within the Company. Our CIO brings over 30 years of experience, garnered across a diverse range of industries and countries, which includes implementing new systems and modifying existing systems for changes in policies and procedures.

Management's Role Managing Risk

Our CISO is responsible for the creation of the Company’s enterprise-wide cybersecurity and information security framework, including the design effectiveness of the Company’s cybersecurity controls. Our CIO is responsible for the implementation of the Company’s cybersecurity and information security framework and the day-to-day execution of our cybersecurity processes and controls. Our governance structure applies a separation of duties approach between our CISO and CIO. The CISO, reporting to the General Counsel, is responsible for monitoring and ensuring that the Company’s cyber policy, risk assessment, verification and training responsibilities are in accordance with the relevant cybersecurity and information security framework. The CIO, reporting to the Chief Financial Officer, is responsible for the Company’s IT security operations and the implementation of policies created by the CISO. All cyber incidents under our existing cyber policy are reported to both the CISO and CIO, which are then communicated through their reporting structure to the General Counsel and Chief Financial Offer. This structure ensures visibility from senior management of operations initiatives and cyber incidents while balancing risks with business needs. The CISO and CIO routinely provide operational updates to the General Counsel and Chief Financial Officer as needed, and updates are provided by the CISO and CIO to both the Cybersecurity and Audit Committees of our board of directors at least quarterly and more often as appropriate, as discussed more fully below.

Board of Directors Oversight

Our board of directors is committed to mitigating data privacy and cybersecurity risks and recognizes the importance of these issues as part of our risk management framework. While the board of directors maintains ultimate responsibility for the oversight of our data privacy and cybersecurity program and risks, it has delegated certain responsibilities to our Cybersecurity Committee and Audit Committee. This committee-level focus on data privacy and cybersecurity allows the board to further enhance its oversight of our cyber risk management framework at the enterprise level. The Cybersecurity and Audit Committees jointly assist the board of directors in its oversight of our data privacy and cybersecurity needs by staying apprised of our data privacy and information security programs, strategy, policies, standards, architecture, processes and material risks and overseeing responses to security and data incidents. Our board of directors, Cybersecurity Committee and Audit Committee's principal role is one of oversight, recognizing that management is responsible for the design, implementation and maintenance of an effective program for protecting against and mitigating data privacy and cybersecurity risks. The board of directors receives information security and privacy awareness training, which covers, among other matters, the board's oversight obligations and the privacy and security programs in place at the company. Our Cybersecurity and Audit Committees receive updates from our CISO and CIO, at least quarterly and more often as appropriate, on data privacy and security risks, including any material incidents, relevant industry developments, threat vectors and risks identified in periodic penetration tests or vulnerability scans. The committees' updates also include material legal and legislative developments concerning data privacy and security, our approach to complying with applicable law and material engagement with regulators concerning data privacy and cybersecurity from the CISO and General Counsel. Additionally, outside counsel advises the board about best practices for cybersecurity oversight by the board, and the evolution of that oversight over time. Members of the board stay apprised of the rapidly evolving cyber threat landscape through our ongoing director education programming and provide guidance to management as appropriate in order to address the effectiveness of our overall data privacy and cybersecurity program. Four members of our board of directors, two of whom serve as members of the Cybersecurity Committee, have cybersecurity experience.

Item 2. Properties

Our operations are conducted at both owned and leased properties in domestic and foreign locations. Our corporate headquarters are located at 601 Jefferson Street, Houston, Texas 77002. While we have operations worldwide, the following table describes the locations of our more significant existing office facilities:

Location	Owned/Leased	Business Segment
North America:		
Houston, Texas	Leased	All
Fulton, Maryland	Leased	Government Solutions
Columbia, Maryland	Leased	Government Solutions
Lexington Park, Maryland	Leased	Government Solutions
Chantilly, Virginia	Leased	Government Solutions
Vienna, Virginia	Leased	Government Solutions
Fairfax, Virginia	Leased	Government Solutions
Dayton/Beavercreek, Ohio	Leased	Government Solutions
Huntsville, Alabama	Leased	Government Solutions
Phoenix, Arizona	Leased	Government Solutions
El Segundo, California	Leased	Government Solutions
Newark, Delaware	Leased	Sustainable Technology Solutions
Europe, Middle East and Africa:		
Leatherhead, United Kingdom	Owned	All
Glasgow, United Kingdom	Leased	Government Solutions
Wiltshire, United Kingdom	Leased / Owned	Government Solutions
Al Khobar, Saudi Arabia	Leased	Sustainable Technology Solutions
Asia-Pacific:		
Chennai, India	Leased	All
Majura Park, Australia	Leased	Government Solutions
Delhi (Gurgaon), India	Leased	Sustainable Technology Solutions
Brisbane, Australia	Leased	Government Solutions
Sydney, Australia	Leased	Government Solutions
Melbourne, Australia	Leased	Government Solutions

We also own or lease numerous small facilities that include sales, administrative and offices as well as warehouses and equipment yards located throughout the world. Our owned Leatherhead property is pledged to secure certain pension obligations in the U.K., and we believe all properties that we currently occupy are suitable for their intended use.

Item 3. Legal Proceedings

Information relating to various commitments and contingencies is described in “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K and in Notes 6, 13 and 14 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part I, Item 3.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NYSE and trades under the symbol "KBR." We have declared a dividend in each quarter during the years ended December 29, 2023 and December 31, 2022, and we currently expect that comparable quarterly cash dividends will continue to be paid for the foreseeable future. The declaration, payment and amount of future cash dividends will be at the discretion of our Board of Directors. On February 19, 2024, the Board of Directors declared a dividend of $0.15 per share, which will be paid on April 15, 2024.

At January 31, 2024, there were 59 shareholders of record. In calculating the number of shareholders, we consider clearing agencies and security position listings as one shareholder for each agency or listing.

Share Repurchases

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 December 29, 2023, $326 million remains available for repurchase under this authorization. On February 19, 2024, the Board of Directors authorized $174 million of share repurchases to be added to the prior authorizations. After the authorization on February 19, 2024, $500 million remains authorized and available for repurchase under this program. 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 settled during the three months ended December 29, 2023, and the amount available to be repurchased under the authorized share repurchase program:

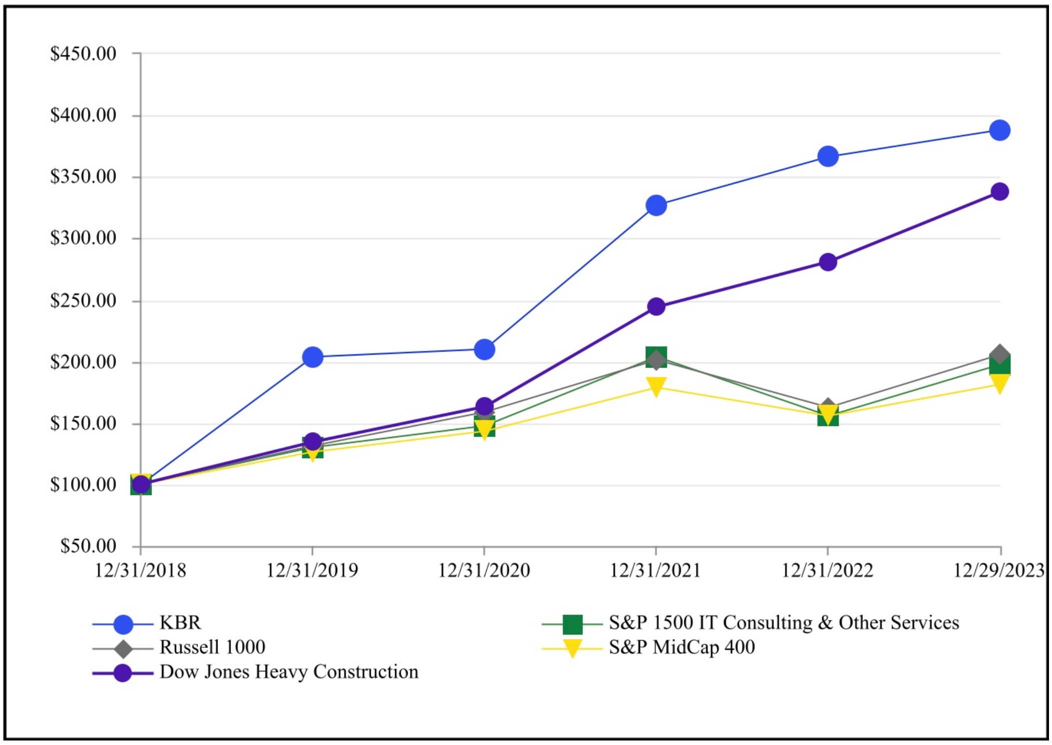
Purchase Period	Total Shares Repurchased (1)	Average Price Paid per Share	Shares Repurchased as Part of Publicly Announced Plan	Dollar Value of Maximum Number of Shares that May Yet Be Purchased Under the Plan
September 30, 2023	—	$ —	—	$ 326,215,513
October 1 - 31, 2023	72	$ 58.15	—	$ 326,215,513
November 1 - 30, 2023	10,088	$ 58.24	—	$ 326,215,513
December 1 - 29, 2023	11,096	$ 53.30	—	$ 326,215,513
Total	21,256	$ —	—	$ 326,215,513

(1) Included within the shares repurchased herein are 21,256 shares acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from issuance of share-based equity awards under the KBR Stock and Incentive Plan at an average price of $55.66 per share.

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall the information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.

The following performance graph compares the cumulative total shareholder return on shares of our common stock for the five-year period ended December 29, 2023, with the cumulative total return on the S&P 1500 IT Consulting & Other Services Index, the Russell 1000 Index, the S&P MidCap 400 Index and the Dow Jones Heavy Construction Industry Index for the same period. The comparisons assume the investment of $100 on December 31, 2018 and reinvestment of all dividends. The shareholder return is not necessarily indicative of future performance.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/29/2023
KBR	$ 100.00	$ 203.62	$ 210.06	$ 327.00	$ 366.03	$ 387.71
S&P 1500 IT Consulting & Other Services	$ 100.00	$ 130.23	$ 147.73	$ 203.78	$ 155.69	$ 197.65
Russell 1000	$ 100.00	$ 131.43	$ 158.98	$ 201.03	$ 162.58	$ 205.72
S&P MidCap 400	$ 100.00	$ 126.20	$ 143.44	$ 178.95	$ 155.58	$ 181.15
Dow Jones Heavy Construction	$ 100.00	$ 134.15	$ 162.88	$ 243.89	$ 280.60	$ 337.69

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The purpose of the MD&A is to provide our stockholders and other interested parties with information necessary to gain an understanding of our financial condition and disclose 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 Part I of this Annual Report on Form 10-K as well as the consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K.

Company 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.

Our Business Segments

KBR's business is organized into two core business segments and one non-core business segment 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 to our consolidated financial statements and under "Item 1. Business" in this Annual Report on Form 10-K.

Business Environment and Trends

Government Outlook

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 million for defense spending and $704 million 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.

In December 2023, President Biden signed into law the National Defense Authorization Act ("NDAA") for fiscal year 2024. The NDAA authorizes programs, projects and policies to be carried out with funds appropriated by Congress as part of the annual budgetary process. The NDAA supports approximately $874 billion in fiscal year 2024 funding for national defense, $841 billion of which is for the DoD. The requested amount is an increase of $27 billion when compared to the authorized defense spending for fiscal year 2023.

The U.S. government has not yet enacted an annual budget for fiscal year 2024; these proposed 2024 budgetary amounts are subject to change. To avert a government shutdown, three continuing resolution funding measures have been enacted to finance all U.S. government activities. The most recent "laddered" continuing resolution passed in January 2024 funds the government through March 2024, depending on the appropriation bill. Under the continuing resolution, partial-year funding at amounts consistent with appropriated levels for fiscal year 2023 are available, subject to certain restrictions, but new spending initiatives are not authorized. Uncertainty continues to exist regarding whether a divided Congress will be able to pass appropriation bills or additional continuing resolutions once the current continuing resolutions expire in March 2024. We believe our key programs will continue to be supported and funded in the continuing resolution financing mechanism. The effect of a potential government shutdown or the finalized fiscal year 2024 budget on KBR or our individual programs cannot be predicted at this time. However, if a government shutdown were to occur and were to continue for an extended period, we could be at risk of program cancellations, schedule delays and other disruptions and nonpayment, which could adversely affect our results of operations. We anticipate the federal budget will continue to be subject to debate and compromise shaped by, among other things, heightened political tensions, the global security environment, inflationary pressures and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly and our programs.

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. It is expected the next general election in the United Kingdom will occur in 2024 (and no later than January 28, 2025). The effect of the next general election in the United Kingdom on KBR or our individual programs cannot be predicted at this time. 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. The fiscal year budget for Australia for the

2023 - 2024 financial year was finalized, with the Australian government increasing defense spending 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.

Change in Fiscal Year End

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 29, 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.

Due to this change in fiscal year, our fiscal year ended on December 29 in 2023 as compared to December 31 in 2022. The years ended December 29, 2023 and December 31, 2022 contained 363 days and 365 days, respectively.

Overview of 2023 Financial Results and Significant Bookings

2023 was a year of significant achievement for KBR as we continued to execute toward our long-term vision. The Company benefits from a significant base of long-term enduring contracts in our government business, a diverse portfolio of high quality proprietary process technologies, market tailwinds that benefit our capabilities and technologies in areas such as defense modernization, energy transition, energy security and high-end engineering and a truly global client base. Together, these attributes distinguish KBR and have contributed directly to the Company’s growth in earnings during the year.

In 2023, revenues and operating income increased for KBR when compared to 2022. These increases were driven by both our GS and STS business segments. Our GS business segment increased revenues in 2023 with contract growth and increased activity to support exercises, training and other activities within the European Command during the year, despite being partially offset by revenue recognized in the previous year related to the OAW program. Our STS business segment increased revenues in 2023 due to increases in technology sales and engineering and professional services. Our teams continued to deliver operational performance, healthy profitability and strong cash flow. Importantly, we drove innovation and extended our footprint through new program wins and technology advances, developments and investments, such as our additional investment in Mura Technology in 2023. 2023 was also an important year for KBR with multiple obligations resolved during the year including the settlement of a legacy legal matter and the maturity and settlement of our Convertible Notes. Our outstanding warrants were also terminated in 2023, with final payment for the warrant terminations being made in January 2024.

Our GS business landed new awards, including a $1.9 billion ceiling, 5-year Integrated Mission Operations Contract for the continued support of NASA's human spaceflight programs which includes the International Space Station, Artemis and Low Earth Orbit Commercialization. Additional new awards included an award to a KBR joint venture for the Omnibus Multidiscipline Engineering Services III contract, worth up to $719 million, to aid NASA's development of space orbital systems in its Engineering and Technology Directorate at Goddard Space Flight Center in Maryland. Our STS business landed various awards during the year, including an award for modifications to the Pluto LNG facility in Australia and numerous projects across the ammonia landscape and various projects spanning carbon capture, utilization and storage, hydrogen, biofuels and renewables.

Results of Operations

The following tables set forth our results of operations for the periods presented, including by segment. A discussion regarding our financial condition and results of operations for the years ended December 31, 2022 and 2021 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 17, 2023.

Consolidated Results

	Year Ended			Change			
	December 29,	December 31,	December 31,	2023 vs. 2022		2022 vs. 2021	
Dollars in millions	2023	2022	2021	$	%	$	%
Revenues	$ 6,956	$ 6,564	$ 7,339	$ 392	6 %	$ (775)	(11)%
Cost of revenues	$ (5,979)	$ (5,736)	$ (6,533)	$ 243	4 %	$ (797)	(12)%
Gross profit	**$ 977**	**$ 828**	**$ 806**	**$ 149**	**18 %**	**$ 22**	**3 %**
Equity in earnings (losses) of unconsolidated affiliates	$ 114	$ (80)	$ (170)	$ 194	n/m	$ 90	53 %
Selling, general and administrative expenses	$ (488)	$ (420)	$ (393)	$ 68	16 %	$ 27	7 %
Legal settlement of legacy matter	$ (144)	$ —	$ —	$ 144	n/m	$ —	— %
Gain (loss) on disposition of assets and investments	$ (7)	$ 19	$ 2	$ (26)	n/m	$ 17	n/m
Other	$ (4)	$ (4)	$ (14)	$ —	— %	$ (10)	(71)%
Operating income	**$ 448**	**$ 343**	**$ 231**	**$ 105**	**31 %**	**$ 112**	**48 %**
Interest expense	$ (115)	$ (87)	$ (80)	$ 28	32 %	$ 7	9 %
Unrealized gain on other investment	$ —	$ 16	$ 4	$ (16)	n/m	$ 12	300 %
Charges associated with Convertible Notes	$ (494)	$ —	$ —	$ 494	n/m	$ —	— %
Other non-operating income (expense)	$ (5)	$ 12	$ (9)	$ (17)	n/m	$ 21	n/m
Income (loss) before income taxes	**$ (166)**	**$ 284**	**$ 146**	**$ (450)**	**n/m**	**$ 138**	**95 %**
Provision for income taxes	$ (95)	$ (92)	$ (111)	$ 3	3 %	$ (19)	(17)%
Net income (loss)	**$ (261)**	**$ 192**	**$ 35**	**$ (453)**	**n/m**	**$ 157**	**449 %**
Less: Net income attributable to noncontrolling interests	$ 4	$ 2	$ 8	$ 2	100 %	$ (6)	(75)%
Net income (loss) attributable to KBR	**$ (265)**	**$ 190**	**$ 27**	**$ (455)**	**n/m**	**$ 163**	**604 %**

n/m - not meaningful

Revenues. Revenues increased by $392 million, or 6%, to $6,956 million in 2023, compared to $6,564 million in 2022. The increase was 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 were offset by approximately $313 million of revenue recognized in 2022 from contingency work associated with the OAW program that 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 $149 million, or 18%, 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 $194 million to $114 million in earnings for the year ended December 29, 2023 compared to $80 million in losses for the year ended December 31, 2022. In 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 2023. In 2022, we also recorded a charge on a joint venture in our GS business segment that did not recur in 2023. Further, the increase in 2023 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 were $68 million higher in 2023 compared to 2022, which was primarily driven by growth in the business and favorable settlements and credits received in the first quarter of 2022 that did not recur in 2023.

Legal settlement of legacy matter. In 2023 we recorded a charge of $144 million related to the settlement of a legacy legal matter.

Gain (loss) on disposition of assets and investments. In 2023, we recognized a loss on disposition of assets and investments of $7 million related to the sale of our operations in Russia. This loss was primarily due to $10 million in accumulated foreign currency adjustments that were reclassified from AOCL. In 2022, we recognized a gain on disposition of assets and investments of $16 million primarily from the sale of our investment interest in three U.K. Road investments.

Interest Expense. The increase in interest expense was primarily driven by increases in the U.S. federal reserve funds rate from 2022 to 2023.

Unrealized gain on other investment. In 2022, we recognized an unrealized gain on other investment of $16 million 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 in 2023.

Charges associated with Convertible Notes. In 2023, we recognized a loss of $494 million related to the cash election and repurchase of Convertible Notes and Warrant Unwind Agreements.

Other non-operating income (expense). Other non-operating income (expense) includes interest income, foreign exchange gains and losses and other non-operating income or expense items. The net decrease is primarily driven by foreign exchange gains and losses. In 2023, we recorded approximately $6 million in net foreign exchange losses. In 2022, we recorded approximately $8 million in net foreign exchanges gains primarily related to foreign exchange impacts from the Australian dollar tranche of Term Loan A that was redenominated into U.S. dollars following the execution of an amendment to our existing Credit Agreement in the fourth quarter of 2022.

Provision for income taxes. The provision for income taxes for the year ended December 29, 2023 reflects a (57)% tax rate as compared to a 32% tax rate for the year ended December 31, 2022. The effective tax rate of (57)%, as compared to the U.S. statutory rate of 21%, for the year ended December 29, 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 22. The implication of these non-deductible items were partially offset by the release of a previously reserved position based on developments associated with the ongoing IRS examination and appeals process for certain years. The effective tax rate of 32% for the year ended December 31, 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 26% and 24% for the year ended December 29, 2023 and December 31, 2022, respectively. See Note 12 "Income Taxes" to our consolidated financial statements for further discussion on income taxes, including our reconciliation of the U.S. statutory tax rate to our effective tax rate.

Results of Operations by Business Segment

We analyze the financial results of our two core business segments and one non-core business segment. The business segments presented are consistent with our reportable segments discussed in Note 2 to our consolidated financial statements.

	Years Ended			Change			
	December 29,	December 31,	December 31,	2023 vs. 2022		2022 vs. 2021	
Dollars in millions	2023	2022	2021	$	%	$	%
Revenues							
Government Solutions	$ 5,353	$ 5,320	$ 6,149	$ 33	1 %	$ (829)	(13)%
Sustainable Technology Solutions	1,603	1,244	1,190	359	29 %	54	5 %
Total revenues	$ 6,956	$ 6,564	$ 7,339	$ 392	6 %	$ (775)	(11)%
Operating income							
Government Solutions	$ 285	$ 441	$ 414	$ (156)	(35)%	$ 27	7 %
Sustainable Technology Solutions	324	47	(30)	277	n/m	77	n/m
Other	(161)	(145)	(153)	(16)	(11)%	8	5 %
Operating income	$ 448	$ 343	$ 231	$ 105	31 %	$ 112	48 %

n/m - not meaningful

Government Solutions

GS revenues increased by $33 million, or 1%, to $5,353 million in 2023 compared to $5,320 million in 2022. This increase was primarily attributable to activity to support exercises, training and other activities within the European Command and continued contract growth across our GS business segment. These increases were partially offset by approximately $313 million of revenue recognized in 2022 from contingency work associated with the OAW program that was wound down and substantially completed in early 2022. Additionally, the increase was offset by the ramp down of construction work for the Aspire program.

GS operating income decreased by $156 million, or 35%, to $285 million in 2023 compared to $441 million in 2022. The decrease was primarily driven by the $144 million charge recorded in the second quarter of 2023 related to the settlement of a legacy legal matter. Additionally, operating income decreased $19 million primarily due to the gain on sale of our investment interest in three U.K. Road investments.

Sustainable Technology Solutions

STS revenues increased by $359 million, or 29%, to $1,603 million in 2023 compared to $1,244 million in 2022. The increase from 2022 to 2023 was primarily driven by increased revenues from technology sales and engineering and professional services.

STS operating income increased by $277 million to $324 million in 2023 compared to $47 million in 2022. The increase was primarily related to the Ichthys LNG project. In 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 in 2023. Additionally, the increase was 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 2023 and a non-cash impact in 2022 that did not recur in 2023. The increases in 2023 were offset by a $7 million loss related to the sale of our operations in Russia. This loss was primarily due to $10 million in accumulated foreign currency adjustments that were reclassified from AOCL.

Other

Other operating loss remained materially consistent between the years ended December 29, 2023 and December 31, 2022.

Backlog of Unfilled Orders

Backlog represents the estimated 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 include total estimated 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, and from time to time customers may dispute or try to renegotiate existing contracts. These and other factors may result in delays in our recognition of revenue from our backlog, and in differences between the amounts we book as backlog and the amounts we recognize as revenue. 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.

Refer to "Item 1A. Risk Factors" contained in Part 1 of this Annual Report on Form 10-K for a discussion of other factors that may cause backlog to ultimately convert into revenues at different amounts.

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 $4.1 billion at December 29, 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 recognized $54 million and $39 million in backlog as of December 29, 2023 and December 31, 2022, respectively, for our transition work. Additionally, for the year ended December 29, 2023, we recognized $0.8 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 for the years ended December 29, 2023 and December 31, 2022, respectively:

Dollars in millions	December 29, 2023	December 31, 2022
Government Solutions	$ 12,790	$ 11,543
Sustainable Technology Solutions	4,545	4,012
Total backlog	$ 17,335	$ 15,555

We estimate that as of December 29, 2023, 30% of our backlog will be executed within one year. Of this amount, we estimate that 87% will be recognized in revenues on our consolidated statement of operations and 13% will be recorded by our unconsolidated joint ventures. As of December 29, 2023, $164 million of our backlog relates to active contracts that are in a loss position.

As of December 29, 2023, 10% of our backlog was attributable to fixed-price contracts, 39% was attributable to PFIs, 36% was attributable to cost-reimbursable contracts and 15% 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 December 29, 2023, $9.2 billion of our GS backlog was currently funded by our customers.

As of December 29, 2023, we had approximately $4.4 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 $17.3 billion and the remaining performance obligations as defined by ASC 606 of $12.7 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 consolidated financial statements for discussion of the remaining performance obligations.

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 11 "Debt and Other Credit Facilities" of our consolidated financial statements, we entered into Amendment No. 8 on February 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" and together with the Revolver and Term Loan A, the "Senior Credit Facility"). Amendment No. 8 (i) replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for the U.S. dollar tranche of Term Loan A and the Revolver and (ii) implements the Company’s recent fiscal year change from a calendar year ending on December 31 to a 52-53 week year ending on the Friday closest to December 31, effective beginning with fiscal year 2023.

We entered into Amendment No. 9 to our Credit Agreement on June 6, 2023. Amendment No. 9 replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for Term Loan B. We entered into Amendment No. 10 to our Credit Agreement on July 26, 2023. Amendment No. 10 provided for an additional $200 million loan tranche under Term Loan A. We borrowed the full $200 million principal amount available under this additional loan tranche, and this $200 million borrowing was applied as a partial repayment of the outstanding amounts of principal and accrued interest under the Revolver.

We entered into Amendment No.11 to our Credit Agreement on January 19, 2024. This amendment provides for an incremental Term Loan B facility in an aggregate principal amount of $1 billion and extends the Term Loan B maturity date to January 2031. We borrowed the full $1 billion principal amount available under this loan and primarily used the proceeds to repay all amounts of outstanding principal and accrued interest under the Company’s Term Loan B facility at December 29, 2023 and to partially repay outstanding principal and accrued interest under the Company’s Revolver. We entered into Amendment No.12 to our Credit Agreement on February 7, 2024. This amendment consolidated the USD denominated Term A-1, Term A-2 and Term A-4 loan facilities under our Credit Agreement into the amended USD denominated Term A-1 loan facility and continued the GBP denominated Term A-3 loan facility outstanding at December 29, 2023. Additionally, this amendment extended the maturity date of the $1 billion Revolver, amended Term A-1 loan facility and Term A-3 loan facility to February 2029. Immediately following execution of Amendment No. 12, we had approximately $500 million outstanding related to the remaining Term Loan A facilities and $117 million outstanding on our Revolver.

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 December 29, 2023, we were in compliance with all financial covenants related to our debt agreements.

Cash and cash equivalents totaled $304 million at December 29, 2023 and $389 million at December 31, 2022 and consisted of the following:

Dollars in millions	December 29, 2023	December 31, 2022
Domestic U.S. cash	$ 44	$ 27
International cash	128	255
Joint venture and Aspire Defence project cash	132	107
Total	$ 304	$ 389

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 December 29, 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:

	Years ended,		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Cash flows provided by operating activities	$ 331	$ 396	$ 278
Cash flows provided by (used in) investing activities	(70)	37	(428)
Cash flows provided by (used in) financing activities	(359)	(399)	87
Effect of exchange rate changes on cash	13	(15)	(3)
Increase (decrease) in cash and cash equivalents	$ (85)	$ 19	$ (66)

Operating Activities. Cash provided by operations totaled $331 million and $396 million in 2023 and 2022, respectively, as compared to a net loss of $261 million and net income of $192 million in 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 decrease in operating cash flows in 2023 compared to 2022 is primarily attributed to the $144 million payment made in the third quarter of 2023 related to the settlement of a legacy legal matter. This decrease was offset by increases in operating cash flows from changes in our pension funding amounts in the 2023. In 2022, we made an advance payment in October 2022 to our U.K. pension plan for approximately £29 million of the £33 million required minimum annual contributions. No similar advance payments were made in 2023. Additionally, there were increases in operating cash flows from changes in the primary components of our working capital. 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.

Investing Activities. Cash used in investing activities totaled $70 million in 2023 and was primarily related to the second payment for an additional investment of $39 million in Mura Technology and capital expenditures of $80 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 9 "Equity Method Investments and Variable Interest Entities" for further details.

Cash provided by investing activities totaled $37 million in 2022 and was primarily due to a return of investment of approximately $190 million from JKC resulting from the receipt of the first payment from the Subcontractor Settlement Agreement, a return of investment from BRIS of $10 million as our cumulative distributions from inception of the joint venture exceeded our cumulative earnings and proceeds of $55 million from the sale of our investment interest in three U.K. Road Projects. See Note 9 "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, $71 million in capital expenditures, $13 million net cash paid upon divestiture of a joint venture acquired as part of a historical GS acquisition and $73 million net cash used for the acquisition of VIMA. See Note 4 "Acquisitions" for further details

Financing activities. Cash used in financing activities totaled $359 million in 2023 and was primarily due to a net cash outflow of $567 million for the settlement and maturity of our outstanding Convertible Notes, corresponding Note Hedge and warrants settled and paid during the year. Cash used in financing activities also included $72 million of dividend payments to common shareholders, $125 million for the repurchase of common stock under our share repurchase program, $13 million for the repurchase of common stock under our "withhold to cover" program, $340 million in payments on our revolving credit facility and $17 million of principal payments related to our Senior Credit Facility. These decreases were partially offset by $785 million in borrowings related to our revolving credit facility and $5 million in net proceeds from the issuance of common stock. See Note 11 "Debt and Other Credit Facilities" for further discussion of our Senior Credit Facility.

Cash used in financing activities totaled $399 million in 2022 and was primarily due to $193 million of repurchases of common stock under our share repurchase program, $66 million of dividend payments to common shareholders, $116 million in net payments on borrowings related to our Senior Credit Facility, $11 million repayment on our finance lease obligations, $10 million for the repurchase of common stock under our "withheld to cover" program and dividends paid to NCI shareholders of $4 million. These decreases were partially offset by $5 million in net proceeds received from the issuance of common stock and $3 million in investments from NCI shareholders.

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 any currently outstanding legal matter or any future legal proceeding 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 consolidated balance sheets a funding deficit of approximately $15 million (calculated as the excess of the projected benefit obligations over the fair value of plan assets) as of December 29, 2023) for our frozen U.K. defined benefit pension plan. The total amount of employer pension contributions paid for the year ended December 29, 2023 is $9 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 (approximately $42 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 20 "Fair Value of Financial Instruments and Risk Management" to our 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 11 "Debt and Other Credit Facilities" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

Senior Notes

Information relating to our Senior Notes is described in Note 11 "Debt and Other Credit Facilities" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

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. 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. In 2023, we settled our outstanding Convertible Notes and corresponding Note Hedge and unwound the warrants.

For more information relating to our Convertible Notes, Note Hedge Transactions and Warrant Transactions, refer to Note 11 "Debt and Other Credit Facilities" and Note 22 "Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

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 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 this 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 December 29, 2023, we had no material guarantees of the work or obligations of third parties recorded.

As of December 29, 2023, we had $1 billion in a committed line of credit on the Revolver under our Senior Credit Facility and $392 million of bilateral and uncommitted lines of credit to support the issuance of letters of credit. As of December 29, 2023, with respect to our Revolver, we had $505 million of outstanding borrowings. We also have $14 million of outstanding letters of credit on our Senior Credit Facility. With respect to our $392 million of bilateral and uncommitted lines of credit, we utilized $298 million for letters of credit as of December 29, 2023. The total remaining capacity of these committed and uncommitted lines of credit was approximately $575 million. Information relating to our letters of credit is described in Note 11 "Debt and Other Credit Facilities" to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7. Other than as discussed in this report, we have not engaged in any material off-balance sheet financing arrangements through special purpose entities.

Contractual Obligations and Commitments

Significant contractual obligations and commercial commitments as of December 29, 2023 are as follows:

	Payments Due						
Dollars in millions	2024	2025	2026	2027	2028	Thereafter	Total
Debt obligations (a)	$ 31	$ 31	$ 1,054	$ 485	$ 250	$ —	$ 1,851
Interest (a) (b)	95	107	95	13	12	—	322
Operating leases	55	49	36	31	30	70	271
Finance leases	12	7	1	1	1	—	22
Pension funding obligation (c)	42	41	41	41	15	—	180
Purchase obligations (d)	51	35	11	6	—	—	103
Total (e)	$ 286	$ 270	$ 1,238	$ 577	$ 308	$ 70	$ 2,749

(a) Subsequent to December 29, 2023, we entered into Amendment No.11 and Amendment No.12 to our Credit Agreement. See Note 11 "Debt and Other Credit Facilities" for additional information.

(b) Determined based on long-term debt borrowings outstanding at the end of 2023 using the interest rates in effect for the individual borrowings as of December 29, 2023, including the effects of interest rate swaps. The payments due for interest reflect the cash interest that will be paid, which includes interest on outstanding borrowings and commitment fees. These amounts exclude the amortization of discounts or debt issuance costs.

(c) Included in our pension funding obligations are payments related to our agreement with the trustees of our U.K. pension plan. The agreement for this plan calls for minimum annual contributions of £33 million ($42 million at current exchange rates) from 2024 through the next valuation.

(d) In the ordinary course of business, we enter into commitments to purchase software and related maintenance, materials, supplies and similar items. The purchase obligations disclosed above do not include purchase obligations that we enter into with vendors in the normal course of business that support direct project costs on existing contracting arrangements with our customers. We expect to recover such obligations from our customers.

(e) We have excluded uncertain tax positions totaling $74 million as of December 29, 2023. The ultimate timing of settlement of these obligations cannot be determined with reasonable assurance. See Note 12 to our consolidated financial statements for further discussion on income taxes.

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 9 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information. The information discussed therein is incorporated by reference into this Part II, Item 7.

Recent Accounting Pronouncements

Information relating to recent accounting pronouncements is described in Note 21 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

U.S. Government Matters

Information relating to U.S. government matters commitments and contingencies is described in Note 14 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 6, 13 and 14 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements which have been prepared in conformity with U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the determination of financial positions, results of operations, cash flows and related disclosures. Our significant accounting policies are described in Note 1 to our consolidated financial statements. The following discussion is intended to highlight and describe those accounting policies that are especially critical to the preparation of our consolidated financial statements and to provide a better understanding of our significant accounting estimates and assumptions about future events that affect the amounts reported in our consolidated financial statements. Significant accounting estimates are important to the representation of our financial position and results of operations and involve our most difficult, subjective or complex judgments. We base our estimates on historical experience and various other assumptions we believe to be reasonable according to the current facts and circumstances through the date of the issuance of our financial statements.

Contract Revenue and Contract Estimates. Our policy on revenue recognition is provided in Note 1 to our consolidated financial statements for the year ended December 29, 2023 and is also applied to the revenues of our equity method investments included in equity in earnings of unconsolidated affiliates. We recognize revenue on substantially all of our contracts over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Our contracts are generally accounted for as a single performance obligation and are not segmented between types of services provided. We recognize revenue on those contracts over time using the cost-to-cost method, based primarily on contract costs incurred to date compared to total estimated contract costs at completion. Contract costs include all direct materials, labor and subcontractors costs and indirect costs related to contract performance. We believe this method is the most accurate measure of contract performance because it directly measures the value of the goods and services transferred to the customer. For all other contracts we recognize revenue when services are performed which generally coincides with our ability to bill.

The cost-to-cost method of revenue recognition requires us to prepare estimates of cost to complete for contracts in progress. Due to the nature of the work performed on many of our performance obligations, the estimates of total revenue and cost at completion is complex, subject to many variables and require significant judgment. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule and the cost of materials, labor and productivity, the impact of change orders, liability claims, contract disputes and achievement of contractual performance standards. As a significant change in one or more of these estimates could affect the profitability of our contracts, we routinely review and update our significant contract estimates through a disciplined project review process in which management reviews the progress and execution of our performance obligations and estimates at completion. We have a long history of working with multiple types of projects and in preparing cost estimates. However, there are many factors that impact future cost as outlined in “Item 1A. Risk Factors” contained in Part I of this Annual Report on Form 10-K. These factors can affect the accuracy of our estimates and materially impact our future reported earnings. Changes in total estimated contract costs and losses, if any, are recognized on a cumulative catch-up basis in the period in which the changes are identified at the contract level. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate.

It is common for our contracts to contain variable consideration in the form of incentive fees, performance bonuses, award fees, liquidated damages or penalties that may increase or decrease the transaction price. Variable consideration may be tied to our performance, cost targets, or achievement of milestones. Other contract provisions also give rise to variable consideration such as unapproved change orders and claims, and on certain contracts, index-based price adjustments. We estimate the amount of variable consideration at the most likely amount we expect to be entitled and include in the transaction price when it is probable that a significant reversal of cumulative revenue recognized will not occur. Variable consideration associated with claims and unapproved change orders is included in the transaction price only to the extent of costs incurred. We recognize claims against suppliers and subcontractors as a reduction in recognized costs when enforceability is established by the contract and the amounts are reasonably estimable and probable of recovery. Reductions in costs are recognized to the extent of the lesser of the amounts management expects to recover or actual costs incurred.

Under cost-reimbursable contracts, the price is generally variable based upon our actual allowable costs incurred for materials, equipment, reimbursable labor hours, overhead and G&A expenses. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Pricing, including the types of costs that are allowable, for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. We recognize revenue on cost-reimbursable contracts to the extent it is not probable a significant reversal will occur.

Our estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, anticipated performance and any other information (historical, current or forecasted) that is reasonably available to us.

Goodwill and Intangible Assets. Goodwill is tested annually for possible impairment as of the first day of the fourth fiscal quarter within our fiscal year, and on an interim basis when indicators of possible impairment exist. For purposes of impairment testing, goodwill is assigned to the applicable reporting units based on our current reporting structure. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Qualitative factors assessed for each of the applicable reporting units include, but are not limited to, changes in macroeconomic conditions, industry and market considerations, cost factors, discount rates, competitive environments and financial performance of the reporting units. If the qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, a quantitative test is required.

While we have the option to proceed directly to the quantitative test, for 2023, management performed a qualitative impairment assessment of our reporting units, of which there were no indications that it was more likely than not that the fair value of our reporting units were less than their respective carrying values. As such, a quantitative goodwill test was not required, and no goodwill impairment was recognized in 2023.

Deferred Taxes, Valuation Allowances and Tax Contingencies. As discussed in Note 12 to our consolidated financial statements, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. We record a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. We evaluate the realizability of our deferred tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of the timing and character of future taxable income exclusive of reversing temporary differences and carryforwards, future reversals of existing taxable temporary differences, income available from carryback years and available tax planning strategies that could be implemented to realize the net deferred tax assets. To arrive at our forecast of the timing and character of future taxable income, we use estimates of economic and market assumptions, including growth rates in revenues, costs and estimates of future operating margins. These estimates can entail varying degrees of judgment based upon the amount of deferred tax assets assessed and length of the carryforward period.

We consider both positive and negative evidence when evaluating the need for a valuation allowance on our deferred tax assets in accordance with ASC 740. Available evidence includes historical financial information supplemented by currently available information about future years. Generally, historical financial information is more objectively verifiable than projections of future income and is therefore given more weight in our assessment. We consider cumulative losses in the most recent twelve quarters to be significant negative evidence that is difficult to overcome in considering whether a valuation allowance is required. Conversely, we consider a cumulative income position over the most recent twelve quarters to be significant positive evidence that a valuation allowance may not be required. Changes in the amount, timing and character of our forecasted taxable income could have a significant impact of our ability to utilize deferred tax assets and related valuation allowance.

Our ability to utilize the unreserved foreign tax credit carryforwards is based on our ability to generate future taxable income of at least $333 million prior to their expiration whereas our ability to utilize other net deferred tax assets exclusive of those associated with indefinite-lived intangible assets is based on our ability to generate future taxable income of at least $933 million. Changes in our forecasted taxable income in the applicable taxing jurisdictions within the carryforward periods could affect the ultimate realization of deferred tax assets and our valuation allowance.

We recognize the effect of income tax positions only if it is more likely than not that those positions will be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records potential interest and penalties related to unrecognized tax benefits in income tax expense.

Tax filings of our subsidiaries, unconsolidated affiliates and related entities are routinely examined by tax authorities in the normal course of business. These examinations may result in assessments of additional taxes, which we work to resolve with the tax authorities and through the judicial process. Predicting the outcome of disputed assessments involves some uncertainty. Factors such as the availability of settlement procedures, willingness of tax authorities to negotiate and the operation and impartiality of judicial systems vary across the different tax jurisdictions and may significantly influence the ultimate outcome. We review the facts for each assessment, and then utilize assumptions and estimates to determine the most likely outcome and provide taxes, interest and penalties as needed based on this outcome.

Legal, Investigation and Other Contingent Matters. We record liabilities for loss contingencies when it is probable that a liability has been incurred and the amount is reasonably estimable. We disclose matters when we believe a material loss is at least reasonably possible but not probable or if the loss is not reasonably estimable but probable and is expected to be material to our financial statements. Generally, our estimates related to these matters are developed in consultation with internal and external legal counsel. Our estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. The precision of these estimates and the likelihood of future changes depend on a number of underlying assumptions and a range of possible outcomes. When possible, we attempt to resolve these matters through settlements, mediation and arbitration proceedings. If the actual settlement costs, final judgments or fines differ from our estimates, our future financial results may be materially and adversely affected. We record adjustments to our initial estimates of these types of contingencies in the periods when the change in estimate is identified. All legal expenses associated with these matters are expensed as incurred. See Notes 6, 13 and 14 to our consolidated financial statements for further discussion of our significant legal, investigation and other contingent matters.

Pensions. Our pension benefit obligations and expenses are calculated using actuarial models and methods. The most critical assumption and estimate used in the actuarial calculations is the discount rate for determining the current value of benefit obligations. Other assumptions and estimates used in determining benefit obligations and plan expenses include expected rate of return on plan assets, inflation rates and demographic factors such as retirement age, mortality and turnover. These assumptions and estimates are evaluated periodically and are updated accordingly to reflect our actual experience and expectations.

The discount rate used to determine the benefit obligations was computed using a yield curve approach that matches plan specific cash flows to a spot rate yield curve based on high quality corporate bonds. The expected long-term rate of return on assets was determined by a stochastic projection that takes into account asset allocation strategies, historical long-term performance of individual asset classes, an analysis of additional return (net of fees) generated by active management, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. Plan assets are comprised primarily of equity securities, fixed income funds and securities, hedge funds, real estate and other funds. As we have both domestic and international plans, these assumptions differ based on varying factors specific to each particular country or economic environment.

The discount rate used to calculate the projected benefit obligation at the measurement date for our U.S. pension plan decreased to 4.70% at December 29, 2023 from 4.91% at December 31, 2022. The discount rate used to determine the projected benefit obligation at the measurement date for our U.K. pension plan, which constitutes 96% of all pension plans, decreased to 4.79% at December 29, 2023 from 5.00% at December 31, 2022. Our expected long-term rates of return on plan assets utilized at the measurement date increased to 6.64% from 6.63% for our U.S. pension plans and increased to 6.79% from 6.00% for our U.K. pension plans, for the years ended December 29, 2023 and December 31, 2022, respectively.

The following table illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for our pension plans:

	Effect on			
	Pretax Pension Cost in 2024		Pension Benefit Obligation at December 29, 2023	
Dollars in millions	U.S.	U.K.	U.S.	U.K.
25-basis-point decrease in discount rate	$ —	$ —	$ 1	$ 38
25-basis-point increase in discount rate	$ —	$ —	$ (1)	$ (37)
25-basis-point decrease in expected long-term rate of return	$ —	$ 4	N/A	N/A
25-basis-point increase in expected long-term rate of return	$ —	$ (4)	N/A	N/A

Unrecognized actuarial gains and losses are recognized using the corridor method over a period of approximately 22 years, which represents a reasonable systematic method for amortizing gains and losses for the employee group. Our unrecognized actuarial gains and losses arise from several factors, including experience and assumption changes in the obligations and the difference between expected returns and actual returns on plan assets. The difference between actual and expected returns is deferred as an unrecognized actuarial gain or loss on our consolidated statement of comprehensive income (loss) and is recognized as a decrease or an increase in future pension expense. Our pretax unrecognized net actuarial loss in accumulated other comprehensive loss at December 29, 2023 was $872 million.

The actuarial assumptions used in determining our pension benefits may differ materially from actual results due to changing market and economic conditions, changes in the legislative or regulatory environment, higher or lower withdrawal rates and longer or shorter life spans of participants. While we believe that the assumptions used are appropriate, differences in actual experience, expectations or changes in assumptions may materially affect our financial position or results of operations. Our actuarial estimates of pension expense and expected return on plan assets are discussed in Note 10 in the accompanying consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Financial 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 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. Within other non-operating income (expense) on our consolidated statements of operations, we recorded a net loss of $6 million for the year ended December 29, 2023, a net gain of $4 million for the year ended December 31, 2022 and a net loss of $8 million for the year ended December 31, 2021 . The fair value of these derivatives was not material to our consolidated balance sheet for the periods presented. For more information, see Note 20 to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K and the information discussed therein is incorporated by reference into this Part II, Item 7A.

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 $505 million of borrowings issued under the Revolver as of December 29, 2023. Additionally, we had $1,096 million outstanding under the term loan portions of the Senior Credit Facility as of December 29, 2023. Borrowings under the Senior Credit Facility bear interest at variable rates as described in Note 11 "Debt and Other Credit Facilities" to our 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 year ended December 29, 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. As of December 29, 2023, the notional value of the GBP denominated amortizing swaps was £116 million. We will receive SONIA and pay a fixed rate of 3.81% for the term of the swaps. Additionally, in November 2023, the notional value of our September 2022 interest rate swap agreement expiring January 2027 increased to $350 million. We will receive SOFR and pay a fixed rate of 3.43%. The swap agreements were designated as cash flow hedges at inception in accordance with ASC Topic 815 Derivative and Hedgi*ng*. The fair value of the interest rate swaps at December 29, 2023 was a $36 million net asset, of which $24 million is included in other current assets, $18 million is included in other assets and $6 million is included in other liabilities. Information relating to our portfolio of interest rate swaps is described in Note 20 "Fair Value of Financial Instruments and Risk Management" to our consolidated financial statements, which is incorporated by reference into this Item 7A.

At December 29, 2023, we had fixed rate debt aggregating $1,353 million and variable rate debt aggregating $498 million, after taking into account the effects of the interest rate swaps that were effective at December 29, 2023. Our weighted average interest rate for the year ended December 29, 2023 was 5.81%. 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 December 29, 2023.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
KBR, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of KBR, Inc. and subsidiaries (the Company) as of December 29, 2023 and December 31, 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 29, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 29, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 20, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which it relates.

Contract revenue and contract cost estimates

As described in Note 1 to the consolidated financial statements, a portion of the Company's revenue and equity in earnings of unconsolidated affiliates is derived from contracts with revenue recognized over time using the cost-to-cost method to measure progress. Revenue recognition under this method requires judgments to prepare estimates of total contract costs, specifically assumptions related to estimated labor costs, and total contract revenue, including amounts related to contractually allowable costs.

We identified the evaluation of total contract costs and total contract revenues for certain contracts as a critical audit matter. Evaluating the Company's estimates of total contract costs for certain contracts involves auditor judgment given the variability and uncertainty associated with estimating costs, including estimated labor costs, to be incurred over the contract period. Evaluating the Company's estimates of total contract revenue for certain contracts requires an evaluation of subjective assumptions, including those related to contractually allowable costs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process for estimating total contract costs, specifically assumptions related to estimated labor costs, and total contract revenue, including amounts related to contractually allowable costs. We evaluated the Company's ability to estimate these amounts by comparing the Company's previous estimated project margins to actual results. To assess the reasonableness of these estimates, we performed audit procedures including:

- obtaining and reading contractual documents with customers;
- inquiring of financial and operational personnel of the Company to identify factors that should be considered within the estimated costs at completion or indications of potential management bias;
- analyzing underlying documentation for a selection of labor costs;
- performing sensitivity analyses on labor costs; and
- comparing allowable cost assumptions to contract terms and considering historical results and trends

Election to use cash as the method to settle Convertible Notes and Note Hedge

As discussed in Notes 11 and 22 to the consolidated financial statements, in April 2023, the Company elected cash as the settlement method (the election) to settle the Convertible Notes and Note Hedge. The election caused the Convertible Notes' conversion option to be recognized at fair value separate from the Convertible Notes, caused a discount to be recognized on the Convertible Notes, and caused the Note Hedge to be recognized at fair value outside of permanent equity.

We identified the evaluation of the Company's determination of the accounting treatment associated with the election as a critical audit matter. Specifically, complex auditor judgment was required to evaluate the Company's accounting treatment due to the complexity of the relevant accounting guidance.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's determination of the accounting treatment associated with the election. We assessed the Company's accounting treatment by:

- obtaining and reading the underlying agreements, related amendments, and cash election notice to understand the contractual requirements and features requiring accounting analysis;
- inquiring of management to obtain an understanding of the scope of the election and to understand the election's business purpose; and
- evaluating whether the contractual requirements, including those established by the cash election notice, were properly accounted for pursuant to the relevant accounting guidance.

/s/ KPMG LLP

We have served as the Company's auditor since 2005.

Houston, Texas
February 20, 2024

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

	Year Ended		
	December 29, 2023	December 31, 2022	December 31, 2021
Revenues	$ 6,956	$ 6,564	$ 7,339
Cost of revenues	(5,979)	(5,736)	(6,533)
Gross profit	**977**	**828**	**806**
Equity in earnings (losses) of unconsolidated affiliates	114	(80)	(170)
Selling, general and administrative expenses	(488)	(420)	(393)
Legal settlement of legacy matter	(144)	—	—
Gain (loss) on disposition of assets and investments	(7)	19	2
Other	(4)	(4)	(14)
Operating income	**448**	**343**	**231**
Interest expense	(115)	(87)	(80)
Unrealized gain on other investment	—	16	4
Charges associated with Convertible Notes	(494)	—	—
Other non-operating income (expense)	(5)	12	(9)
Income (loss) before income taxes	**(166)**	**284**	**146**
Provision for income taxes	(95)	(92)	(111)
Net income (loss)	**(261)**	**192**	**35**
Less: Net income attributable to noncontrolling interests	4	2	8
Net income (loss) attributable to KBR	**$ (265)**	**$ 190**	**$ 27**
Net income (loss) attributable to KBR per share			
Basic	$ (1.96)	$ 1.36	$ 0.19
Diluted	$ (1.96)	$ 1.26	$ 0.19
Basic weighted average common shares outstanding	**135**	**139**	**140**
Diluted weighted average common shares outstanding	**135**	**156**	**141**
Cash dividends declared per share	**$ 0.54**	**$ 0.48**	**$ 0.44**

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See accompanying notes to consolidated financial statements.

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

	Year Ended,		
	December 29, 2023	December 31, 2022	December 31, 2021
Net income (loss)	$ (261)	$ 192	$ 35
Other comprehensive income (loss):			
Foreign currency translation adjustments	52	(56)	(4)
Pension and post-retirement benefits	(101)	17	227
Changes in fair value of derivatives	(12)	53	31
Other comprehensive (loss) income	(61)	14	254
Income tax (expense) benefit:			
Foreign currency translation adjustments	—	—	(1)
Pension and post-retirement benefits	25	(4)	(44)
Changes in fair value of derivatives	3	(11)	(7)
Income tax (expense) benefit	28	(15)	(52)
Other comprehensive (loss) income, net of tax	(33)	(1)	202
Comprehensive income (loss)	(294)	191	237
Less: Comprehensive income attributable to noncontrolling interests	4	2	8
Comprehensive income (loss) attributable to KBR	**$ (298)**	**$ 189**	**$ 229**

See accompanying notes to consolidated financial statements.

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

	December 29, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 304	$ 389
Accounts receivable, net of allowance for credit losses of $ 8 and $ 9	981	942
Contract assets	177	252
Other current assets	189	164
Total current assets	**1,651**	**1,747**
Pension assets	—	46
Property, plant, and equipment, net of accumulated depreciation of $ 458 and $ 417 (including net PPE of $ 36 and $ 22 owned by a variable interest entity)	239	182
Operating lease right-of-use assets	138	164
Goodwill	2,109	2,087
Intangible assets, net of accumulated amortization of $ 382 and $ 332	618	645
Equity in and advances to unconsolidated affiliates	206	188
Deferred income taxes	239	213
Other assets	365	294
Total assets	**$ 5,565**	**$ 5,566**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 593	$ 637
Contract liabilities	359	275
Accrued salaries, wages and benefits	340	325
Current maturities of long-term debt	31	364
Other current liabilities	249	220
Total current liabilities	**1,572**	**1,821**
Employee compensation and benefits	120	105
Income tax payable	106	117
Deferred income taxes	106	92
Long-term debt	1,801	1,376
Operating lease liabilities	176	193
Other liabilities	290	230
Total liabilities	**4,171**	**3,934**
Commitments and Contingencies (Notes 6, 13 and 14)		
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, 181,713,586 and 180,807,960 shares issued, and 135,067,562 and 136,505,145 shares outstanding, respectively	—	—
Paid-in capital in excess of par	2,505	2,235
Retained earnings	1,072	1,410
Treasury stock, 46,646,024 shares and 44,302,815 shares, at cost, respectively	(1,279)	(1,143)
Accumulated other comprehensive loss	(915)	(882)
Total KBR shareholders' equity	**1,383**	**1,620**
Noncontrolling interests	11	12
Total shareholders' equity	**1,394**	**1,632**
Total liabilities and shareholders' equity	**$ 5,565**	**$ 5,566**

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See accompanying notes to consolidated financial statements.

KBR, Inc.
Consolidated Statements of Shareholders' Equity
(In millions)

Dollars in millions	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2020	$ 1,582	$ 2,177	$ 1,323	$ (864)	$ (1,083)	$ 29
Share-based compensation	12	12	—	—	—	—
Common stock issued upon exercise of stock options	12	12	—	—	—	—
Dividends declared to shareholders ($ 0.44 /share)	(63)	—	(63)	—	—	—
Repurchases of common stock	(82)	—	—	(82)	—	—
Issuance of ESPP shares	4	1	—	3	—	—
Distributions to noncontrolling interests	(23)	—	—	—	—	(23)
Other	4	4	—	—	—	—
Net income	35	—	27	—	—	8
Other comprehensive income, net of tax	202	—	—	—	202	—
Balance at December 31, 2021	$ 1,683	$ 2,206	$ 1,287	$ (943)	$ (881)	$ 14
Share-based compensation	21	21	—	—	—	—
Common stock issued upon exercise of stock options	5	5	—	—	—	—
Dividends declared to shareholders ($ 0.48 /share)	(67)	—	(67)	—	—	—
Repurchases of common stock	(203)	—	—	(203)	—	—
Issuance of ESPP shares	6	3	—	3	—	—
Investments by noncontrolling interests	3	—	—	—	—	3
Distributions to noncontrolling interests	(4)	—	—	—	—	(4)
Other noncontrolling interests activity	(3)	—	—	—	—	(3)
Net income	192	—	190	—	—	2
Other comprehensive loss, net of tax	(1)	—	—	—	(1)	—
Balance at December 31, 2022	$ 1,632	$ 2,235	$ 1,410	$ (1,143)	$ (882)	$ 12
Share-based compensation	20	20	—	—	—	—
Common stock issued upon exercise of stock options	5	5	—	—	—	—
Dividends declared to shareholders ($ 0.54 /share)	(73)	—	(73)	—	—	—
Repurchases of common stock	(138)	—	—	(138)	—	—
Issuance of ESPP shares	6	3	—	3	—	—
Distributions to noncontrolling interests	(6)	—	—	—	—	(6)
Convertible Notes Transactions	242	242	—	—	—	—
Other noncontrolling interests activity	—	—	—	(1)	—	1
Net income	(261)	—	(265)	—	—	4
Other comprehensive income (loss), net of tax	(33)	—	—	—	(33)	—
Balance at December 29, 2023	$ 1,394	$ 2,505	$ 1,072	$ (1,279)	$ (915)	$ 11

See accompanying notes to consolidated financial statements.

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

	Year Ended,		
	December 29, 2023	December 31, 2022	December 31, 2021
Cash flows from operating activities:			
Net income (loss)	$ (261)	$ 192	$ 35
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Charges associated with Convertible Notes	494	—	—
Depreciation and amortization	141	137	146
Equity in (earnings) losses of unconsolidated affiliates	(114)	80	170
Deferred income tax (benefit) expense	14	37	47
Loss (gain) on disposition of assets	7	(19)	(2)
Unrealized gain on other investment	—	(16)	(4)
Other	46	33	50
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable, net of allowance for credit losses	(32)	455	(476)
Contract assets	44	(30)	(48)
Accounts payable	(49)	(376)	447
Contract liabilities	82	(25)	(17)
Accrued salaries, wages and benefits	22	16	38
Payments on operating lease liabilities	(65)	(63)	(59)
Payments from unconsolidated affiliates, net	18	14	17
Distributions of earnings from unconsolidated affiliates	74	66	47
Pension funding	(9)	(74)	(46)
Restructuring reserve	(9)	(13)	(26)
Other assets and liabilities	(72)	(18)	(41)
Total cash flows provided by operating activities	**$ 331**	**$ 396**	**$ 278**
Cash flows from investing activities:			
Purchases of property, plant and equipment	(80)	(71)	(30)
Net proceeds from sale of assets or investments	—	47	44
Return of (investments in) equity method joint ventures, net	60	198	(29)
Acquisitions of businesses, net of cash acquired	—	(73)	(399)
Funding in other investment	(39)	(61)	(7)
Other	(11)	(3)	(7)
Total cash flows (used in) provided by investing activities	**$ (70)**	**$ 37**	**$ (428)**

	Year Ended,		
	December 29, 2023	December 31, 2022	December 31, 2021
Cash flows from financing activities:			
Borrowings on short-term and long-term debt	785	58	290
Payments on short-term and long-term debt	(17)	(16)	(15)
Payments on settlement of warrants	(217)	—	—
Proceeds from the settlement of note hedge	493	—	—
Payments to settle Convertible Notes	(843)	—	—
Payments on revolving credit facility	(340)	(158)	(16)
Debt issuance costs	—	(6)	(3)
Payments of dividends to shareholders	(72)	(66)	(61)
Net proceeds from issuance of common stock	5	5	12
Payments to reacquire common stock	(138)	(203)	(82)
Distributions to noncontrolling interests	(6)	(4)	(23)
Other	(9)	(9)	(15)
Total cash flows (used in) provided by financing activities	**$ (359)**	**$ (399)**	**$ 87**
Effect of exchange rate changes on cash	13	(15)	(3)
(Decrease) increase in cash and cash equivalents	(85)	19	(66)
Cash and equivalents at beginning of period	389	370	436
Cash and equivalents at end of period	**$ 304**	**$ 389**	**$ 370**
Supplemental disclosure of cash flows information:			
Cash paid for interest	$ 102	$ 66	$ 63
Cash paid for income taxes (net of refunds)	$ 52	$ 47	$ 49
Noncash investing activities			
Leasehold improvements paid by landlord	$ 9	$ 6	$ —
Accrued but unpaid purchases of property, plant and equipment	$ 3	$ 5	$ —
Noncash financing activities			
Dividends declared	$ 18	$ 16	$ 15

See accompanying notes to consolidated financial statements.

Note 1. Significant Accounting Policies

Principles of Consolidation

The accompanying 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. We account for investments over which we have significant influence, but not a controlling financial interest, using the equity method of accounting. See Note 9 to our consolidated financial statements for further discussion of our equity investments and VIEs. All material intercompany balances and transactions are eliminated in consolidation. Certain amounts in prior periods have been reclassified to conform with current period presentation.

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 29, 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.

Due to this change in fiscal year, our fiscal year ended on December 29 in 2023 as compared to December 31 in 2022. The years ended December 29, 2023 and December 31, 2022 contained 363 days and 365 days, respectively.

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.

Use of Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the reported amounts of revenues and expenses for the periods covered and certain amounts disclosed in the notes to our consolidated financial statements. These estimates are based on information available through the date of the issuance of the financial statements and actual results could differ from those estimates. Areas requiring estimates and assumptions by our management include the following:

- project revenues, costs and profits on our contracts
- award fees, costs and profits on government services contracts
- client claims and recoveries of costs from subcontractors, vendors and others
- provisions for income taxes and related valuation allowances and tax uncertainties
- evaluation of goodwill for impairment
- evaluation of intangibles and long-lived assets for impairment
- evaluation of equity method investments for impairment
- valuation of pension obligations and pension assets
- accruals for estimated liabilities, including litigation accruals

Cash and Equivalents

We consider highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

We, and our equity method investments, recognize revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers.* Revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when and as our performance obligations under the terms of the contract are satisfied, which occurs with the transfer of control of the goods or services to the customer.

Contract Combination

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

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

Contract Types

The Company performs work under contracts that broadly consists of fixed-price, cost-reimbursable, time-and-materials or a combination of the three.

Fixed-price contracts also include unit-rate contracts. Under fixed-price contracts, we perform a defined scope of work for a specified fee to cover all costs and any profit element. Fixed-price contracts entail risk to us because they require us to predetermine the work to be performed, the project execution schedule and all the costs associated with the scope of work. Unit-rate contracts are essentially fixed-price contracts with the only variable being units of work to be performed. Although fixed-price contracts involve greater risk than cost-reimbursable contracts, they also are potentially more profitable because the owner/customer pays a premium to transfer project risks to us.

Time-and-materials contracts typically provide for negotiated fixed hourly rates for specified categories of direct labor. The rates cover the cost of direct labor, indirect expense and fee. These contracts can also allow for reimbursement of cost of material plus a fee, if applicable. In U.S. government contracting, this type of contract is generally used when there is uncertainty of the extent or duration of the work to be performed by the contractor at the time of contract award or it is not possible to anticipate costs with any reasonable degree of confidence. With respect to time-and-materials contracts, we assume the price risk because our costs of performance may exceed negotiated hourly rates. In commercial and non-U.S. government contracting, this contract type is generally used for defined and non-defined scope contracts where there is a higher degree of uncertainty and risks as to the scope of work. These types of contracts may also provide for a guaranteed maximum price where the total cost plus the fee cannot exceed an agreed upon guaranteed maximum price or not-to-exceed provisions.

Under cost-reimbursable contracts, the price is generally variable based upon our actual allowable costs incurred for materials, equipment, reimbursable labor hours, overhead and G&A expenses. Profit on cost-reimbursable contracts may be in the form of a fixed fee or a mark-up applied to costs incurred, or a combination of the two. The fee may also be an incentive fee based on performance indicators, milestones or targets and can be based on customer discretion or in form of an award fee determined based on customer evaluation of the Company's performance against contractual criteria. Cost-reimbursable contracts may also provide for a guaranteed maximum price where the total fee plus the total cost cannot exceed an agreed upon guaranteed maximum price. Cost-reimbursable contracts are generally less risky because the owner/customer retains many of the project risks, however it requires us to use our best efforts to accomplish the scope of the work within a specified time and budget. Cost-reimbursable contracts with the U.S. government are subject to the FAR and are competitively priced based on estimated or actual costs of providing the contractual goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Pricing for non-U.S. government agencies and commercial customers, including the types of costs that are allowable, is based on specific negotiations with each customer.

See Note 3 to our consolidated financial statements for further discussion of our revenue by contract type.

Contract Costs

Contract costs include all direct materials, labor and subcontractor costs and an allocation of indirect costs related to contract performance. Customer-furnished materials are included in both contract revenue and cost of revenue when management concludes that the company is acting as a principal rather than as an agent. We recognize revenue, but not profit, on certain uninstalled materials that are not specifically produced or fabricated for a project, which revenue is recognized up to cost. Revenue for uninstalled materials is recognized when the cost is incurred and control is transferred to the customer, which revenue is recognized using the cost-to-cost method. Project mobilization costs incurred are capitalized as deferred assets and amortized on a straight-line basis over the anticipated term of the contract or a specified period of performance consistent with the transfer of control of the performance obligation to the client. These costs incurred may be to transition the services, employees and equipment to or from the customer, a prior contract or prior contractor. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the client.

Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by the DCAA. If the U.S. government concludes costs charged to a contract are not reimbursable under the terms of the contract or applicable procurement regulations, these costs are disallowed or, if already reimbursed, we may be required to refund the reimbursed amounts to the customer. Such conditions may also include interest and other financial penalties.

We provide limited warranties to customers for work performed under our contracts that typically extend for a limited duration following substantial completion of our work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered to be separate performance obligations.

Variable Consideration

In addition to the variable contract price under cost-reimbursable contracts, it is common for our contracts to contain variable consideration in the form of award fees, incentive fees, performance bonuses, liquidated damages or penalties that may increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or targets and can be based on customer discretion. Other contract provisions also give rise to variable consideration such as unapproved change orders and claims, and on certain contracts, index-based price adjustments. We estimate the amount of variable consideration at the most likely amount to which we expect to be entitled. Variable consideration is included in the transaction price when it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, anticipated performance and any other information (historical, current or forecasted) that is reasonably available to us.

Variable consideration associated with claims and unapproved change orders is included in the transaction price only to the extent of costs incurred. We recognize claims against vendors, subcontractors and others as a reduction in recognized costs when enforceability is established by the contract and the amounts are reasonably estimable and probable of recovery. Reductions in costs are recognized to the extent of the lesser of the amounts management expects to recover or actual costs incurred.

Contract Estimates and Modifications

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex and subject to many variables and requires significant judgment. As a significant change in estimated total revenue and cost could affect the profitability of our contracts, we routinely review and update our contract-related estimates through a disciplined project review process in which management reviews the progress and execution of our performance obligations and the EAC. As part of this process, management reviews information including, but not limited to, outstanding contract matters, progress towards completion, program schedule and the associated changes in estimates of revenues and costs. Management must make assumptions and estimates regarding the availability and productivity of labor, the complexity of the work to be performed, the availability and cost of materials, the performance of subcontractors and the availability and timing of funding from the customer, along with other risks inherent in performing services under all contracts where we recognize revenue over time using the cost-to-cost method.

We recognize changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified. See Note 6 for changes in all other project-related estimates.

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

Contract Assets and Liabilities

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

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

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

The payment terms of our contracts from time to time require the customer to make advance payments as well as interim payments as work progresses. The advance payment generally is not considered to contain a significant financing component as we expect to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses represent expenses that are not associated with the execution of the contracts. Selling, general and administrative expenses include charges for such items as executive management, corporate business development, information technology, finance and accounting, human resources and various other corporate functions. The Company classifies indirect costs incurred within or allocated to its U.S. government customers as overhead (included in cost of revenues) or selling, general and administrative expenses in the same manner as such costs are defined in the Company’s disclosure statements under CAS.

Accounts Receivable

Accounts receivable include amounts billed and currently due from customers, amounts billable where the right to consideration is unconditional and amounts unbilled. Amounts billed and unbilled are recognized at estimated realizable value and consist of costs and fees, substantially all of which are expected to be billed and collected within one year. Unbilled amounts also include rate variances that are billable upon negotiation of final indirect rates with the DCAA.

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

Additionally, we sell certain receivables to unrelated third-party financial institutions under various accounts receivable monetization programs. The receivables sold under the agreements do not allow for recourse for any credit risk related to our customers if such receivables are not collected by the third-party financial institutions. The Company accounts for these receivable transfers as a sale under *Transfers and Servicing (Topic 860)* as the receivables have been legally isolated from the Company, the financial institution has the right to pledge or exchange the assets received and we do not maintain effective control over the transferred accounts receivable. Our only continuing involvement with the transferred financial assets is as the collection and servicing agent. As a result, the accounts receivable balance on the consolidated balance sheets is presented net of the transferred amount. See Note 20 to our consolidated financial statements for our further information on sales of receivables.

Property, Plant and Equipment

Property, plant and equipment are reported at cost less accumulated depreciation except for those assets that have been written down to their fair values due to impairment. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. The cost of property, plant and equipment sold or otherwise disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operating income for the respective period. Depreciation is generally provided on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life of the improvement or the lease term. See Note 7 to our consolidated financial statements for our discussion on property, plant and equipment.

Business Combinations

We account for business combinations using the acquisition method of accounting in accordance with *Business Combinations (Topic 805)*, which allocates the fair value of the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. We engage third-party appraisal firms when appropriate to assist in the fair value determination of intangible assets. Initial purchase price allocations are subject to revisions within the measurement period, not to exceed one year from the date of acquisition. Acquisition-related expenses and transaction costs associated with business combinations are expensed as incurred.

Goodwill and Intangible Assets

Goodwill is an asset representing the excess cost over the fair market value of net assets acquired in business combinations. In accordance with *Intangibles - Goodwill and Other (Topic 350)*, goodwill is not amortized but is tested annually for impairment or on an interim basis when indicators of potential impairment exist. Goodwill is tested for impairment at the reporting unit level. Our reporting units are our operating segments or components of operating segments where discrete financial information is available and segment management regularly reviews the operating results. For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on our reporting structure.

We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Qualitative factors assessed for each of the applicable reporting units include, but are not limited to, changes in macroeconomic conditions, industry and market considerations, cost factors, discount rates, competitive environments and financial performance of the reporting units. If the qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, a quantitative test is required.

We also have the option to proceed directly to the quantitative test. Under the quantitative impairment test, the estimated fair value of each reporting unit is compared to its carrying value, including goodwill. If the carrying value of the reporting unit including goodwill exceeds its fair value, an impairment charge equal to the excess would be recognized, up to a maximum amount of goodwill allocated to that reporting unit. We can resume the qualitative assessment in any subsequent period for any reporting unit.

For 2023, 2022 and 2021, management performed a qualitative impairment assessment of our reporting units, of which there were no indications that it was more likely than not that the fair value of our reporting units were less than their respective carrying values. As such, a quantitative goodwill test was not required, and no goodwill impairment was recognized in 2023, 2022 and 2021. See Note 8 to our consolidated financial statements for reported goodwill in each of our segments.

We had intangible assets with net carrying values of $ 618 million and $ 645 million as of December 29, 2023 and December 31, 2022, respectively. Intangible assets with indefinite lives are not amortized but are subject to annual impairment tests or on an interim basis when indicators of potential impairment exist. An intangible asset with an indefinite life is impaired if its carrying value exceeds its fair value. During the years ended December 29, 2023, December 31, 2022 and December 31, 2021, there were no triggering events identified. Intangible assets with finite lives are amortized on a straight-line basis over the useful life of those assets, ranging from 1 year to 25 years. See Note 8 to our consolidated financial statements for further discussion of our intangible assets.

Equity Method Investments

We account for non-marketable investments using the equity method of accounting if the investment gives us the ability to exercise significant influence over, but not control, of an investee. Significant influence generally exists if we have an ownership interest representing between 20% and 50% of the voting stock of the investee. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and our proportionate share of earnings or losses and distributions.

Equity in earnings (losses) of unconsolidated affiliates, in the consolidated statements of operations, reflects our proportionate share of the investee's net income, including any associated affiliate taxes. Our proportionate share of the investee’s other comprehensive income (loss), net of income taxes, is recorded in the consolidated statements of shareholders’ equity and consolidated statements of comprehensive income (loss). In general, the equity investment in our unconsolidated affiliates is equal to our current equity investment plus those entities' undistributed earnings.

We evaluate our equity method investments for impairment at least annually or whenever events or changes in circumstances indicate, in management’s judgment, that the carrying value of an investment may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, management compares the estimated fair value of the investment to the carrying value of the investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and management considers the decline in value to be other than temporary, the excess of the carrying value over the estimated fair value is recognized in the financial statements as an impairment. See Note 9 to our consolidated financial statements for our discussion on equity method investments.

We evaluate distributions received from our equity method investments using the nature of distribution approach. Under this approach, we evaluate the nature of activities of the investee that generated the distribution. The distributions received are either classified as a return on investment, which is presented as a component of operating activities on our consolidated statements of cash flows, or as a return of investment, which is presented as a component of investing activities on our consolidated statements of cash flows. For BRIS only, we apply the cumulative earnings approach for the cash flow classification of distributions as information is not available to evaluate the nature of the activities of the joint venture.

Other Investments

Other investments are investments in equity securities of privately held companies without readily determinable fair values and are included in other assets on our 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. We measure the investments at cost, less any impairment, and adjust the carrying value to fair value resulting from observable transactions for identical or similar investments of the same issuer. If it is determined that impairment indicators exist and the carrying value is less than the fair value, we adjust the carrying value of the investment to its fair value and record the related impairment. The gains and losses on the investments are recognized in unrealized gain (loss) on other investment on our consolidated statements of operations.

Joint Ventures and VIEs

The majority of our joint ventures are VIEs. We account for VIEs in accordance with *Consolidation (Topic 810)*, which requires the consolidation of VIEs in which a company has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. If a reporting enterprise meets these conditions, then it has a controlling financial interest and is the primary beneficiary of the VIE. Our unconsolidated VIEs are accounted for under the equity method of accounting.

We assess all newly created entities and those with which we become involved to determine whether such entities are VIEs and, if so, whether or not we are their primary beneficiary. Most of the entities we assess are incorporated or unincorporated joint ventures formed by us and our partner(s) for the purpose of executing a project or program for a customer and are generally dissolved upon completion of the project or program. Many of our long-term, commercial projects are executed through such joint ventures. Although the joint ventures in which we participate own and hold contracts with the customers, the services required by the contracts are typically performed by the joint venture partners, or by other subcontractors under subcontracts with the joint ventures. Typically, these joint ventures are funded by advances from the project owner, and accordingly, require little or no equity investment by the joint venture partners but may require subordinated financial support from the joint venture partners such as letters of credit, performance and financial guarantees or obligations to fund losses incurred by the joint venture. Other joint ventures, such as PFIs, generally require the partners to invest equity and take an ownership position in an entity that manages and operates an asset after construction is complete. The assets of joint ventures are restricted for use to the obligations of the particular joint venture and are not available for our general operations.

We perform a qualitative assessment to determine whether we are the primary beneficiary once an entity is identified as a VIE. Thereafter, we continue to re-evaluate whether we are the primary beneficiary of the VIE in accordance with ASC 810 - Consolidation. A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities. These include the terms of the contracts entered into by the entity, ownership interests issued by the entity and how they were marketed and the parties involved in the design of the entity. We then identify all of the variable interests held by parties involved with the VIE including, among other things, equity investments, subordinated debt financing, letters of credit, financial and performance guarantees and contracted service providers. Once we identify the variable interests, we determine those activities which are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities. Though infrequent, some of our assessments reveal no primary beneficiary because the power to direct the most significant activities that impact the economic performance is held equally by two or more variable interest holders who are required to provide their consent prior to the execution of their decisions. Most of the VIEs with which we are involved have relatively few variable interests and are primarily related to our equity investment, significant service contracts and other subordinated financial support. See Note 9 to our consolidated financial statements for our discussion on variable interest entities.

Occasionally, we may determine that we are the primary beneficiary as a result of a reconsideration event associated with an existing unconsolidated VIE. We account for the change in control under the acquisition method of accounting for business combinations in accordance with *Business Combinations (Topic 805).*

Pensions

We account for our defined benefit pension plans in accordance with ASC 715 - Compensation - Retirement Benefits, which requires an employer to:

- recognize on its balance sheet the funded status (measured as the difference between the fair value of plan assets and the benefit obligation) of the pension plan;
- recognize, through comprehensive income, certain changes in the funded status of a defined benefit plan in the year in which the changes occur;
- measure plan assets and benefit obligations as of the end of the employer's fiscal year; and
- disclose additional information.

Our pension benefit obligations and expenses are calculated using actuarial models and methods. The more critical assumption and estimate used in the actuarial calculations is the discount rate for determining the current value of benefit obligations. Other assumptions and estimates used in determining benefit obligations and plan expenses include expected rate of return on plan assets, inflation rates and demographic factors such as retirement age, mortality and turnover. These assumptions and estimates are evaluated periodically (typically annually) and are updated accordingly to reflect our actual experience and expectations.

The discount rate used to determine the benefit obligations was computed using a yield curve approach that matches plan specific cash flows to a spot rate yield curve based on high quality corporate bonds. The expected long-term rate of return on assets was determined by a stochastic projection that takes into account asset allocation strategies, historical long-term performance of individual asset classes, an analysis of additional return (net of fees) generated by active management, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. Plan assets are comprised primarily of equity funds and securities, fixed income funds and securities, hedge funds, real estate and other funds.

As we have both domestic and international plans, these assumptions differ based on varying factors specific to each particular country, participant demographics or economic environment.

Unrecognized actuarial gains and losses are recognized using the corridor method over a period of approximately 2 2 years, which represents a reasonable systematic method for amortizing gains and losses for the employee group. Our unrecognized actuarial gains and losses arise from several factors, including experience and assumption changes in the obligations and the difference between expected returns and actual returns on plan assets. The difference between actual and expected returns is deferred as an unrecognized actuarial gain or loss on our consolidated statement of comprehensive income (loss) and is recognized as a decrease or an increase in future pension expense.

Income Taxes

We recognize the amount of taxes payable or refundable for the year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. We provide a valuation allowance for deferred tax assets if it is more likely than not that these items will not be realized. See Note 12 to our consolidated financial statements for our discussion on income taxes.

Income taxes are accounted for under the asset and liability method. We provide a valuation allowance for deferred tax assets if it is more likely than not that these items will not be realized. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. A current tax asset or liability is recognized for the estimated taxes refundable or payable on tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will not be realized. We consider the scheduled reversal of deferred tax liabilities, income available from carryback years, projected future taxable income and available tax planning strategies in making this assessment. Additionally, we use forecasts of certain tax elements such as taxable income and foreign tax credit utilization in making this assessment of realization. Given the inherent uncertainty involved with the use of such estimates and assumptions, there can be significant variation between estimated and actual results.

We have operations in numerous countries other than the United States. Consequently, we are subject to the jurisdiction of a significant number of taxing authorities. The income earned in these various jurisdictions is taxed on differing bases, including income actually earned, income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws, tax treaties and related authorities in each jurisdiction. Changes in the operating environment, including changes in tax law and currency/repatriation controls, could impact the determination of our tax liabilities for a tax year.

We recognize the effect of income tax positions only if it is more likely than not that those positions will be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records potential interest and penalties related to unrecognized tax benefits in income tax expense.

Tax filings of our subsidiaries, unconsolidated affiliates and related entities are routinely examined by tax authorities in the normal course of business. These examinations may result in assessments of additional taxes, which we work to resolve with the tax authorities and through the judicial process. Predicting the outcome of disputed assessments involves some uncertainty. Factors such as the availability of settlement procedures, willingness of tax authorities to negotiate and the operation and impartiality of judicial systems vary across the different tax jurisdictions and may significantly influence the ultimate outcome. We review the facts for each assessment, and then utilize assumptions and estimates to determine the most likely outcome and provide taxes, interest and penalties as needed based on this outcome.

Derivative Instruments

We enter into derivative financial transactions to hedge existing or forecasted risk to changing foreign currency exchange rates and interest rate risk on variable rate debt. We do not enter into derivative transactions for speculative or trading purposes. We recognize all derivatives at fair value on the balance sheet. Derivatives that are not designated as hedges in accordance with *Derivatives and Hedging (Topic 815)* , are adjusted to fair value and such changes are reflected in the results of operations. If the derivative is designated as a cash flow hedge, all changes in the fair value of derivatives are recognized in other comprehensive income (loss) and are subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. See Note 20 to our consolidated financial statements for our discussion on derivative instruments.

Recognized gains or losses on derivatives entered into to manage project related foreign exchange risk are included in gross profit. Foreign currency gains and losses for hedges of non-project related foreign exchange risk are reported within other non-operating income (expense) on our consolidated statements of operations. Realized gains or losses on derivatives used to manage interest rate risk are included in interest expense in our consolidated statements of operations.

Concentration of Credit Risk

Financial instruments which potentially subject our company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. Our cash is primarily held with major banks and financial institutions throughout the world. We believe the risk of any potential loss on deposits held in these institutions is minimal.

Contracts with clients usually contain standard provisions allowing the client to curtail or terminate contracts for convenience. Upon such a termination, we are generally entitled to recover costs incurred, settlement expenses and profit on work completed prior to termination and demobilization cost.

We have revenues and receivables from transactions with an external customer that amounts to 10% or more of our revenues (which are generally not collateralized). We generated significant revenues from transactions with the U.S. government and U.K. government within our GS business segment. No other customers represented 10% or more of consolidated revenues in any of the periods presented.

The following table summarizes our revenues and accounts receivable for contracts with U.S. and U.K. government agencies for which we are the prime contractor, as well as for contracts in which we are a subcontractor and the ultimate customer is a U.S. or U.K. government agency, respectively.

Revenues and percentage of consolidated revenues from major customers:

	Year ended,					
	December 29,		December 31,		December 31,	
Dollars in millions	2023		2022		2021	
U.S. government	$ 4,000	58 %	$ 4,034	61 %	$ 5,122	70 %
U.K. government	$ 634	9 %	$ 584	9 %	$ 508	7 %

Accounts receivable and percentage of consolidated accounts receivable from major customers:

	December 29,		December 31,	
Dollars in millions	2023		2022	
U.S. government	$ 480	49 %	$ 501	53 %
U.K. government	$ 71	7 %	$ 58	6 %

Noncontrolling interest

Noncontrolling interests represent the equity investments of the minority owners in our joint ventures and other subsidiary entities that we consolidate in our financial statements.

Foreign currency

Our reporting currency is the U.S. dollar. The functional currency of our non-U.S. subsidiaries is typically the currency of the primary environment in which they operate. Where the functional currency for a non-U.S. subsidiary is not the U.S. dollar, translation of all of the assets and liabilities (including long-term assets, such as goodwill) to U.S. dollars is based on exchange rates in effect at the balance sheet date. Translation of revenues and expenses to U.S. dollars is based on the average rate during the period and shareholders' equity accounts are translated at historical rates. Translation gains or losses, net of income tax effects, are reported in accumulated other comprehensive loss on our consolidated balance sheets.

Transaction gains and losses that arise from foreign currency exchange rate fluctuations on transactions denominated in a currency other than the functional currency are recognized in income each reporting period when these transactions are either settled or remeasured. Transaction gains and losses on intra-entity foreign currency transactions and balances including advances and demand notes payable, on which settlement is not planned or anticipated in the foreseeable future, are recorded in accumulated other comprehensive loss on our consolidated balance sheets.

Share-based compensation

We account for share-based payments, including grants of employee stock options, restricted stock-based awards and performance cash units, in accordance with ASC 718 - Compensation-Stock Compensation, which requires that all share-based payments (to the extent that they are compensatory) be recognized as an expense in our consolidated statements of operations based on their fair values on the award date and the estimated number of shares of common stock we ultimately expect to vest. We recognize share-based compensation expense on a straight-line basis over the service period of the award, which is no greater than 3 years. If an award is modified after the grant date, incremental compensation cost is recognized immediately as of the modification. The benefits of tax deductions in excess of the compensation cost recognized for the options (excess tax benefits) are classified as additional paid-in-capital and cash retained as a result of these excess tax benefits is presented in the statements of cash flows as financing cash inflows. See Note 18 to our consolidated financial statements for our discussion on share-based compensation and incentive plans.

Commitments and Contingencies

We record liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Impact of Adoption of New Accounting Standards

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. The Financial Conduct Authority continued to publish some USD LIBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) through June 30, 2023. As of December 29, 2023, all of our debt instruments that referenced LIBOR base rates have been amended to utilize SOFR or SOFR-based reference borrowing rates. We have adhered to the ISDA 2020 IBOR Fallbacks Protocol, which now governs our derivatives following 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, helped limit the accounting impact from contract modifications, including hedging relationships, due to the transition from LIBOR to alternative reference rates that were completed by December 31, 2022. This deadline was extended to December 31, 2024 pursuant to ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* . 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 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.

Additional Balance Sheet Information

Other Current Assets. The components of other current assets on our consolidated balance sheets as of December 29, 2023 and December 31, 2022 are presented below:

Dollars in millions	December 29, 2023	December 31, 2022
Prepaid expenses	$ 83	$ 67
Value-added tax receivable	33	24
Advances to subcontractors	7	18
Other miscellaneous assets	66	55
Total other current assets	$ 189	$ 164

Other Current Liabilities. The components of other current liabilities on our consolidated balance sheets as of December 29, 2023 and December 31, 2022 are presented below:

Dollars in millions	December 29, 2023	December 31, 2022
Value-added tax payable	$ 41	$ 32
Operating lease liabilities	48	48
Dividend payable	18	17
Derivative Liability - Warrants	33	—
Other miscellaneous liabilities	109	123
Total other current liabilities	$ 249	$ 220

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. Our reportable segments follow the same accounting policies as those described in Note 1 to our consolidated financial statements.

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 80 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 and Balance Sheet Information by Reportable Segment

The following table presents operations and balance sheet information by reportable segment. Assets specific to business segments include receivables, contract assets, other current assets, claims and accounts receivable, certain identified property, plant and equipment, equity in and advances to related companies and goodwill. The remaining assets, such as cash and the remaining property, plant and equipment, are considered to be shared among the business segments and are therefore reported in "Other."

Dollars in millions	Government Solutions	Sustainable Technology Solutions	Other	Total
December 29, 2023				
Revenue	$ 5,353	$ 1,603	$ —	$ 6,956
Equity in earnings (losses) of unconsolidated affiliates	42	72	—	114
Operating income (loss)	285	324	(161)	448
Depreciation and amortization	96	19	26	141
Total Assets	3,737	996	832	5,565
December 31, 2022				
Revenue	$ 5,320	$ 1,244	$ —	$ 6,564
Equity in earnings (losses) of unconsolidated affiliates	27	(107)	—	(80)
Operating income (loss)	441	47	(145)	343
Depreciation and amortization	95	14	28	137
Total Assets	3,735	915	916	5,566
December 31, 2021				
Revenue	$ 6,149	$ 1,190	$ —	$ 7,339
Equity in earnings (losses) of unconsolidated affiliates	29	(199)	—	(170)
Operating income (loss)	414	(30)	(153)	231
Depreciation and amortization	108	16	22	146

Selected Geographic Information

Long-lived assets by country are determined based on the location of tangible assets.

Dollars in millions	December 29, 2023	December 31, 2022
Property, plant & equipment, net:		
United States	$ 138	$ 103
United Kingdom	39	41
Other	62	38
Total	$ 239	$ 182

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:

	Year Ended		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Government Solutions			
Science & Space	$ 1,127	$ 1,055	$ 1,018
Defense & Intel	1,575	1,509	1,475
Readiness & Sustainment	1,495	1,639	2,644
International	1,156	1,117	1,012
Total Government Solutions	5,353	5,320	6,149
Sustainable Technology Solutions	1,603	1,244	1,190
Total revenue	$ 6,956	$ 6,564	$ 7,339

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:

	Year Ended December 29, 2023		
Dollars in millions	Government Solutions	Sustainable Technology Solutions	Tota
United States	$ 3,096	$ 521	$ [illegible]
Europe	1,569	247	[illegible]
Middle East	140	388	
Australia	403	93	
Africa	70	106	
Asia	17	152	
Other countries	58	96	
Total revenue	$ 5,353	$ 1,603	$ [illegible]

Dollars in millions	Year Ended December 31, 2022 Government Solutions	Sustainable Technology Solutions	Total
United States	$ 3,264	$ 469	$ 3,733
Europe	1,351	216	1,567
Middle East	157	249	406
Australia	392	45	437
Africa	86	63	149
Asia	14	154	168
Other countries	56	48	104
Total revenue	$ 5,320	$ 1,244	$ 6,564

Dollars in millions	Year Ended December 31, 2021 Government Solutions	Sustainable Technology Solutions	Total
United States	$ 4,493	$ 430	$ 4,923
Europe	762	223	985
Middle East	393	197	590
Australia	351	16	367
Africa	87	92	179
Asia	7	192	199
Other countries	56	40	96
Total revenue	$ 6,149	$ 1,190	$ 7,339

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:

Dollars in millions	Year Ended December 29, 2023 Government Solutions	Sustainable Technology Solutions	Total
Cost-Reimbursable	$ 3,287	$ —	$ 3,287
Time-and-Materials	1,023	989	$ 2,012
Fixed-Price	1,043	614	$ 1,657
Total revenue	$ 5,353	$ 1,603	$ 6,956

Dollars in millions	Year Ended December 31, 2022 Government Solutions	Sustainable Technology Solutions	Total
Cost-Reimbursable	$ 3,293	$ —	$ 3,293
Time-and-Materials	973	770	1,743
Fixed-Price	1,054	474	1,528
Total revenue	$ 5,320	$ 1,244	$ 6,564

Dollars in millions	Year Ended December 31, 2021 Government Solutions	Sustainable Technology Solutions	Total
Cost Reimbursable	$ 4,175	$ —	$ 4,175
Time-and-Materials	903	739	1,642
Fixed Price	1,071	451	1,522
Total revenue	$ 6,149	$ 1,190	$ 7,339

Performance Obligations

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 $ 15 million, $ 49 million and $ 19 million for the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively.

On December 29, 2023, we had $ 12.7 billion of transaction price allocated to remaining performance obligations. We expect to recognize approximately 34 % of our remaining performance obligations as revenue within one year , 39 % in years two through five and 27 % 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 December 29, 2023.

Contract Assets and Contract Liabilities

Contract assets were $ 177 million and $ 252 million and contract liabilities were $ 359 million and $ 275 million, at December 29, 2023 and December 31, 2022, respectively. The decrease in contract assets was primarily attributed to revenue recognized on certain contracts partially offset by the timing of billings. The increase in contract liabilities was due to the timing of advance payments and revenue recognized during the period. We recognized revenue of $ 202 million for the year ended December 29, 2023, which was previously included in the contract liability balance at December 31, 2022.

Accounts Receivable

Dollars in millions	December 29, 2023	December 31, 2022
Unbilled	$ 519	$ 486
Trade & other	462	456
Accounts receivable, net	$ 981	$ 942

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:

	December 29, 2023		
Dollars in millions	**International (a)**	**Domestic (b)**	**Total**
Operating cash and cash equivalents	$ 122	$ 36	$ 158
Short-term investments (c)	6	8	14
Cash and cash equivalents held in consolidated joint ventures and Aspire Defence subcontracting entities (d)	111	21	132
Total	$ 239	$ 65	$ 304

	December 31, 2022		
Dollars in millions	**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 $ 83 million and $ 46 million as of December 29, 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 that has been recorded to date are as follows:

Dollars in millions	**2023**	**2022**
Amounts included in project estimates-at-completion at January 1,	$ 48	$ 426
Net increase (decrease) in project estimates	26	(114)
Approved change orders	—	(271)
Foreign currency impact	—	7
Amounts included in project-related estimates-at-completion at end of fiscal year	$ 74	$ 48

The balance as of December 29, 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 and ongoing resolution of legacy projects and legal matters, including any new or ongoing dispute with our business partners and others in our supply chain. 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.

During the year ended December 31, 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. Additionally, during the year ended December 31, 2022, within our GS business segment, we recorded a charge to equity in earnings of unconsolidated affiliates on a joint venture acquired from a historical GS acquisition of $ 10 million based on our funding obligations of projected losses. This joint venture was divested in the fourth quarter of 2022.

Sanctions and trade control measures were implemented against Russia due to the ongoing conflict between Russia and Ukraine. These measures impacted our ability to operate in the region as we carried out efforts to wind down our operations in Russia. During the year ended December 31, 2022, we recognized an unfavorable change of $ 16 million in gross profit and incurred $ 6 million in severance and asset impairments costs associated with our winding down of operations in Russia. During the year ended December 29, 2023, we recognized a loss on disposition of assets and investments of $ 7 million related to the sale of our operations in Russia. This loss was primarily due to $ 10 million in accumulated foreign currency adjustments that were reclassified to the statement of operations from AOCL.

Note 7. Property, Plant and Equipment

The components of our property, plant and equipment balance are as follows:

Dollars in millions	**Estimated Useful Lives in Years**	**December 29, 2023**	**December 31, 2022**
Land	N/A	$ 5	$ 4
Buildings and property improvements	1 - 35	151	120
Equipment and other	1 - 25	541	475
Total		697	599
Less accumulated depreciation		(458)	(417)
Net property, plant and equipment		$ 239	$ 182

Property, plant and equipment includes approximately $ 48 million and $ 40 million of equipment and other assets under finance lease obligations as of December 29, 2023, and December 31, 2022, respectively. Depreciation expense, including amortization expense for finance ROU assets, was $ 50 million, $ 40 million and $ 42 million for the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively.

Note 8. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill in each of the Company's reportable segments for the years ended December 29, 2023 and December 31, 2022 were as follows:

Dollars in millions	Government Solutions	Sustainable Technology Solutions	Total
Balance as of January 1, 2022	$ 1,890	$ 170	$ 2,060
Goodwill acquired during the period (Note 4)	68	—	68
Foreign currency translation	(40)	(1)	(41)
Balance as of January 1, 2023	$ 1,918	$ 169	$ 2,087
Foreign currency translation	22	—	22
Balance as of December 29, 2023	$ 1,940	$ 169	$ 2,109

Intangible Assets

Intangible assets are comprised of customer relationships, trade names, licensing agreements and other. The cost and accumulated amortization of our intangible assets were as follows:

Dollars in millions	December 29, 2023			
	Weighted Average Remaining Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Trademarks/trade names	Indefinite	$ 50	$ —	$ 50
Customer relationships	12	553	(184)	369
Developed technologies	17	82	(43)	39
Contract backlog	17	291	(140)	151
Other	13	24	(15)	9
Total intangible assets		$ 1,000	$ (382)	$ 618

	December 31, 2022			
	Weighted Average Remaining Useful Lives	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Trademarks/trade names	Indefinite	$ 50	$ —	$ 50
Customer relationships	13	548	(153)	395
Developed technologies	19	78	(41)	37
Contract backlog	18	278	(124)	154
Other	14	23	(14)	9
Total intangible assets		$ 977	$ (332)	$ 645

Intangibles subject to amortization are impaired if the carrying value of the intangible is not recoverable and exceeds its fair value. Intangibles that are not subject to amortization are reviewed annually for impairment or more often if events or circumstances change that would create a triggering event. During the years ended December 29, 2023, December 31, 2022 and December 31, 2021, no impairments related to our intangible assets were recorded.

Our intangibles amortization expense is presented below:

	Year Ended		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Intangibles amortization expense	$ 45	$ 50	$ 66

Our expected intangibles amortization expense for the next five years is presented below:

Dollars in millions	Expected future intangibles amortization expense	
2024	$	43
2025	$	43
2026	$	43
2027	$	43
2028	$	42
Beyond 2028	$	354

Note 9. 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:

Dollars in millions	December 29, 2023	December 31, 2022
Beginning balance at January 1,	$ 188	$ 576
Equity in earnings (losses) of unconsolidated affiliates (a)	114	(80)
Distributions of earnings of unconsolidated affiliates (b)	(63)	(53)
Payments from unconsolidated affiliates, net	(18)	(14)
(Return of) investments in equity method investment, net (c)	(60)	(198)
Sale of equity method investment (d) (a)	—	(31)
Foreign currency translation adjustments	3	(15)
Other (e)	42	3
Ending balance	$ 206	$ 188

(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 consolidated statements of cash flows.

(c) During the year ended December 29, 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 BRIS 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 year ended December 29, 2023, Other included the reclassification of the net liability position of $ 47 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, partially offset by certain tax benefits.

Equity Method Investments

Brown & Root Industrial Services Joint Venture. The Brown & Root Industrial Services joint venture offers engineering, construction and reliability-driven maintenance services for the refinery, petrochemical, chemical, specialty chemicals and fertilizer markets. Our interest in this venture is accounted for using the equity method and we have determined that the Brown & Root Industrial Services joint venture is not a VIE. Results from this joint venture are included in our STS business segment.

Summarized financial information

Summarized financial information for all jointly owned operations including VIEs that are accounted for using the equity method of accounting is as follows:

Balance Sheet

Dollars in millions	December 29, 2023	December 31, 2022
Current assets	$ 2,838	$ 1,576
Noncurrent assets	1,662	1,717
Total assets	$ 4,500	$ 3,293
Current liabilities	$ 2,493	$ 1,105
Noncurrent liabilities	1,898	1,914
Total liabilities	$ 4,391	$ 3,019

Statements of Operations

	Years Ended		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Revenues	$ 5,873	$ 3,175	$ 1,294
Operating income (loss)	$ 264	$ (325)	$ (650)
Net income (loss)	$ 242	$ (321)	$ (698)

Unconsolidated Variable Interest Entities

For the VIEs in which we participate, our maximum exposure to loss consists of our equity investment in the VIE and any amounts owed to us for services we may have provided to the VIE, reduced by any unearned revenues on the project. Our maximum exposure to loss may also include our obligation to fund our proportionate share of any future losses incurred. Where our performance and financial obligations are joint and several to the client with our joint venture partners, we may be further exposed to losses above our ownership interest in the joint venture.

The following summarizes the total assets and total liabilities recorded on our consolidated balance sheets related to our unconsolidated VIEs in which we have a significant variable interest but are not the primary beneficiary.

	December 29, 2023	
Dollars in millions	Total Assets	Total Liabilities
Affinity joint venture (U.K. MFTS project)	$ 4	$ 2
Aspire Defence Limited	$ 91	$ 7
JKC joint venture (Ichthys LNG project)	$ —	$ 48
Plaquemines LNG project	$ 82	$ 72

	December 31, 2022	
Dollars in millions	Total Assets	Total Liabilities
Affinity joint venture (U.K. MFTS project)	$ 9	$ 3
Aspire Defence Limited	$ 87	$ 7
JKC joint venture (Ichthys LNG project)	$ 15	$ —
Plaquemines LNG project	$ 23	$ 36

Affinity. KBR owns a 50 % interest in Affinity. In addition, KBR owns a 50 % interest in the two joint ventures, Affinity Capital Works and Affinity Flying Services, which provide procurement, operations and management support services under subcontracts with Affinity. The remaining 50 % interest in these entities is held by Elbit Systems. KBR has provided its proportionate share of certain limited financial and performance guarantees in support of the partners' contractual obligations. The three project-related entities are VIEs; however, KBR is not the primary beneficiary of any of these entities. We account for KBR's interests in each entity using the equity method of accounting within our GS business segment. The project is funded through KBR and Elbit Systems provided equity, subordinated debt and non-recourse third party commercial bank debt. Our maximum exposure to loss includes our equity investments in the project entities as of December 29, 2023.

Aspire Defence project. We indirectly own a 45 % interest in Aspire Defence Limited, the contracting company that is the holder of the 35 -year concession contract. The project is funded through equity and subordinated debt provided by the project sponsors and the issuance of publicly-held senior bonds which are nonrecourse to KBR and the other project sponsors. The contracting company is a VIE; however, we are not the primary beneficiary of this entity. We account for our interest in Aspire Defence Limited using the equity method of accounting. Our maximum exposure to loss includes our equity investments in the project entities and amounts payable to us for services provided to these entities less unearned revenues to be provided to these entities as of December 29, 2023.

Ichthys LNG project. The Ichthys LNG project, a project to construct the Ichthys Onshore LNG Export Facility in Darwin, Australia, is being executed through two entities (collectively, "JKC"), which are VIEs, in which we own a 30 % equity interest. We account for our investments using the equity method of accounting. At December 29, 2023, our assets and liabilities associated with our investment in JKC recorded in our consolidated balance sheets under our STS business segment were $ 0 million and $ 48 million, respectively. The liability of $ 48 million is primarily related to the net liability position associated with our investment in JKC. These assets include estimated recoveries of claims against suppliers and insurers. See Note 6 to our consolidated financial statements for further discussion on claims related to this project.

Plaquemines LNG project. KZJV is a joint venture with Zachary Group that performs certain design, engineering, procurement and construction-related services for a LNG facility in Plaquemines Parish, Louisiana. KBR owns a 45 % interest in KZJV, which is a VIE for which we are joint and several to the client with our joint venture partner. We are not the primary beneficiary as we do not have the power to direct the activities of the VIE that most significantly impact its economic performance. The investment is accounted for within our STS business segment using the equity method of accounting.

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 years ended December 29, 2023, December 31, 2022 and December 31, 2021, our revenues included $ 567 million, $ 413 million and $ 361 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 consolidated balance sheets related to services we provided to our unconsolidated joint ventures and undistributed earnings for the years ended December 29, 2023 and December 31, 2022 are as follows:

Dollars in millions	December 29, 2023	December 31, 2022
Accounts receivable, net of allowance for doubtful accounts (a)	$ 103	$ 56
Other current assets	$ —	$ 12
Contract liabilities (a)	$ 89	$ 39

(a) Accounts receivable and contract liabilities primarily related to joint ventures within our STS business segment.

Consolidated Variable Interest Entities

We consolidate VIEs if we determine we are the primary beneficiary of the project entity because we control the activities that most significantly impact the economic performance of the entity. The following is a summary of the significant VIEs where we are the primary beneficiary:

	December 29, 2023	
Dollars in millions	Total Assets	Total Liabilities
Fasttrax Limited (Fasttrax project)	$ 7	$ 3
Aspire Defence subcontracting entities (Aspire Defence project)	$ 394	$ 206
HomeSafe	$ 72	$ 61

	December 31, 2022	
Dollars in millions	Total Assets	Total Liabilities
Fasttrax Limited (Fasttrax project)	$ 14	$ 5
Aspire Defence subcontracting entities (Aspire Defence project)	$ 385	$ 196
HomeSafe	$ 31	$ 19

Fasttrax Limited project. The Fasttrax joint venture ("Fasttrax") was created to provide to the U.K. MoD a fleet of 91 new HETs capable of carrying a 72-ton Challenger II tank. Fasttrax owns, operates and maintains the HET fleet and provides heavy equipment transportation services to the British Army. The current project includes operating and service contracts related to the MoD HET fleet through 2023. Fasttrax's entity structure includes a parent entity and its 100 % owned subsidiary, Fasttrax Limited. KBR and its partner each own a 50 % interest in the parent entity, which is considered a VIE. We determined that we are the primary beneficiary of this project entity because we control the activities that most significantly impact economic performance of the entity. Therefore, we consolidate this VIE.

The purchase of the HETs by the joint venture was financed through two series of bonds secured by the assets of Fasttrax Limited and a bridge loan. Assets collateralizing Fasttrax’s senior bonds include cash and cash equivalents of $ 1 million and net property, plant and equipment of approximately $ 3 million as of December 29, 2023. The total amount of debt outstanding at December 29, 2023 related to our nonrecourse project-finance debt of this VIE consolidated by KBR was $ 2 million.

Aspire Defence project (subcontracting entities). As discussed above, we assumed operational management of the Aspire Defence subcontracting entities in January 2018. These subcontracting entities exclusively provide the construction and the related support services under subcontract arrangements with Aspire Defence Limited. These entities are considered VIEs, and, because we are the primary beneficiary, they are consolidated for financial reporting purposes.

HomeSafe. HomeSafe, a KBR led joint venture with Tier One Relocation, was established to be the exclusive provider of household goods move management services for the U.S. Armed Forces, U.S. DoD civilians and their families. KBR owns a 72 % interest in HomeSafe. The joint venture is a VIE that is consolidated for financial reporting purposes and is accounted for within our GS business segment. We determined that we are the primary beneficiary of this project entity because we control the activities that most significantly impact economic performance of the entity.

Note 10. Retirement Benefits

Defined Contribution Retirement Plans

We have elective defined contribution plans for our employees in the U.S. and retirement savings plans for our employees in the U.K., Canada and other locations. Our defined contribution plans provide retirement benefits in return for services rendered. These plans provide an individual account for each participant and have terms that specify how contributions to the participant’s account are to be determined rather than the amount of retirement benefits the participant is to receive. Contributions to these plans are based on pretax income discretionary amounts determined on an annual basis. Our expense for the defined contribution plans totaled $ 119 million in 2023, $ 104 million in 2022 and $ 84 million in 2021.

Defined Benefit Pension Plans

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. Substantially all of our defined benefit plans are funded pension plans, which define an amount of pension benefit to be provided, usually as a function of years of service or compensation.

We used December 29 as the measurement date for all plans in 2023 and December 31 as the measurement date for all plans in 2022. Plan assets, expenses and obligations for our defined benefit pension plans are presented in the following tables.

	Overfunded		Underfunded	
	United States	Int'l	United States	Int'l
Dollars in millions	2023			
Change in projected benefit obligations:				
Projected benefit obligations at beginning of period	$ —	$ 17	$ 59	$ 1,208
Service cost	—	1	—	—
Interest cost	—	1	3	60
Foreign currency exchange rate changes	—	1	—	67
Actuarial (gain) loss [1]	—	(1)	2	15
Other	—	—	—	—
Benefits paid	—	(1)	(6)	(63)
Projected benefit obligations at end of period	$ —	$ 18	$ 58	$ 1,287
Change in plan assets:				
Fair value of plan assets at beginning of period	$ —	$ 16	$ 52	$ 1,251
Actual return on plan assets	—	1	7	12
Employer contributions	—	1	—	8
Foreign currency exchange rate changes	—	1	—	70
Benefits paid	—	(1)	(5)	(64)
Other	—	—	(1)	—
Fair value of plan assets at end of period	$ —	$ 18	$ 53	$ 1,277
Funded status	$ —	$ —	$ (5)	$ (10)

(1) Actuarial (gains) losses primarily driven by change in discount rates.

	Overfunded		Underfunded	
	United States	Int'l	United States	Int'l
Dollars in millions	2022			
Change in projected benefit obligations:				
Projected benefit obligations at beginning of period	$ —	$ 2,066	$ 74	$ 35
Service cost	—	1	—	1
Interest cost	—	34	2	1
Foreign currency exchange rate changes	—	(220)	—	(4)
Actuarial gain (1)	—	(614)	(12)	(12)
Other	—	(1)	—	—
Benefits paid	—	(61)	(5)	(1)
Projected benefit obligations at end of period	$ —	$ 1,205	$ 59	$ 20
Change in plan assets:				
Fair value of plan assets at beginning of period	$ —	$ 1,992	$ 66	$ 31
Actual return on plan assets	—	(539)	(9)	(12)
Employer contributions	—	73	—	1
Foreign currency exchange rate changes	—	(213)	—	(3)
Benefits paid	—	(61)	(5)	(1)
Other	—	(1)	—	—
Fair value of plan assets at end of period	$ —	$ 1,251	$ 52	$ 16
Funded status	$ —	$ 46	$ (7)	$ (4)

(1) Actuarial gains primarily driven by change in discount rates.

The Accumulated Benefit Obligation ("ABO") is the present value of benefits earned to date. The ABO for our United States pension plans was $ 58 million and $ 59 million as of December 29, 2023 and December 31, 2022, respectively. The ABO for our international pension plans was $ 1,305 million and $ 1,225 million as of December 29, 2023 and December 31, 2022, respectively.

	United States	Int'l	United States	Int'l
Dollars in millions	2023		2022	
Amounts recognized on the consolidated balance sheets				
Pension Assets	$ —	$ —	$ —	$ 46
Other Liabilities	$ (5)	$ (10)	$ (7)	$ (4)

Net periodic pension cost for our defined benefit plans included the following components:

	United States	Int'l	United States	Int'l	United States	Int'l
Dollars in millions	2023		2022		2021	
Components of net periodic benefit cost						
Service cost	$ —	$ 1	$ —	$ 2	$ —	$ 3
Interest cost	3	61	2	35	2	33
Expected return on plan assets	(3)	(102)	(3)	(83)	(3)	(87)
Prior service cost amortization	—	1	—	1	—	1
Recognized actuarial loss	1	—	1	23	2	31
Net periodic (benefit) cost	$ 1	$ (39)	$ —	$ (22)	$ 1	$ (19)

The amounts in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit cost at December 29, 2023 and December 31, 2022, net of tax were as follows:

	United States	Int'l	United States	Int'l
Dollars in millions	2023		2022	
Unrecognized actuarial loss, net of tax of $ 7 and $ 221 , $ 8 and $ 195 , respectively	$ 15	$ 629	$ 16	$ 552
Total in accumulated other comprehensive loss	$ 15	$ 629	$ 16	$ 552

The weighted-average assumptions used to determine net periodic benefit cost were as follows:

	United States	Int'l	United States	Int'l	United States	Int'l
	2023		2022		2021	
Discount rate	4.91 %	5.00 %	2.45 %	1.80 %	2.00 %	1.40 %
Expected return on plan assets	6.63 %	5.92 %	5.19 %	4.73 %	5.19 %	4.67 %

The weighted-average assumptions used to determine benefit obligations at the measurement date were as follows:

	United States	Int'l	United States	Int'l
	2023		2022	
Discount rate	4.70 %	4.79 %	4.91 %	5.00 %

Plan fiduciaries of our retirement plans set investment policies and strategies and oversee the investment direction, which includes selecting investment managers, commissioning asset-liability studies and setting long-term strategic targets. Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return and have diversified asset types, fund strategies and fund managers. Targeted asset allocation ranges are guidelines, not limitations and occasionally plan fiduciaries will approve allocations above or below a target range.

The target asset allocation for our U.S. and International plans for 2024 is as follows:

	2024 Targeted	
	United States	Int'l
Equity funds and securities	52 %	14 %
Fixed income funds and securities	39 %	67 %
Hedge funds	— %	— %
Real estate funds	1 %	7 %
Other	8 %	12 %
Total	100 %	100 %

The range of targeted asset allocations for our International plans for 2024 and 2023, by asset class, are as follows:

International Plans	2024 Targeted Percentage Range		2023 Targeted Percentage Range	
	Minimum	Maximum	Minimum	Maximum
Equity funds and securities	11 %	17 %	20 %	50 %
Fixed income funds and securities	53 %	80 %	30 %	100 %
Hedge funds	— %	— %	— %	7 %
Real estate funds	6 %	9 %	— %	10 %
Other	10 %	15 %	— %	35 %

The range of targeted asset allocations for our U.S. plans for 2024 and 2023, by asset class, are as follows:

Domestic Plans	2024 Targeted Percentage Range		2023 Targeted Percentage Range	
	Minimum	Maximum	Minimum	Maximum
Equity funds and securities	41 %	62 %	41 %	62 %
Fixed income funds and securities	31 %	47 %	31 %	47 %
Real estate funds	1 %	1 %	1 %	1 %
Other	7 %	10 %	7 %	10 %

ASC 820 - Fair Value Measurement addresses fair value measurements and disclosures, defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. This standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. ASC 820 establishes a three-tier value hierarchy, categorizing the inputs used to measure fair value. The inputs and methodology used for valuing securities are not an indication of the risk associated with investing in those securities. Refer to Note 20 "Financial Instruments and Risk Management" for a description of the primary valuation methodologies and classification used for assets measured at fair value.

A summary of total investments for KBR's defined benefit pension plan assets measured at fair value is presented below.

	Fair Value Measurements at Reporting Date			
Dollars in millions	Total	Level 1	Level 2	Level 3
Asset Category at December 29, 2023				
United States plan assets				
Investments measured at net asset value (a)	$ 53	$ —	$ —	$ —
Cash and equivalents	—	—	—	—
Total United States plan assets	$ 53	$ —	$ —	$ —
International plan assets				
Equities	$ 51	$ —	$ —	$ 51
Fixed income	597	—	597	—
Real estate	1	—	—	1
Cash and cash equivalents	83	83	—	—
Other	62	—	—	62
Investments measured at net asset value (a)	501	—	—	—
Total international plan assets	$ 1,295	$ 83	$ 597	$ 114
Total plan assets at December 29, 2023	$ 1,348	$ 83	$ 597	$ 114

Dollars in millions	Fair Value Measurements at Reporting Date: Total	Level 1	Level 2	Level 3
Asset Category at December 31, 2022				
United States plan assets				
Investments measured at net asset value (a)	$ 52	$ —	$ —	$ —
Cash and equivalents	—	—	—	—
Total United States plan assets	$ 52	$ —	$ —	$ —
International plan assets				
Equities	$ 60	$ —	$ —	$ 60
Fixed income	—	—	—	—
Real estate	1	—	—	1
Cash and cash equivalents	31	31	—	—
Other	52	—	—	52
Investments measured at net asset value (a)	1,123	—	—	—
Total international plan assets	$ 1,267	$ 31	$ —	$ 113
Total plan assets at December 31, 2022	$ 1,319	$ 31	$ —	$ 113

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed each year due to the following:

Dollars in millions	Total	Equities	Fixed Income	Real Estate	Other
International plan assets					
Balance as of December 31, 2021	$ 137	$ 88	$ —	$ 1	$ 48
Return on assets held at end of year	11	7	—	—	4
Return on assets sold during the year	5	—	—	—	5
Purchases, sales and settlements, net	(26)	(26)	—	—	—
Foreign exchange impact	(14)	(9)	—	—	(5)
Balance as of December 31, 2022	$ 113	$ 60	$ —	$ 1	$ 52
Return on assets held at end of year	(6)	(4)	—	—	(2)
Return on assets sold during the year	—	—	—	—	—
Purchases, sales and settlements, net	2	(8)	—	—	10
Foreign exchange impact	5	3	—	—	2
Balance as of December 29, 2023	$ 114	$ 51	$ —	$ 1	$ 62

Contributions. Funding requirements for each plan are determined based on the local laws of the country where such plans reside. In certain countries the funding requirements are mandatory while in other countries they are discretionary. We expect to contribute $ 42 million to our pension plans in 2024. 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.

Benefit payments. The following table presents the expected benefit payments over the next 10 years.

	Pension Benefits	
Dollars in millions	United States	Int'l
2024	$ 6	$ 65
2025	$ 5	$ 67
2026	$ 5	$ 70
2027	$ 5	$ 72
2028	$ 5	$ 74
Years 2029 - 2033	$ 22	$ 405

Deferred Compensation Plans

Our Elective Deferral Plan is a nonqualified deferred compensation program that provides benefits payable to officers, certain key employees or their designated beneficiaries and non-employee directors at specified future dates, upon retirement, or death. The elective deferral plan is unfunded except for $ 13 million and $ 12 million of mutual funds designated for a portion of our employee deferral plan included in other assets on our consolidated balance sheets at December 29, 2023 and December 31, 2022, respectively. The mutual funds are measured at fair value using Level 1 inputs under ASC 820 and may be liquidated in the near term without restrictions. Our obligations under our employee deferred compensation plan were $ 66 million and $ 57 million as of December 29, 2023 and December 31, 2022, respectively, and are included in employee compensation and benefits in our consolidated balance sheets.

Note 11. Debt and Other Credit Facilities

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

Dollars in millions	December 29, 2023	December 31, 2022
Term Loan A	595	398
Term Loan B	501	506
Senior Notes	250	250
Revolver	505	260
Convertible Senior Notes (a)	—	350
Unamortized debt issuance costs and discount - Convertible Senior Notes (a)	—	(2)
Unamortized debt issuance costs - Term Loan A	(8)	(9)
Unamortized debt issuance costs and discount - Term Loan B	(8)	(10)
Unamortized debt issuance costs and discount - Senior Notes	(3)	(3)
Total debt	1,832	1,740
Less: current portion	31	364
Total long-term debt, net of current portion	$ 1,801	$ 1,376

(a) The settlement and maturity of the Convertible Senior Notes occurred on November 1, 2023. See "Convertible Senior Notes" section below for additional information.

Senior Credit Facility

We entered into Amendment No. 8 on February 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" and together with the Revolver and Term Loan A, the "Senior Credit Facility"). Amendment No. 8 (i) replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for the U.S. dollar tranche of Term Loan A and the Revolver and (ii) implements the Company's recent fiscal year change from a calendar year ending on December 31 to a 52-53 week year ending on the Friday closest to December 31, effective beginning with fiscal year 2023.

We entered into Amendment No. 9 to our Credit Agreement on June 6, 2023. Amendment No. 9 replaces the LIBOR-based reference borrowing rate with a SOFR-based reference borrowing rate for Term Loan B. We entered into Amendment

No. 10 to our Credit Agreement on July 26, 2023. Amendment No. 10 provided for an additional $ 200 million loan tranche under Term Loan A. We borrowed the full $ 200 million principal amount available under this additional loan tranche, and this $ 200 million borrowing was applied as a partial repayment of the outstanding amounts of principal and accrued interest under the Revolver.

We had borrowings of $ 785 million and repayments of $ 340 million on our Senior Credit Facility that occurred during the year ended December 29, 2023. The borrowings on our Senior Credit Facility were primarily related to funding our repurchase and maturity of Convertible Senior Notes in 2023 and our termination of outstanding warrants in 2023. See Note 22 "Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements" for additional information.

We entered into Amendment No.11 to our Credit Agreement on January 19, 2024. This amendment provides for an incremental Term Loan B facility in an aggregate principal amount of $ 1 billion and extends the Term Loan B maturity date to January 2031. We borrowed the full $ 1 billion principal amount available under this loan and primarily used the proceeds to repay all amounts of outstanding principal and accrued interest under the Company's Term Loan B facility at December 29, 2023 and to partially repay outstanding principal and accrued interest under the Company's Revolver. We entered into Amendment No.12 to our Credit Agreement on February 7, 2024. This amendment consolidated the USD denominated Term A-1, Term A-2 and Term A-4 loan facilities under our Credit Agreement into the amended USD denominated Term A-1 loan facility and continued the GBP denominated Term A-3 loan facility outstanding at December 29, 2023. Additionally, this amendment extended the maturity date of the $ 1 billion Revolver, amended Term A-1 loan facility and Term A-3 loan facility to February 2029. Immediately following execution of Amendment No. 12, we had approximately $ 500 million outstanding related to the remaining Term Loan A facilities and $ 117 million outstanding on our Revolver.

The interest rates with respect to the Revolver and Term Loan A are based on, at the Company's option, the applicable 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 applicable to available amounts under 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:

	Revolver and Term Loan A		
Consolidated Net Leverage Ratio	**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 February 2029 and Term Loan B matures in January 2031.

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 December 29, 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 were senior unsecured obligations and bore interest at 2.50 % per year, and interest was payable on May 1 and November 1 of each year.

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 22 "Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements" for additional information regarding these transactions.

On August 23, 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 39.6890 Common Shares per $1,000 principal amount of Convertible Notes at a strike price of $ 25.20 . This was the conversion rate upon maturity of the Convertible Notes on November 1, 2023.

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. See Note 22 "Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements" for information regarding the unwind agreements for our outstanding warrants. No warrants were outstanding as of December 29, 2023.

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

Convertible Notes Maturity. The Convertible Notes matured November 1, 2023, and were settled in cash for $ 593 million of which $ 250 million related to the remaining principal and $ 343 million related to the value of the conversion option. Concurrently with the maturity of the Convertible Notes, the Note Hedge Transactions were settled with payments to the Company totaling $ 343 million. The aggregate cash conversion consideration of $ 593 million was fulfilled with proceeds received from Note Hedge Transactions totaling $ 343 million, a $ 200 million borrowing on our Revolver and $ 50 million in available cash. Prior to maturity and settlement on November 1, 2023, any changes related to the fair value of the derivative asset were directly offset by the change in fair value of the embedded derivative liability. No amounts were recognized on our statement of operations as a result of the maturity of the Convertible Notes on November 1, 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 could have redeemed 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 could have redeemed 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 December 29, 2023, we had $ 1 billion in a committed line of credit on the Revolver under our Senior Credit Facility and $ 392 million of bilateral and uncommitted lines of credit to support the issuance of letters of credit. As of December 29, 2023, with respect to our Revolver, we had $ 505 million of outstanding borrowings. We also have $ 14 million of outstanding letters of credit on our Senior Credit Facility. With respect to our $ 392 million of bilateral and uncommitted lines of credit, we utilized $ 298 million for letters of credit as of December 29, 2023. The total remaining capacity of these committed and uncommitted lines of credit was approximately $ 575 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, $ 83 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.

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. Amounts that may be required to be paid in excess of the estimated costs to complete contracts in progress are not estimable. 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 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.

Note 12. Income Taxes

The United States and foreign components of income (loss) before income taxes and noncontrolling interests were as follows:

Dollars in millions	Years ended, December 29, 2023	December 31, 2022	December 31, 2021
United States	$ (465)	$ 138	$ 177
Foreign:			
United Kingdom	133	161	56
Australia	49	(103)	(199)
Canada	1	—	(2)
Middle East	45	16	39
Africa	6	7	3
Other	65	65	72
Subtotal	299	146	(31)
Total	$ (166)	$ 284	$ 146

The total income taxes included in the statements of operations and in shareholders' equity were as follows:

Dollars in millions	Years ended, December 29, 2023	December 31, 2022	December 31, 2021
Provision for income taxes	$ (95)	$ (92)	$ (111)
Shareholders' equity, foreign currency translation adjustment	—	—	(1)
Shareholders' equity, pension and post-retirement benefits	25	(4)	(44)
Shareholders' equity, changes in fair value of derivatives	3	(11)	(7)
Total income taxes	$ (67)	$ (107)	$ (163)

The components of the provision for income taxes were as follows:

Dollars in millions	Current	Deferred	Total
Year ended December 29, 2023			
Federal	$ —	$ (3)	$ (3)
Foreign	(65)	(14)	(79)
State and other	(17)	4	(13)
Provision for income taxes	$ (82)	$ (13)	$ (95)
Year ended December 31, 2022			
Federal	$ (10)	$ (7)	$ (17)
Foreign	(36)	(26)	(62)
State and other	(9)	(4)	(13)
Provision for income taxes	$ (55)	$ (37)	$ (92)
Year ended December 31, 2021			
Federal	$ (1)	$ (28)	$ (29)
Foreign	(49)	(22)	(71)
State and other	(14)	3	(11)
Provision for income taxes	$ (64)	$ (47)	$ (111)

The components of our total foreign income tax provision were as follows:

	Years ended,		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
United Kingdom	$ (32)	$ (29)	$ (22)
Australia	(13)	(13)	(23)
Middle East	(12)	(8)	(9)
Other	(22)	(12)	(17)
Foreign provision for income taxes	$ (79)	$ (62)	$ (71)

Our effective tax rates on income from operations differed from the statutory U.S. federal income tax rate of 21% as a result of the following:

	Years ended,		
	December 29, 2023	December 31, 2022	December 31, 2021
U.S. statutory federal rate, expected (benefit) provision	21 %	21 %	21 %
Increase (reduction) in tax rate from:			
Tax impact from foreign operations	2 %	1 %	— %
Noncontrolling interests and equity earnings	(1) %	8 %	38 %
State and local income taxes, net of federal benefit	2 %	2 %	2 %
Other permanent differences, net	5 %	4 %	4 %
Other non-deductible expenditures	— %	2 %	1 %
U.S. taxes on foreign unremitted earnings	— %	— %	1 %
Change in federal and foreign valuation allowance	(3) %	(2) %	(4) %
Research and development credits, net of provision	— %	(6) %	— %
Release of previously reserved position	(2) %	— %	— %
U.K. statutory rate change	— %	2 %	13 %
Non-Deductible portion associated with legal settlement of legacy matter	(11) %	— %	— %
Non-Deductible portion of Charges associated with Convertible Notes	(70) %	— %	— %
Effective tax rate on income from operations	(57) %	32 %	76 %

The primary components of our deferred tax assets and liabilities were as follows:

Dollars in millions	Years ended, December 29, 2023	Years ended, December 31, 2022
Deferred tax assets:		
Employee compensation and benefits	$ 68	$ 65
Foreign tax credit carryforwards	118	186
Loss carryforwards	77	121
Research and development and other credit carryforwards	64	49
Insurance accruals	8	9
Allowance for credit losses	1	3
Lease obligation and accrued liabilities	74	85
Contract liabilities	23	21
Capitalized research expenditures	37	18
Other	73	57
Total gross deferred tax assets	543	614
Valuation allowances	(148)	(217)
Net deferred tax assets	395	397
Deferred tax liabilities:		
Right-of-use assets	(31)	(39)
Intangible amortization	(91)	(96)
Indefinite-lived intangible amortization	(91)	(82)
Other	(49)	(59)
Total gross deferred tax liabilities	(262)	(276)
Deferred income tax (liabilities) assets, net	$ 133	$ 121

The valuation allowance for deferred tax assets was $ 148 million and $ 217 million at December 29, 2023 and December 31, 2022, respectively. The net change in the total valuation allowance was a decrease of $ 69 million in 2023 and an increase of $ 13 million in 2022. The change in 2023 was mainly driven by proposed net operating loss amendments on previously filed state income tax returns and the utilization of previously valued foreign tax credits in the U.S.

The valuation allowance balance at December 29, 2023 is primarily related to foreign tax credit carryforwards and foreign and state net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), income available from carryback years, projected future taxable income and tax-planning strategies in making this assessment.

Income related to the U.S. branches totaled $ 94 million, $ 56 million and $ 56 million for the fiscal years 2023, 2022, and 2021, respectively, and is included in the foreign component of income in the notes to our consolidated financial statements.

The total income (loss) related to the U.S., inclusive of branches and exclusive of charges associated with Convertible Notes and the legal settlement of a legacy matter, totaled $ 267 million, $ 194 million and $ 221 million for the fiscal years 2023, 2022, and 2021, respectively.

We concluded that future taxable income and the reversal of deferred tax liabilities were the only sources of taxable income available in determining the amount of valuation allowance to be recorded against our deferred tax assets. The deferred tax liabilities we relied on are projected to reverse in the same jurisdiction and are of the same character as the temporary differences that gave rise to the deferred tax assets. The deferred tax liabilities are projected to reverse in the same periods as the deferred tax assets and are projected to reverse beginning in fiscal year 2024 through fiscal year 2029. We estimated future taxable income by jurisdiction exclusive of reversing temporary differences and carryforwards and applied our foreign tax credit carryforwards based on the sourcing and character of those estimates and considered any limitations.

Our ability to utilize the unreserved foreign tax credit carryforwards is based on our ability to generate future taxable income of at least $ 333 million prior to their expiration whereas our ability to utilize other net deferred tax assets to generate future taxable income of at least $ 933 million. While our current projections of taxable income exceed these amounts, changes in our forecasted taxable income in the applicable taxing jurisdictions within the carryforward periods could affect the ultimate realization of deferred tax assets and our valuation allowance.

The net deferred tax balance by major jurisdiction after valuation allowance as of December 29, 2023 was as follows:

Dollars in millions	Net Gross Deferred Asset (Liability)	Valuation Allowance	Deferred Asset (Liability), net
United States	$ 299	$ (116)	$ 183
United Kingdom	(70)	(1)	(71)
Australia	13	—	13
Canada	21	(20)	1
Other	18	(11)	7
Total	$ 281	$ (148)	$ 133

At December 29, 2023, the amount of gross tax attributes available prior to the offset with related uncertain tax positions were as follows:

Dollars in millions	December 29, 2023	Expiration
Foreign tax credit carryforwards	$ 118	2024-2029
Foreign net operating loss carryforwards	$ 118	2024-2043
Foreign net operating loss carryforwards	$ 24	Indefinite
State net operating loss carryforwards	$ 830	Various
Research and development and other credit carryforwards	$ 64	2024-2043

We provide for taxes on accumulated and current E&P on certain foreign subsidiaries. As of December 29, 2023, the cumulative amount of permanently reinvested foreign earnings is $ 2.1 billion. These previously unremitted earnings have been subject to U.S. tax. However, these undistributed earnings could be subject to additional taxes (withholding and/or state taxes) if remitted, or deemed remitted, as a dividend. The tax effects of remitting earnings, if any, are recognized when we plan on remitting these earnings. We consider our future U.S. and non-U.S. cash needs such 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 that may include acquisitions around the world.

The Organization for Economic Co-operation and Development (OECD) has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective January 1, 2024 and other aspects effective January 1, 2025. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar 2. We do not expect Pillar 2 to have a material impact on our effective tax rate or our consolidated results of operation, financial position, and cash flows.

The Inflation Reduction Act was signed into law by the President on August 16, 2022, which enacts a 15% corporate minimum tax effective in 2023 for C-Corporations with book profits greater than $1 billion and imposes a 1% tax on the fair market value of stock repurchases by a publicly traded U.S. corporation after December 31, 2022, which will be accounted for separately from income taxes when incurred. The Inflation Reduction Act also creates or extends certain tax-related energy incentives. KBR currently does not expect the tax-related provision of the Inflation Reduction Act to have a material impact on our financial results.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows:

Dollars in millions	2023	2022	2021
Balance at January 1,	$ 92	$ 89	$ 96
Increases related to current year tax positions	2	8	—
Increases related to prior year tax positions	—	1	—
Decreases related to prior year tax positions	(2)	(2)	(4)
Settlements	(16)	—	—
Lapse of statute of limitations	(2)	(2)	(2)
Other, primarily due to exchange rate fluctuations affecting non-U.S. tax positions	—	(2)	(1)
Ending Balance	$ 74	$ 92	$ 89

The total amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was approximately $ 60 million as of December 29, 2023. The difference between this amount and the amounts reflected in the tabular reconciliation above relates primarily to deferred income tax benefits on uncertain tax positions. In the next twelve months, it is reasonably possible that our uncertain tax positions could change by approximately $ 16 million due to settlements with tax authorities and the expirations of statutes of limitations. The settlements of $ 16 million in 2023 are related to the release of a previously reserved IRS audit position based on developments associated with the ongoing IRS examination and appeals process for certain years.

We recognize accrued interest and penalties related to uncertain tax positions in income tax expense in our consolidated statements of operations. Our accrual for interest and penalties was $ 40 million and $ 34 million as of December 29, 2023 and December 31, 2022, respectively. During the years ended December 29, 2023, 2022 and 2021, we recognized net interest and penalty charges of $ 3 million, $ 2 million and $ 1 million related to uncertain tax positions.

KBR is the parent of a group of domestic companies that are members of a U.S. consolidated federal income tax return. We also file income tax returns in various states and foreign jurisdictions. With few exceptions, we are no longer subject to examination by tax authorities for U.S. federal or state and local income tax for years before 2007.

Note 13. 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. See further discussion of material legal proceedings and ongoing litigation in Note 14 below.

Environmental

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the U.S, these laws and regulations include, among others: the Comprehensive Environmental Response, Compensation and Liability Act; the Resources Conservation and Recovery Act; the Clean Air Act; the Clean Water Act and the Toxic Substances Control Act. In addition to federal and state laws and regulations, other countries where we do business often have numerous environmental regulatory requirements by which we must abide in the normal course of our operations. These requirements apply to our business segments where we perform construction and industrial maintenance services or operate and maintain facilities.

Existing or pending climate change legislation, regulations, international treaties or accords are not expected to have a material direct effect on our business, the markets that we serve or on our results of operations or financial position. However, climate change legislation could have a direct effect on our customers or suppliers, which could impact our business. We continue to monitor developments in this area.

Insurance Programs

Our employee-related health care benefits program is self-funded. Our workers' compensation, automobile and general liability insurance programs include a deductible applicable to each claim. Claims in excess of our deductible are paid by the insurer. The liabilities are based on claims filed and estimates of claims incurred but not reported. As of December 29, 2023, liabilities for anticipated claim payments and incurred but not reported claims for all insurance programs totaled approximately $ 37 million, comprised of $ 18 million included in accrued salaries, wages and benefits, $ 3 million included in other current liabilities and $ 16 million included in other liabilities all on our consolidated balance sheets. As of December 31, 2022, liabilities for anticipated claim payments and incurred but not reported claims for all insurance programs totaled approximately $ 41 million, comprised of $ 19 million included in accrued salaries, wages and benefits, $ 3 million included in other current liabilities and $ 19 million included in other liabilities all on our consolidated balance sheets.

Note 14. 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 and $ 61 million for the years ended December 29, 2023, and December 31, 2022, respectively, which are recorded in other liabilities on our 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 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 administratively closing the individual task orders issued under the contract. We continue to work with the U.S. government to resolve the issues to close the remaining task orders, which includes ongoing litigation of third-party vendor disputes. 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.

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. On January 5, 2023, FKTC filed a motion to vacate the arbitral award in the Eastern District of Virginia Federal District Court. KBR filed its response on February 2, 2023. On March 22, 2023, both parties presented oral arguments. 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 sought to confirm the net award of $ 16 million in KBR’s favor plus post-judgment interest. FKTC sought to offset amounts awarded to KBR with amounts FKTC claimed it was 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 disagreed with FKTC’s interest claim and calculation. On September 22, 2023, the Court issued a decision finding the net amount due in favor of KBR from FKTC is $ 8 million. FKTC has appealed this ruling. In addition, in March 2022, FKTC filed a 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. On December 7, 2023, the Kuwait Court of Cassation issued a ruling ordering KBR to pay an immaterial provisional damage award and requiring FKTC to refile its case in the Court of First Instance for adjudication. Based on our assessment of existing law and precedent, the opinions or views of legal counsel and the facts available to us, no amounts were accrued as of December 29, 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 violation of the FCA. 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 comprised restitution damages, and $ 35 million to the relators as attorney’s fees. Payment of the settlement was made on July 10, 2023, and KBR recorded the associated charge of $ 144 million during the year ended December 29, 2023.

Note 15. Leases

We enter into lease arrangements primarily for real estate, project equipment, transportation and information technology assets in the normal course of our business operations. Real estate leases accounted for approximately 91 % of our lease obligations at December 29, 2023. An arrangement is determined to be a lease at inception if it conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. We have elected not to recognize an ROU asset and lease liability for leases with an initial term of 12 months or less. Many of our equipment leases, primarily associated with the performance of projects for U.S. government customers, include one or more renewal option periods, with renewal terms that can extend the lease term in one year increments. The exercise of these lease renewal options is at our sole discretion and is generally dependent on the period of project performance, or extension thereof, determined by our customers. When it is reasonably certain that we will exercise the option, we include the impact of the option in the lease term to determine total future lease payments. Because most of our lease agreements do not explicitly state the discount rate, we use our incremental borrowing rate on the commencement date to calculate the present value of future lease payments.

Certain leases include payments that are based solely on an index or rate. These variable lease payments are included in the calculation of the ROU asset and lease liability. Other variable lease payments, such as usage-based amounts, are excluded from the ROU asset and lease liability, and are expensed as incurred. In addition to the present value of the future lease payments, the calculation of the ROU asset also includes any deferred rent, lease pre-payments and initial direct costs of obtaining the lease, such as commissions.

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar services, which are considered non-lease components for accounting purposes. We exclude these non-lease components in calculating the ROU asset and lease liability for real estate leases and expense them as incurred. For all other types of leases, non-lease components are included in calculating our ROU assets and lease liabilities.

The operating ROU asset and noncurrent operating lease liabilities are disclosed on our consolidated balance sheets. The current operating lease liabilities are included in other current liabilities on our consolidated balance sheets. The finance ROU asset is included in property, plant and equipment and the current and noncurrent finance lease liabilities are included in other current liabilities and other liabilities, respectively, on our consolidated balance sheets.

The components of our operating lease costs for the years ended December 29, 2023, December 31, 2022 and December 31, 2021 were as follows:

	Years ended		
Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Operating lease cost	$ 62	$ 61	$ 51
Short-term lease cost	215	369	528
Total lease cost	$ 277	$ 430	$ 579

Operating lease cost includes operating lease ROU asset amortization of $ 46 million, $ 47 million and $ 38 million for the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively, and other noncash operating lease costs related to the accretion of operating lease liabilities and straight-line lease accounting of $ 16 million, $ 14 million and $ 13 million for the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively.

Total short-term lease commitments as of December 29, 2023 were approximately $ 178 million. Additional information related to leases was as follows:

Dollars in millions	December 29, 2023	December 31, 2022	December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	$ 65	$ 63	$ 59
Financing cash flows from finance leases	$ 11	$ 11	$ 13
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 60	$ 61	$ 33
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 11	$ 13	$ 11
Weighted-average remaining lease term-operating (in years)	6 years	7 years	6 years
Weighted-average remaining lease term-finance (in years)	2 years	2 years	3 years
Weighted-average discount rate-operating leases	6.2 %	6.0 %	6.3 %
Weighted-average discount rate-finance leases	4.2 %	3.1 %	4.0 %

The following is a maturity analysis of the future undiscounted cash flows associated with our lease liabilities as of December 29, 2023:

Dollars in millions	Operating Leases	Finance Leases
2024	55	12
2025	49	7
2026	36	1
2027	31	1
2028	30	1
Thereafter	70	—
Total future payments	271	22
Less imputed interest	(47)	(1)
Present value of future lease payments	224	21
Less current portion of lease obligations	(48)	(11)
Noncurrent portion of lease obligations	$ 176	$ 10

Note 16. Accumulated Other Comprehensive Loss

Changes in AOCL, net of tax, by component

Dollars in millions	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	(69)	(6)	39	(36)
Amounts reclassified from AOCL	13	19	3	35
Net other comprehensive income (loss)	(56)	13	42	(1)
Balance at December 31, 2022	$ (352)	$ (568)	$ 38	$ (882)
Other comprehensive income (loss) adjustments before reclassifications	42	(77)	10	(25)
Amounts reclassified from AOCL	10	1	(19)	(8)
Net other comprehensive income (loss)	52	(76)	(9)	(33)
Balance at December 29, 2023	$ (300)	$ (644)	$ 29	$ (915)

Reclassifications out of AOCL, net of tax, by component

Dollars in millions	Years ended December 29, 2023	Years ended December 31, 2022	Affected line item on the Consolidated Statements of Operations
Accumulated foreign currency adjustments			
Reclassification of foreign currency adjustments	$ (10)	$ (13)	Net income attributable to noncontrolling interests and Gain (loss) on disposition of assets and investments
Tax benefit	—	—	Provision for income taxes
Net accumulated foreign currency	$ (10)	$ (13)	
Accumulated pension liability adjustments			
Amortization of prior service cost	$ (1)	$ (1)	See (a) below
Recognized actuarial loss	(1)	(23)	See (a) below
Tax benefit	1	5	Provision for income taxes
Net pension and post-retirement benefits	$ (1)	$ (19)	Net of tax
Changes in fair value for derivatives			
Foreign currency hedge and interest rate swap settlements	$ 24	$ (4)	Other non-operating income (expense)
Tax benefit	(5)	1	Provision for income taxes
Net changes in fair value of derivatives	$ 19	$ (3)	Net of tax

(a) This item is included in the computation of net periodic pension cost. See Note 10 to our consolidated financial statements for further discussion.

Note 17. 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 December 29, 2023, $ 326 million remains available for repurchase under this authorization. On February 19, 2024, the Board of Directors authorized $ 174 million of share repurchases to be added to the prior authorizations. After the authorization on February 19, 2024, $ 500 million remains authorized and available for repurchase under this program. 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.

Share Maintenance Programs

Stock options and restricted stock awards granted under the KBR, Inc. 2006 Stock and Incentive Plan ("KBR Stock Plan") may be satisfied using shares of our authorized but unissued common stock or our treasury share account.

The ESPP allows eligible employees to withhold up to 10 % of their earnings, subject to some limitations, to purchase shares of KBR common stock. These shares are issued from our treasury share account.

Withhold 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 Stock Plan.

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

	Year Ended December 29, 2023		
	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the $ 500 million authorized share repurchase program	2,222,293	$ 56.23	$ 125
Withhold to cover shares	240,098	54.22	13
Total	2,462,391	$ 56.03	$ 138

	Year Ended December 31, 2022		
	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the $ 500 million authorized share repurchase program	4,029,686	$ 47.94	$ 193
Withhold to cover shares	199,642	48.64	10
Total	4,229,328	$ 47.97	$ 203

Note 18. Share-based Compensation and Incentive Plans

KBR Stock Plan

In November 2006, KBR established the KBR Stock Plan, which provides for the grant of any or all of the following types of share-based compensation listed below:

- stock options, including incentive stock options and nonqualified stock options;
- stock appreciation rights, in tandem with stock options or freestanding;
- restricted stock;
- restricted stock units;
- cash performance awards; and
- stock value equivalent awards.

In May 2012, the KBR Stock Plan was amended to add 2 million shares of our common stock available for issuance under the KBR Stock Plan and increase certain sub-limits.

In May 2016, the KBR Stock Plan was further amended to add 4.4 million shares of our common stock available for issuance under the KBR Stock Plan. Additionally, this amendment increased the sublimit under the Stock Plan in the form of restricted stock awards, restricted stock unit awards, stock value equivalent awards or pursuant to performance awards denominated in common stock by 4.4 million. Under the terms of the KBR Stock Plan, 16.4 million shares of common stock have been reserved for issuance to employees and non-employee directors. The plan specifies that no more than 9.9 million shares can be awarded as restricted stock, restricted stock units, stock value equivalents or pursuant to performance awards denominated in common stock.

At December 29, 2023, approximately 3.9 million shares were available for future grants under the KBR Stock Plan, of which approximately 0.5 million shares remained available for restricted stock awards or restricted stock unit awards.

KBR Stock Options

Under the KBR Stock Plan, stock options are granted with an exercise price not less than the fair market value of the common stock on the date of the grant and a term no greater than 10 years. The fair value of options at the date of grant were estimated using the Black-Scholes-Merton option pricing model. The expected volatility of KBR options granted in each year is based upon a blended rate that uses the historical and implied volatility of common stock for KBR. The expected term of KBR options granted was based on KBR's historical experience. The estimated dividend yield was based upon KBR's annualized dividend rate divided by the market price of KBR's stock on the option grant date. The risk-free interest rate was based upon the yield of U.S. government issued treasury bills or notes on the option grant date. We amortize the fair value of the stock options over the vesting period on a straight-line basis. Options are granted from shares authorized by our Board of Directors. There were no stock options granted in 2023, 2022 or 2021.

As of December 29, 2023, there were 152,799 options outstanding and exercisable with a weighted average exercise price of $ 19.92 . All remaining outstanding and exercisable options expire by the end of 2025. During 2023, 246,387 options were exercised with a weighted average exercise price of $ 21.91 . As of December 29, 2023, there was no unrecognized compensation cost, net of estimated forfeitures, related to non-vested KBR stock options. There was no stock option compensation expense in 2023, 2022 and 2021.

KBR Restricted stock

Restricted shares issued under the KBR Stock Plan are restricted as to sale or disposition. These restrictions lapse periodically over a period of time not exceeding 10 years. Restrictions may also lapse for early retirement and other conditions in accordance with our established policies. Upon termination of employment, shares on which restrictions have not lapsed must be returned to us, resulting in restricted stock forfeitures. The fair market value of the stock on the date of grant is amortized and ratably charged to income over the period during which the restrictions lapse on a straight-line basis. For awards with performance conditions, an evaluation is made each quarter as to the likelihood of meeting the performance criteria. Share-based compensation is then adjusted to reflect the number of shares expected to vest and the cumulative vesting period met to date.

The following table presents the restricted stock awards and restricted stock units granted, vested and forfeited during 2023 under the KBR Stock Plan.

Restricted stock activity summary	**Number of Shares**	**Weighted Average Grant-Date Fair Value per Share**
Nonvested shares at December 31, 2022	845,126	$ 37.90
Granted	291,577	56.09
Vested	(394,440)	36.33
Forfeited	(61,483)	44.06
Nonvested shares at December 29, 2023	680,780	$ 46.04

The weighted average grant-date fair value per share of restricted KBR shares granted to employees during 2023, 2022 and 2021 was $ 56.09 , $ 47.94 and $ 33.97 , respectively. Restricted stock compensation expense was $ 15 million, $ 15 million, and $ 12 million for the years ended 2023, 2022 and 2021, respectively. Total income tax benefit recognized in net income for share-based compensation arrangements during 2023, 2022 and 2021 was $ 3 million, $ 3 million, and $ 2 million, respectively. As of December 29, 2023, there was $ 22 million of unrecognized compensation cost, net of estimated forfeitures, related to KBR's non-vested restricted stock and restricted stock units, which is expected to be recognized over a weighted average period of 1.73 years. The total fair value of shares vested was $ 21 million in 2023, $ 31 million in 2022 and $ 16 million in 2021 based on the weighted-average fair value on the vesting date. The total fair value of shares vested was $ 14 million in 2023, $ 15 million in 2022 and $ 10 million in 2021 based on the weighted-average fair value on the date of grant.

Performance-Based Stock Awards

Under the KBR Stock Plan, a portion of the Long-term Performance Cash and Stock Awards is settled in KBR shares. These awards vest and shares are issued at the end of a three-year period. The ultimate number of shares issued could range from 0 % to 200 % of the original shares granted depending upon KBR's performance in relation to the Total Shareholder Return ("TSR") performance objective. Stock compensation expense for these awards was $ 6 million, $ 6 million and $ 4 million for the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively.

KBR Cash Performance Based Award Units ("Cash Performance Awards")

Under the KBR Stock Plan, for Cash Performance Awards granted in 2023, 2022 and 2021, performance is based 50 % on average TSR, as compared to the average TSR of KBR's peers, and 50 % on KBR's Book-to-Bill for 2023 and 2022 and Job Income Sold ("JIS") for 2021. In accordance with the provisions of ASC 718 - Compensation-Stock Compensation, the TSR portion for the performance award units are classified as liability awards and remeasured at the end of each reporting period at fair value until settlement. The fair value approach uses the Monte Carlo valuation method which analyzes the companies comprising KBR's peer group, considering volatility, interest rate, stock beta and TSR through the grant date. The Book-to-Bill calculation for 2023 and 2022 and JIS calculation for 2021 is based on the Company's Book-to-Bill and JIS earned at a target level averaged over a three year period. The Book-to-Bill and JIS portion of the Cash Performance Award is also classified as a liability award and remeasured at the end of each reporting period based on our estimate of the amount to be paid at the end of the vesting period. The cash performance award units may only be paid in cash.

Under the KBR Stock Plan, in 2023, we granted 19 million performance based award units ("Cash Performance Awards") with a three-year performance period from January 1, 2023 to December 31, 2025. In 2022, we granted 16 million Cash Performance Awards with a three-year performance period from January 1, 2022 to December 31, 2024. In 2021, we granted 13 million Cash Performance Awards with a three-year performance period from January 1, 2021 to December 31, 2023. Cash Performance Awards forfeited, net of previous plan payout, totaled 5 million units, 2 million units and 4 million units during the years ended December 29, 2023, December 31, 2022 and December 31, 2021, respectively. At December 29, 2023, the outstanding balance for Cash Performance Awards is 42 million units. Cash Performance Awards are not considered earned until required performance conditions are met. Additionally, approval by the Compensation Committee of the Board of Directors is required before earned Cash Performance Awards are paid.

Cost for the Cash Performance Awards is accrued over the requisite service period. For the years ended December 29, 2023, December 31, 2022 and December 31, 2021, we recognized $ 21 million, $ 20 million and $ 26 million, respectively, in expense for Cash Performance Awards. The expense associated with these Cash Performance Awards is included in cost of services and general and administrative expense in our consolidated statements of operations. The liability for Cash Performance Awards includes $ 20 million recorded within accrued salaries, wages and benefits and $ 19 million recorded within employee compensation and benefits on our consolidated balance sheets as of December 29, 2023. The liability for Cash Performance Awards includes $ 19 million recorded within accrued salaries, wages and benefits, and $ 17 million recorded within employee compensation and benefits on our consolidated balance sheets as of December 31, 2022.

KBR Employee Stock Purchase Plan ("ESPP")

Under the ESPP, eligible employees may withhold up to 10 % of their earnings, subject to some limitations, to purchase shares of KBR's common stock. Unless KBR's Board of Directors determines otherwise, each six-month offering period commences at the beginning of February and August of each year. In 2023, employees who participated in the ESPP received a 5 % discount on the stock price at the end of each period. In 2024, employees who participate in the ESPP will receive a 6 % discount on the stock price at the end of each period. During 2023 and 2022, our employees purchased approximately 119,000 and 124,000 shares, respectively, through the ESPP. These shares were issued from our treasury share account.

Note 19. Income (loss) per Share and Certain Related Information

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:

	Years ended,		
Shares in millions	December 29, 2023	December 31, 2022	December 31, 2021
Net income (loss) attributable to KBR:			
Net Income (loss) attributable to KBR	$ (265)	$ 190	$ 27
Less earnings allocable to participating securities	$ —	$ (1)	$ —
Basic net income (loss) attributable to KBR	$ (265)	$ 189	$ 27
Reversal of Convertible Debt interest expense	$ —	7	—
Diluted net income (loss) attributable to KBR	$ (265)	$ 196	$ 27
Weighted average common shares outstanding:			
Basic weighted average common shares outstanding	135	139	140
Convertible Debt	—	14	—
Warrants	—	3	—
Stock options and restricted shares	—	—	1
Diluted weighted average common shares outstanding	135	156	141
Net income (loss) attributable to KBR per share:			
Basic	$(1.96)	$ 1.36	$ 0.19
Diluted	$(1.96)	$ 1.26	$ 0.19

Due to our net loss position for the year ended December 29, 2023, our basic net loss attributable to KBR per share and diluted net loss attributable to KBR per 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 net income (loss) attributable to KBR 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 year ended December 31, 2022, the Warrant Transactions (as defined in Note 11, "Debt and Other Credit Facilities", to our consolidated financial statements) impacted the calculation of diluted net income (loss) per share as the average price of our common stock exceeded the adjusted strike price of $ 39.63 . For the year ended December 31, 2021, the Warrant Transactions did not impact diluted net income (loss) per share as the average price of our common stock during the period did not exceed the adjusted strike price of $ 39.76 .

For the year ended December 29, 2023, the diluted net income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 4.0 million related to the Convertible Debt, 10.2 million related to the Warrant Transactions and 1.4 million related to our stock options and restricted stock awards. For the year ended December 31, 2022, the diluted net 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. For the year ended December 31, 2021, the diluted net income (loss) per share calculation excluded the following weighted-average potential common shares because their inclusion would have been anti-dilutive: 13.5 million related to the Convertible Debt, 13.5 million related to the Warrant Transactions and 0.7 million related to our stock options and restricted stock awards.

Shares of common stock

Shares in millions	Shares
Balance at December 31, 2021	180.0
Common stock issued	0.8
Balance at December 31, 2022	180.8
Common stock issued	0.9
Balance at December 29, 2023	181.7

Shares of treasury stock

Shares and dollars in millions	Shares	Amount
Balance at December 31, 2021	40.2	$ 943
Treasury stock acquired, net of ESPP shares issued	4.1	200
Balance at December 31, 2022	44.3	1,143
Treasury stock acquired, net of ESPP shares issued	2.3	136
Balance at December 29, 2023	46.6	$ 1,279

Dividends

We declared dividends totaling $ 73 million and $ 67 million in 2023 and 2022, respectively. On February 19, 2024, the Board of Directors declared a dividend of $ 0.15 per share, which will be paid on April 15, 2024.

Note 20. 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 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 consolidated balance sheets are provided in the following table.

		December 29, 2023		December 31, 2022	
Dollars in millions		**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Liabilities (including current maturities):					
Term Loan A	**Level 2**	$ 595	$ 595	$ 398	$ 398
Term Loan B	**Level 2**	501	503	506	511
Convertible Notes and Conversion Option	**Level 2**	—	—	350	731
Senior Notes	**Level 2**	250	231	250	220
Revolver	**Level 2**	505	505	260	260
Derivative Liability - Warrants	**Level 2**	33	33	—	—

The carrying value of the debt instruments listed above exclude debt issuance costs for the respective instrument. See Note 11 "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 decrease in carrying value of the Convertible Notes and conversion option is due to the maturity and settlement of the Convertible Notes on November 1, 2023. See Note 11 "Debt and Other Credit Facilities" for additional information regarding the maturity of the Convertible Notes. See Note 22 "Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements" for information regarding the increase in the derivative liability for warrants in 2023.

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 December 29, 2023, the gross notional value of our foreign currency exchange forwards and option contracts used to hedge balance sheet exposures was $ 15 million, all of which had durations of 16 days or less. We also had approximately $ 3 million (gross notional value) of cash flow hedges which had durations of 6 months or less. The cash flow hedges are related to the British pound sterling.

The fair value of our balance sheet hedges and cash flow hedges are included in other current assets, other assets, other current liabilities and other liabilities on our consolidated balance sheets at December 29, 2023, and December 31, 2022, respectively. 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 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 income (expense) on our consolidated statements of operations.

	Years ended December 31,	
Gains (losses) dollars in millions	December 29, 2023	December 31, 2022
Balance Sheet Hedges - Fair Value	$ —	$ 2
Balance Sheet Position - Remeasurement	(6)	2
Net	$ (6)	$ 4

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 year ended December 29, 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 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:

Dollars in millions	Notional Amount at December 29, 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)	$ 350	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	£ 116	3.81 %	Term SONIA	Monthly through November 2026

(a) Effective November 2023, the notional value increased 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 December 29, 2023 was a $ 36 million net asset, of which $ 24 million is included in other current assets, $ 18 million is included in other assets and $ 6 million is included in other liabilities. The unrealized net gains on these interest rate swaps was $ 36 million and is included in AOCL as of December 29, 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 year ended December 29, 2023, the Company has derecognized $ 3,077 million of accounts receivables from the balance sheet under these agreements, of which certain receivables totaling $ 3,022 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 income (expense) on the consolidated statements of operations.

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

	Years ended	
Dollars in millions	December 29, 2023	December 31, 2022
Beginning balance	$ 134	$ 481
Sale of receivables	3,077	2,883
Settlement of receivables	(3,076)	(3,228)
Cash collected, not yet remitted	—	(2)
Outstanding balances sold to financial institutions	$ 135	$ 134

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 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 December 29, 2023. The carrying value of our investment was $ 83 million at December 31, 2022.

Note 21. Recent Accounting Pronouncements

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

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity’s CODM. The amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 will be effective for our 2024 fiscal year and for interim periods starting in our first quarter of fiscal year 2025. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows and financial condition.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU requires that an entity disclose specific categories in the effective tax rate reconciliation as well as provide additional information for reconciling items that meet a quantitative threshold. Further, the ASU requires certain disclosures of state versus federal income tax expense and taxes paid. The amendments in this ASU are required to be adopted for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows and financial condition.

Note 22. Cash Election and Repurchase of Convertible Notes and Warrant Unwind Agreements

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. Prior to maturity and settlement on November 1, 2023, any changes related to the fair value of the derivative asset were directly offset by the change in fair value of the embedded derivative liability. Upon maturity and settlement of the Convertible Notes and Note Hedge on November 1, 2023, the derivative asset and embedded derivative liability were removed from our consolidated balance sheet.

We recorded $ 282 million of accretion during the year ended December 29, 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 second quarter of 2023. At December 29, 2023, all accretion related to the Convertible Notes has been recognized.

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 "June 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 second quarter of 2023 no longer qualified for the equity scope exception under ASC 815 upon execution of the June 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 June Unwind Agreements, during the second quarter of 2023 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 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.

Warrant Unwind Agreements in November 2023. On November 7, 2023, we entered into agreements with the option counterparties to settle the remaining warrants in cash (collectively, the "November Unwind Agreements"). The warrants settled as part of the November Unwind Agreements no longer qualified for the equity scope exception under ASC 815 upon execution of the November Unwind Agreements on November 7, 2023. This resulted in the recognition of a derivative liability of $ 123 million, with an offset of $ 123 million to PIC. Upon settlement of the November Unwind Agreements, we recognized $ 26 million in loss due to the change in fair value of the derivative liability between the initial recognition date and settlement date for each counterparty. This loss was recorded within "Charges associated with Convertible Notes" on our consolidated statement of operations. The Company paid $ 116 million in December 2023 and $ 33 million in January 2024 related to the November Unwind Agreements. At December 29, 2023, the derivative liability recorded within Other Current Liabilities on our Consolidated Balance Sheet was $ 33 million. No warrants were outstanding as of December 29, 2023.

See below for summary of items related to the cash election and repurchase of Convertible Notes and Note Hedge Transactions on our Consolidated Statement of Operations for the year ended December 29, 2023.

Dollars in millions	Year Ended December 29, 2023
Consolidated Statement of Operations	
Loss on derivative bifurcation	$ 104
Loss on debt extinguishment	70
Loss on settlement of warrants	38
Accretion of Convertible Notes debt discount	282
Charges associated with Convertible Notes	$ 494

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

Item 9A. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), 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 defined in Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Our disclosure controls and procedures are 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 and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 29, 2023 at the reasonable assurance level.

Management does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of one or more persons. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed by management, under the supervision of our Chief Executive Officer and Chief Financial Officer, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 29, 2023. In conducting this evaluation, our management used the criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has determined our internal control over financial reporting was effective as of December 29, 2023.

The effectiveness of our internal control over financial reporting as of December 29, 2023 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control procedures over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting during the quarter ended December 29, 2023.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
KBR, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited KBR, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2023, based on criteria established in I*nternal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 29, 2023 and December 31, 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 29, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 20, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas
February 20, 2024

Item 9B. Other Information

During the three months ended December 29, 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 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the KBR, Inc. Company Proxy Statement for our 2024 Annual Meeting of Stockholders.

KBR has adopted a “code of ethics,” as defined in Item 406(b) of SEC Regulation S-K. KBR’s code of ethics, known as the Code of Business Conduct, applies to all directors, officers and employees of KBR, including our principal executive officer, principal financial officer, principal accounting officer and controllers and also applies to all employees of KBR’s agents. The Code of Business Conduct is available on our website, www.kbr.com. KBR intends to satisfy the disclosure requirements regarding amendments to, or waivers from, any provision of the Code of Business Conduct by posting such information on our website.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the KBR, Inc. Company Proxy Statement for our 2024 Annual Meeting of Stockholders, except as to information required pursuant to Item 402(v) of SEC Regulation S-K relating to pay versus performance.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the KBR, Inc. Company Proxy Statement for our 2024 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the KBR, Inc. Company Proxy Statement for our 2024 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the KBR, Inc. Company Proxy Statement for our 2024 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report or incorporated by reference:

1. The consolidated financial statements of KBR listed on page 65 of this annual report on Form 10-K. (The report of KBR Inc.'s independent registered public accounting firm (PCAOB ID: 185) with respect to the above referenced financial statements are included in Item 8 and Item 9A of this Form 10-K. Their consent appears as Exhibit 23 of this Form 10-K.
2. The exhibits of KBR listed below under Item 15(b); all exhibits are incorporated herein by reference to a prior filing as indicated, unless designated by a * or **.

(b) Exhibits:

EXHIBIT INDEX

Exhibit Number	Description
3.1	KBR Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to KBR's current report on Form 8-K filed June 7, 2012; File No. 001-33146)
3.2	Amended and Restated Bylaws of KBR, Inc., effective as of March 15, 2023 (incorporated by reference to Exhibit 3.1 to KBR's current report on Form 8-K filed March 17, 2023; File No. 001-33146)
4.1	Form of specimen KBR common stock certificate (incorporated by reference to Exhibit 4.1 to KBR's registration statement on Form S-1; Registration No. 333-133302)
4.2	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934
4.3	Indenture, dated September 30, 2020, by and among KBR, Inc., the guarantors party thereto and Citibank, N.A., as trustee (incorporated by reference to Exhibit 4.1 to KBR's current report on Form 8-K filed on October 5, 2020; File No. 001-33146)
4.4	Form of 4.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.2 to KBR's current report on Form 8-K filed on October 5, 2020; File No. 001-33146)
4.5	First Supplemental Indenture, dated as of January 6, 2021, by and among KBR Inc., the guarantors named therein and Citibank, N.A. as trustee (incorporated by reference to Exhibit 4.1 to KBR's current report on Form 8-K filed on January 6, 2021; File No. 001-33146)
10.1	Master Separation Agreement between Halliburton Company and KBR, Inc. dated as of November 20, 2006 (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed November 27, 2006; File No. 001-33146)
10.2	Tax Sharing Agreement, dated as of January 1, 2006, by and between Halliburton Company, KBR Holdings, LLC and KBR, Inc., as amended effective February 26, 2007 (incorporated by reference to Exhibit 10.2 to KBR's annual report on Form 10-K for the year ended December 31, 2006; File No. 001-33146)
10.3	Intellectual Property Matters Agreement dated as of November 20, 2006, by and between Halliburton Company and KBR, Inc. (incorporated by reference to Exhibit 10.7 to KBR's current report on Form 8-K filed November 27, 2006; File No. 001-33146)
10.4	Form of Indemnification Agreement between KBR, Inc. and its directors and executive officers (incorporated by reference to Exhibit 10.7 to KBR's annual report on Form 10-K for the year ended December 31, 2013 filed on February 27, 2014; File No. 001-33146)
10.5	Credit Agreement, dated as of April 25, 2018, by and among KBR, Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed April 27, 2018; File No. 001-33146)
10.6	First Amendment to Credit Agreement, dated November 12, 2018, among KBR, Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and a Letter of Credit Issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed November 13, 2018; File No. 001-33146)
10.7	Amendment No. 2 to Credit Agreement, dated as of February 7, 2020 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 KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed February 12, 2020; File No. 001-33146)
10.8	Amendment No. 3 to Credit Agreement, dated as of July 2, 2020 with Bank of America, N.A., as administrative agent, swing line lender and a letter of credit issuer, the lenders party thereto, the swing line lenders party thereto, the letter of credit issuers party thereto and each of the subsidiaries of KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed July 8, 2020; File No. 001-33146)
10.9	Amendment No. 4 to Credit Agreement, dated as of September 14, 2020 with Bank of America, N.A., as administrative agent, swing line lender and a letter of credit issuer, the lenders party thereto, the swing line lenders party thereto, the letter of credit issuers party thereto and each of the subsidiaries of KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed September 14, 2020; File No. 001-33146)

10.10	Amendment No. 5 to Credit Agreement, dated as of November 18, 2021 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 KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed November 24, 2021; File No. 001-33146)
10.11	Amendment No. 6 to Credit Agreement, dated as of May 17, 2022, 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 KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed May 17, 2022; File No. 001-33146)
10.12	Amendment No. 7 to the Credit Agreement, dated as of December 30, 2022, 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 KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed December 30, 2022; File No. 001-33146)
10.13	Amendment No. 8 to the Credit Agreement, dated as of February 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 KBR party thereto (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed February 6, 2023; File No. 001-33146)
10.14	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)
10.15	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 (incorporated by reference to Exhibit 10.5 to KBR's quarterly report on Form 10-Q for the period ended June 30, 2023 filed on July 27, 2023; File No. 001-33146)
10.16	Amendment No. 11 to the Credit Agreement, dated as of January 19, 2024 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 on January 23, 2024, File No. 001-33146)
10.17	Amendment No. 12 to the Credit Agreement, dated as of February 7, 2024 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 on February 13, 2024, File No. 001-33146)
10.18	Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to KBR's quarterly report on Form 10-Q for the period ended June 30, 2023 filed on July 27, 2023; File No. 001-33146)
10.19	Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and BNP Paribas (incorporated by reference to Exhibit 10. 2 to KBR's quarterly report on Form 10-Q for the period ended June 30, 2023 filed on July 27, 2023; File No. 001-33146)
10.20	Warrant Amendment Agreement, dated June 1, 2023, between KBR, Inc. and Citibank, N.A. (incorporated by reference to Exhibit 10. 3 to KBR's quarterly report on Form 10-Q for the period ended June 30, 2023 filed on July 27, 2023; File No. 001-33146)
*10.21	Warrant Unwind Agreement, dated November 7, 2023, between KBR, Inc. and Bank of America, N. A.
*10.22	Warrant Unwind Agreement, dated November 7, 2023, between KBR, Inc. and BNP Paribas
*10.23	Warrant Unwind Agreement, dated November 7, 2023, between KBR, Inc. and Citibank, N.A.
10.24+	KBR, Inc. 2006 Stock and Incentive Plan (As Amended and Restated March 7, 2012) (incorporated by reference to KBR's definitive proxy statement dated April 5, 2012; File No. 001-33146)
10.25+	KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated effective May 12, 2016 (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed May 18, 2016; File No. 001-33146)
10.26+	Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan, effective May 19, 2021 (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed May 21, 2021; File No. 001-33146)
10.27+	KBR Elective Deferral Plan, as restated effective September 1, 2019 (incorporated by reference to Exhibit 10.27 to KBR's quarterly report on Form 10-Q for the period ended September 30, 2019; File No. 001-33146)
10.28+	KBR Non-Employee Directors Elective Deferral Plan (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed December 17, 2013; File No. 001-33146)

10.29+	Form of revised Restricted Stock Unit Agreement (Director) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.3 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2013; File No. 001-33146)
10.30+	Form of revised Nonstatutory Stock Option Agreement for US and Non-US Employees pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.2 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2014; File No. 001-33146)
10.31+	Form of Severance and Change in Control Agreement (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed August 29, 2008; File No. 001-33146)
10.32+	Amendment to the 2008 Severance and Change in Control Agreements effective as of December 31, 2008 (incorporated by reference to Exhibit 10.36 to KBR's annual report on Form 10-K for the year ended December 31, 2011; File No. 001-33146)
10.33+	Severance and Change in Control Agreement effective as of June 2, 2014, between KBR Technical Services, Inc., a Delaware corporation, KBR, Inc. and Stuart J. Bradie (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed April 9, 2014; File No. 001-33146)
10.34+	Form of Amendment to Severance and Change in Control Agreement (incorporated by reference to Exhibit 10.2 to KBR's quarterly report on Form 10-Q for the period ended September 30, 2015; File No. 001-33146)
10.35+	Severance and Change of Control Agreement effective as of February 23, 2017, by and between KBR Technical Services, Inc., a Delaware corporation, KBR, Inc., and Mark Sopp (incorporated by reference to Exhibit 10.1 to KBR's current report on Form 8-K filed December 13, 2016; File No. 001-33146)
10.36+	KBR Senior Executive Performance Pay Plan, as restated effective January 1, 2020 (incorporated by reference to Exhibit 10.7 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2020; File No. 001-33146)
10.37+	KBR Management Performance Pay Plan, as restated effective January 1, 2020 (incorporated by reference to Exhibit 10.8 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2020; File No. 001-33146)
10.38+	Form of Severance and Change in Control Agreement (incorporated by reference to Exhibit 10.54 to KBR's annual report on Form 10-K for the year ended December 31, 2020; File No. 001-33146)
10.39+	KBR Benefit Restoration Plan, as restated effective December 31, 2010 (incorporated by reference to Exhibit 10.56 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.40+	First Amendment to KBR Benefit Restoration Plan, as restated effective December 31, 2010 (incorporated by reference to Exhibit 10.57 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.41+	Second Amendment to KBR Benefit Restoration Plan, as restated effective December 31, 2010 (incorporated by reference to Exhibit 10.58 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
*10.42+	Third Amendment to KBR Benefit Restoration Plan, as restated effectiv e December 31, 2010
10.43+	Form of revised Restricted Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.59 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.44+	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.60 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.45+	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.61 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.46+	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.62 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.47+	Form of Performance Award Agreement (US/International Employee Cash Only) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.63 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)
10.48+	Form of Performance Award Agreement (US/International Employee Cash/Stock) pursuant to KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.64 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2021; File No. 001-33146)

10.49+	Form of revised Restricted Stock Unit Agreement (US Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.1 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.50+	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.2 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.51+	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.3 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.52+	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.4 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.53+	Form of Performance Award Agreement (US/International Employee Cash Only) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.5 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.54+	Form of Performance Award Agreement (US/International Employee Cash/Stock) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.6 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2022; File No. 001-33146)
10.55+	First Amendment to KBR Elective Deferral Plan, as restated effective September 1, 2019 (incorporated by reference to Exhibit 10.61 to KBR's annual report on Form 10-K for the period ended December 31, 2022; File No. 001-33146)
10.56+	First Amendment to KBR Senior Executive Performance Pay Plan, as restated effective January 1, 2020 (incorporated by reference to Exhibit 10.62 to KBR's annual report on Form 10-K for the period ended December 31, 2022; File No. 001-33146)
10.57+	First Amendment to KBR Management Performance Pay Plan, as restated effective January 1, 2020 (incorporated by reference to Exhibit 10.63 to KBR's annual report on Form 10-K for the period ended December 31, 2022; File No. 001-33146)
10.58+	Second Amendment to KBR Senior Executive Performance Pay Plan, as restated effective January 1, 2020 (incorporated by reference to Exhibit 10.2 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.59+	Form of revised Restricted Stock Unit Agreement (US Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.3 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.60+	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.4 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.61+	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.5 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.62+	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.6 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.63+	Form of Performance Award Agreement (US/International Employee Cash Only) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.7 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
10.64+	Form of Performance Award Agreement (US/International Employee Cash/Stock) pursuant to Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan (incorporated by reference to Exhibit 10.8 to KBR's quarterly report on Form 10-Q for the period ended March 31, 2023; File No. 001-33146)
*21.1	List of subsidiaries
*23.1	Consent of KPMG LLP—Houston, Texas
*31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**32.2	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*97.1	KBR, Inc. Policy for the Recovery of Erroneously Awarded Compensation
***101	The following materials from KBR annual report on Form 10-K for the period ended December 29, 2023, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements
***104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+	Management contracts or compensatory plans or arrangements
*	Filed with this annual report on Form 10-K
**	Furnished with this annual report on Form 10-K
***	Interactive data files

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

(Registrant)

By: /s/ Stuart J. B. Bradie

Stuart J. B. Bradie

President and Chief Executive Officer

Dated: February 20, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title
/s/ Stuart J. B. Bradie	Principal Executive Officer,
Stuart J. B. Bradie	President, Chief Executive Officer and Director
/s/ Mark W. Sopp	Principal Financial Officer,
Mark W. Sopp	Executive Vice President and Chief Financial Officer
/s/ Shad E. Evans	Principal Accounting Officer,
Shad E. Evans	Senior Vice President of Finance Operations and Chief Accounting Officer
/s/ Mark E. Baldwin	Director
Mark E. Baldwin	
/s/ Lynn A. Dugle	Director
Lynn A. Dugle	
/s/ Lester L. Lyles	Director
Lester L. Lyles	
/s/ John A. Manzoni	Director
John A. Manzoni	
/s/ Wendy M. Masiello	Director
Wendy M. Masiello	
/s/ Jack B. Moore	Director
Jack B. Moore	
/s/ Ann D. Pickard	Director
Ann D. Pickard	
/s/ Carlos A. Sabater	Director
Carlos A. Sabater	

Dated: February 20, 2024

WARRANT TERMINATION AGREEMENT
dated as of November 7, 2023
Between KBR, INC. and BANK OF AMERICA, N.A.

THIS WARRANT TERMINATION AGREEMENT (this "**Agreement**") with respect to the Warrants Confirmation (as defined below) is made as of November 7, 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 by that certain Warrant Amendment Agreement dated as of June 1, 2023 between Company and Dealer and as further amended, modified, terminated or unwound from time to time, the "**Warrants Confirmation**"); and

WHEREAS, in connection with a repurchase by Company of $100,000,000 aggregate principal amount of Convertible Notes, Company and Dealer agreed on June 1, 2023, to a partial termination of the Warrants Transaction;

WHEREAS, Company has requested full termination of the Warrants Transaction;

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. Termination. Notwithstanding anything to the contrary in the Warrants Confirmation, but subject to Dealer's receipt of the Cash Settlement Amount (as defined below), Company and Dealer agree that, effective on the Payment Date (as defined below), (i) the Number of Warrants under the Warrants Transaction shall be reduced from 4,961,130 (the "**Unwound Warrants**") to zero (subject to Section 4) and (ii) subject to Section 4, (A) all of the respective rights and obligations of the parties under the Warrants Confirmation and the Unwound Warrants shall be terminated, cancelled and extinguished, (B) except as set forth in Section 4 hereto, no other payment shall be due to or from any party in connection with the Warrants Confirmation and the Unwound Warrants, (C) the Warrants Confirmation shall terminate and cease to be in full force and effect and (D) each party shall be released and forever discharged by the other party hereto from any obligations and liability under, or in connection with, the Warrants Confirmation and the Unwound Warrants.

3. Procedures for Hedge Unwind. On each Hedge Unwind Date (as defined below), Dealer (or an affiliate of Dealer), for the account of Dealer, shall unwind a portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder. A "**Hedge Unwind Date**" means each Exchange Business Day occurring in the Hedge Unwind Period; *provided*, *however*, that if any such date is a Disrupted Day in whole, such date shall not constitute a Hedge Unwind Date, and an additional Hedge Unwind Date shall occur on the Exchange Business Day after the date that would otherwise be the final Hedge Unwind Date; *provided, further*, that the final Hedge Unwind Date shall not be postponed pursuant to this provision by more than nine Scheduled Trading Days. "**Hedge Unwind Period**" means the period of 19 consecutive Exchange Business Days or, if so determined by Dealer in its sole discretion, such lesser number of consecutive Exchange Business Days as required by Dealer to unwind such portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder, in each case beginning on, and including, the Hedge Period Start Date. "**Hedge Period Start Date**" means November 7, 2023. Prior to 8:00 p.m., New York City Time, on the last day of the Hedge Unwind Period, Dealer shall deliver written notice to Citibank, N.A. at eric.natelson@citi.com, grant.mortell@citi.com, bianca.gotuaco@citi.com, eq.us.ses.notifications@citi.com, yin.wu@citi.com and mickey.alterman@citi.com that the Hedge Unwind Period with respect to Dealer has concluded hereunder on such day.

4. Payments and Deliveries. On no later than the third Scheduled Trading Day following the last day of the Hedge Unwind Period or, if such day is not a Currency Business Day, on the next Currency Business Day immediately following such day (the "**Payment Date**"), Company shall pay to Dealer in immediately available funds cash in an amount equal to the Cash Settlement Amount. The "**Cash Settlement Amount**" shall mean an amount of cash determined by Calculation Agent pursuant to the table set forth in Schedule A attached hereto (using linear interpolation or commercially reasonable extrapolation by Calculation Agent, as applicable, to determine the Cash Settlement Amount for any Average VWAP not specifically appearing in Schedule A). "**Average VWAP**" means the arithmetic average of the VWAP Prices for each Hedge Unwind Date during the Hedge Unwind Period. "**VWAP Price**" for any Scheduled Trading Day means the per Share Rule 10b-18 volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page KBR <equity> AQR_SEC (or any successor thereto) in respect of the period from the scheduled opening time of the

Exchange to the Scheduled Closing Time on such Scheduled Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Scheduled Trading Day for such time period, as determined by the Calculation Agent). Notwithstanding the foregoing, if any Scheduled Trading Day in the Hedge Unwind Period is a Disrupted Day, then the Calculation Agent may determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Average VWAP or (ii) such Disrupted Day is a Disrupted Day only in part, in which case (x) the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on the Rule 10b-18 eligible transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and (y) the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Unwind Period shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Average VWAP with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares, and the Calculation Agent shall provide Company notice of any such adjustments promptly following such partially Disrupted Day. If a Disrupted Day occurs during the Hedge Unwind Period and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent shall deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day, and determine the VWAP Price for such day using its good faith and commercially reasonable estimate of the value of the Shares on such day based on the volume, historical trading patterns and price of the Shares, and such other factors as it reasonably deems appropriate. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full. Notwithstanding anything to the contrary in the Warrants Confirmation, Company and Dealer agree that the Warrants Transaction shall be settled in accordance with this Agreement in lieu of the settlement provisions set forth in the Warrants Confirmation.

5. Representations and Warranties of Company . Company represents and warrants to Dealer (and agrees with Dealer in the case of Sections 5(g), (j), (k) and (l)) 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;

(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) neither Company nor any of its Affiliates or agents shall take any action that would cause the Shares to be subject to a "restricted period" (as defined in Regulation M promulgated under the Exchange Act) on any Hedge Unwind Date;

(h) 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;

(i) it is not "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)), and it would be able to purchase a number of Shares corresponding to the unwound portion of the Warrants Transaction in compliance with the laws of the jurisdiction of Company's incorporation;

(j) Company shall, at the request of Dealer one day prior to the Hedge Period Start Date, notify Dealer of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) under the Exchange Act by or for Company or any of its affiliated purchasers during each of the four calendar weeks preceding the Hedge Period Start Date and during the calendar week in which the Hedge Period Start Date occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18 under the Exchange Act ("**Rule 10b-18**"));

(k) Company shall (i) notify Dealer prior to the opening of trading in the Shares on any Hedge Unwind Date on which Company makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any merger, acquisition, or similar transaction involving a recapitalization relating to Company (other than any such transaction in which the consideration consists solely of cash and there is no valuation period), (ii) promptly notify Dealer following any such announcement that such announcement has been made, and (iii) promptly deliver to Dealer following the making of any such announcement a certificate indicating (A) Company's average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the announcement of such transaction and (B) Company's block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the announcement of such transaction, and Company shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders; and

(l) Company shall not, and shall cause its affiliates and affiliated purchasers (each as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Hedge Unwind Period, and no substantially similar warrant unwind agreement entered into by Company shall have hedge unwind dates or other averaging dates that are Hedge Unwind Dates under this Agreement.

6. Representations and Warranties of Dealer . Dealer represents and warrants to Company 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; and

(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)).

7. Right to Extend. Dealer may postpone or add, in whole or in part, any Hedge Unwind Date or any other date of valuation or delivery with respect to some or all of the relevant Warrants if Dealer determines, in good faith and in its commercially reasonable judgment (and in the case of clause (ii), based on advice of counsel), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer's expectations on the date of this Agreement), or (ii) to enable Dealer to effect purchases of Shares in connection with its commercially reasonable hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Issuer or an affiliated purchaser of Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer (so long as such policies and procedures are consistently applied to transactions similar to the Transaction); *provided* that no such Expiration Date or other date of valuation, payment or delivery may be postponed or added more than 10 Exchange Business Days after the original Exercise Date or date of valuation, payment or delivery, as the case may be.

8. 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).

9. 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.

10. 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.

11. 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.

12. 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.

13. Additional Acknowledgements and Agreements . Company acknowledges and agrees that Dealer may, during the Hedge Unwind Period, purchase Shares in connection with this Agreement. Such purchases will be conducted independently of Company. The timing of such purchases by Dealer, the number of Shares purchased by Dealer on any day, the price paid per Share pursuant to such purchases and the manner in which such purchases are made, including without limitation whether such purchases are made on any securities exchange or privately, shall be within the absolute discretion of Dealer. It is the intent of the parties that this Agreement comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act, and the parties agree that this Agreement shall be interpreted to comply with the requirements of Rule 10b5-1(c), and Company shall not take any action that results in this Agreement not so complying with such requirements. Without limiting the generality of the preceding sentence, Company acknowledges and agrees that (A) Company does not have, and shall not attempt to exercise, any influence over how, when or whether Dealer effects any purchases of Shares in connection with this Agreement, (B) during the period beginning on (but excluding) the date hereof and ending on (and including) the last day of the Hedge Unwind Period, neither Company nor its officers or employees shall, directly or indirectly, communicate any information regarding Company or the Shares to any employee of Dealer or its Affiliates responsible for trading the Shares in connection with the transactions contemplated hereby, (C) Company is entering into this Agreement in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act, and Company will act in good faith with respect to this Agreement, and (D) Company will not alter or deviate from this Agreement or enter into or alter a corresponding hedging transaction with respect to the Shares other than the entry, on or about the date hereof, into similar warrant unwind agreements with the counterparties thereto. Company also acknowledges and agrees that any amendment, modification, waiver or termination of this Agreement must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Company or any officer or director of Company is aware of any material nonpublic information regarding Company or the Shares.

14. 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

[*Signature Page to Warrant Termination Agreement*]

Schedule A

The Cash Settlement Amount shall be determined by Calculation Agent pursuant to the table below.

Average VWAP	Cash Settlement Amount
$45.00	$42,113,544.23
$46.00	$45,877,553.56
$47.00	$49,756,661.11
$48.00	$53,741,440.73
$49.00	$57,823,458.49
$50.00	$61,994,280.48
$51.00	$66,246,465.00
$52.00	$70,572,074.25
$53.00	$74,964,658.75
$54.00	$79,417,769.04
$55.00	$83,925,451.76
$56.00	$88,481,753.55
$57.00	$93,082,705.51
$58.00	$97,646,449.00
$59.00	$102,398,715.43
$60.00	$107,105,835.57
$61.00	$111,841,730.27
$62.00	$116,602,430.62
$63.00	$121,385,952.16
$64.00	$126,189,318.23
$65.00	$131,010,544.36

Calculation Agent shall adjust the table above upon the occurrence of any event or condition that would have allowed Calculation Agent to adjust the terms of the Warrants Transaction under the Warrants Confirmation (including, for the avoidance of doubt, an extension or postponement of the Hedge Unwind Period).

WARRANT TERMINATION AGREEMENT
dated as of November 7, 2023
Between KBR, INC. and BNP PARIBAS

THIS WARRANT TERMINATION AGREEMENT (this " **Agreement**") with respect to the Warrants Confirmation (as defined below) is made as of November 7, 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 by that certain Warrant Amendment Agreement dated as of June 1, 2023 between Company and Dealer and as further amended, modified, terminated or unwound from time to time, the " **Warrants Confirmation**"); and

WHEREAS, in connection with a repurchase by Company of $100,000,000 aggregate principal amount of Convertible Notes, Company and Dealer agreed on June 1, 2023, to a partial termination of the Warrants Transaction;

WHEREAS, Company has requested full termination of the Warrants Transaction;

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. Termination. Notwithstanding anything to the contrary in the Warrants Confirmation, but subject to Dealer's receipt of the Cash Settlement Amount (as defined below), Company and Dealer agree that, effective on the Payment Date (as defined below), (i) the Number of Warrants under the Warrants Transaction shall be reduced from 1,984,449 (the "**Unwound Warrants**") to zero (subject to Section 4) and (ii) subject to Section 4, (A) all of the respective rights and obligations of the parties under the Warrants Confirmation and the Unwound Warrants shall be terminated, cancelled and extinguished, (B) except as set forth in Section 4 hereto, no other payment shall be due to or from any party in connection with the Warrants Confirmation and the Unwound Warrants, (C) the Warrants Confirmation shall terminate and cease to be in full force and effect and (D) each party shall be released and forever discharged by the other party hereto from any obligations and liability under, or in connection with, the Warrants Confirmation and the Unwound Warrants.

3. Procedures for Hedge Unwind. On each Hedge Unwind Date (as defined below), Dealer (or an affiliate of Dealer), for the account of Dealer, shall unwind a portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder. A "**Hedge Unwind Date**" means each Exchange Business Day occurring in the Hedge Unwind Period; *provided*, *however*, that if any such date is a Disrupted Day in whole, such date shall not constitute a Hedge Unwind Date, and an additional Hedge Unwind Date shall occur on the Exchange Business Day after the date that would otherwise be the final Hedge Unwind Date; *provided, further*, that the final Hedge Unwind Date shall not be postponed pursuant to this provision by more than nine Scheduled Trading Days. "**Hedge Unwind Period**" means the period of six consecutive Exchange Business Days or, if so determined by Dealer in its sole discretion, such lesser number of consecutive Exchange Business Days as required by Dealer to unwind such portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder, in each case beginning on, and including, the Hedge Period Start Date. "**Hedge Period Start Date**" means the Exchange Business Day of the first open of the regular trading session on the Exchange following the Dealer's acknowledgement of receipt of written notice from Citibank, N.A. or its affiliate that the "Hedge Unwind Period" under, and as defined in, the Warrant Termination Agreement by and between Company and Citibank, N.A., dated as of November 7, 2023 has concluded.

4. Payments and Deliveries. On no later than the third Scheduled Trading Day following the last day of the Hedge Unwind Period or, if such day is not a Currency Business Day, on the next Currency Business Day immediately following such day (the "**Payment Date**"), Company shall pay to Dealer in immediately available funds cash in an amount equal to the Cash Settlement Amount. The "**Cash Settlement Amount**" shall mean an amount of cash determined by Calculation Agent pursuant to the table set forth in Schedule A attached hereto (using linear interpolation or commercially reasonable extrapolation by Calculation Agent, as applicable, to determine the Cash Settlement Amount for any Average VWAP not specifically appearing in Schedule A). " **Average VWAP**" means the arithmetic average of the VWAP Prices for each Hedge Unwind Date during the Hedge Unwind Period. "**VWAP Price**" for any Scheduled Trading Day means the per Share Rule 10b-18 volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page KBR <equity> AQR_SEC (or any successor thereto) in respect of the period from the scheduled opening time of the Exchange to the Scheduled Closing Time on such Scheduled Trading Day (or if such volume-weighted average price is

unavailable, the market value of one Share on such Scheduled Trading Day for such time period, as determined by the Calculation Agent). Notwithstanding the foregoing, if any Scheduled Trading Day in the Hedge Unwind Period is a Disrupted Day, then the Calculation Agent may determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Average VWAP or (ii) such Disrupted Day is a Disrupted Day only in part, in which case (x) the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on the Rule 10b-18 eligible transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and (y) the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Unwind Period shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Average VWAP with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares, and the Calculation Agent shall provide Company notice of any such adjustments promptly following such partially Disrupted Day. If a Disrupted Day occurs during the Hedge Unwind Period and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent shall deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day, and determine the VWAP Price for such day using its good faith and commercially reasonable estimate of the value of the Shares on such day based on the volume, historical trading patterns and price of the Shares, and such other factors as it reasonably deems appropriate. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full. Notwithstanding anything to the contrary in the Warrants Confirmation, Company and Dealer agree that the Warrants Transaction shall be settled in accordance with this Agreement in lieu of the settlement provisions set forth in the Warrants Confirmation.

5. Representations and Warranties of Company . Company represents and warrants to Dealer (and agrees with Dealer in the case of Sections 5(g), (j), (k) and (l)) 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;

(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) neither Company nor any of its Affiliates or agents shall take any action that would cause the Shares to be subject to a "restricted period" (as defined in Regulation M promulgated under the Exchange Act) on any Hedge Unwind Date;

(h) 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;

(i) it is not "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)), and it would be able to purchase a number of Shares corresponding to the unwound portion of the Warrants Transaction in compliance with the laws of the jurisdiction of Company's incorporation;

(j) Company shall, at the request of Dealer one day prior to the Hedge Period Start Date, notify Dealer of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) under the Exchange Act by or for Company or any of its affiliated purchasers during each of the four calendar weeks preceding the Hedge Period Start Date and during the calendar week in which the Hedge Period Start

Date occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18 under the Exchange Act (" **Rule 10b-18**"));

(k) Company shall (i) notify Dealer prior to the opening of trading in the Shares on any Hedge Unwind Date on which Company makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any merger, acquisition, or similar transaction involving a recapitalization relating to Company (other than any such transaction in which the consideration consists solely of cash and there is no valuation period), (ii) promptly notify Dealer following any such announcement that such announcement has been made, and (iii) promptly deliver to Dealer following the making of any such announcement a certificate indicating (A) Company's average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the announcement of such transaction and (B) Company's block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the announcement of such transaction, and Company shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders; and

(l) Company shall not, and shall cause its affiliates and affiliated purchasers (each as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Hedge Unwind Period, and no substantially similar warrant unwind agreement entered into by Company shall have hedge unwind dates or other averaging dates that are Hedge Unwind Dates under this Agreement.

6. Representations and Warranties of Dealer. Dealer represents and warrants to Company 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; and

(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)).

7. Right to Extend. Dealer may postpone or add, in whole or in part, any Hedge Unwind Date or any other date of valuation or delivery with respect to some or all of the relevant Warrants if Dealer determines, in good faith and in its commercially reasonable judgment (and in the case of clause (ii), based on advice of counsel), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer's expectations on the date of this Agreement), or (ii) to enable Dealer to effect purchases of Shares in connection with its commercially reasonable hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Issuer or an affiliated purchaser of Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer (so long as such policies and procedures are consistently applied to transactions similar to the Transaction); *provided* that no such Expiration Date or other date of valuation, payment or delivery may be postponed or added more than three Exchange Business Days after the original Exercise Date or date of valuation, payment or delivery, as the case may be.

8. 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).

9. 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.

10. 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.

11. 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.

12. 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.

13. Additional Acknowledgements and Agreements. Company acknowledges and agrees that Dealer may, during the Hedge Unwind Period, purchase Shares in connection with this Agreement. Such purchases will be conducted independently of Company. The timing of such purchases by Dealer, the number of Shares purchased by Dealer on any day, the price paid per Share pursuant to such purchases and the manner in which such purchases are made, including without limitation whether such purchases are made on any securities exchange or privately, shall be within the absolute discretion of Dealer. It is the intent of the parties that this Agreement comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act, and the parties agree that this Agreement shall be interpreted to comply with the requirements of Rule 10b5-1(c), and Company shall not take any action that results in this Agreement not so complying with such requirements. Without limiting the generality of the preceding sentence, Company acknowledges and agrees that (A) Company does not have, and shall not attempt to exercise, any influence over how, when or whether Dealer effects any purchases of Shares in connection with this Agreement, (B) during the period beginning on (but excluding) the date hereof and ending on (and including) the last day of the Hedge Unwind Period, neither Company nor its officers or employees shall, directly or indirectly, communicate any information regarding Company or the Shares to any employee of Dealer or its Affiliates responsible for trading the Shares in connection with the transactions contemplated hereby, (C) Company is entering into this Agreement in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act, and Company will act in good faith with respect to this Agreement, and (D) Company will not alter or deviate from this Agreement or enter into or alter a corresponding hedging transaction with respect to the Shares other than the entry, on or about the date hereof, into similar warrant unwind agreements with the counterparties thereto. Company also acknowledges and agrees that any amendment, modification, waiver or termination of this Agreement must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Company or any officer or director of Company is aware of any material nonpublic information regarding Company or the Shares.

14. U.S. QFC Provisions. The parties acknowledge and agree that the terms of the ISDA 2018 U.S. Resolution Stay Protocol are incorporated into and form a part of the Agreement, and for such purposes the Agreement shall be deemed a “Protocol Covered Agreement”, Party A shall be deemed a “Regulated Entity” and Party B shall be deemed an “Adhering Party”.

15. Contractual Recognition of Stay Powers before Resolution and in Resolution. The provisions of the ISDA Resolution Stay Jurisdictional Modular Protocol, as supplemented by the Omnibus Jurisdictional Module (the Protocol), which the parties have reviewed, acknowledge and accept, are hereby incorporated herein by reference. For these purposes, (i) BNP Paribas is a Regulated Entity Counterparty, (ii) the Relevant National Laws are those of France as set out in the EU Stay Law Annex from time to time, (iii) Counterparty is a Module Adhering Party, (iv) the Implementation Date shall be the date of the Agreement and (v) all capitalized terms will bear the meanings ascribed to them in the Protocol. In the event of any inconsistences arising between the terms of this provision and any other provisions in the Agreement, the terms of this provision will prevail.

16. Role of Agent. Company agrees and acknowledges that (i) if Company, or any entity (whether acting as investment manager, investment advisor or otherwise) entering this Agreement as agent on behalf of Company, is legally organized or formed in the United States, to the extent as required pursuant to the safe harbor from registration as a broker-dealer contained in SEC Rule 15a-6, BNP Paribas Securities Corp. (“**BNPPSC**”), an affiliate of Dealer, has been granted authority and is acting 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, and agrees that the employees of BNPPSC have been granted authority to act on behalf of BNP Paribas to facilitate such agency capacity.

“**SEC Rule 15a-6**” means 17 C.F.R. 240.15a-6 as defined under the U.S. Securities Exchange Act of 1934.

[*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

[*Signature Page to Warrant Termination Agreement*]

Schedule A

The Cash Settlement Amount shall be determined by Calculation Agent pursuant to the table below.

Average VWAP	Cash Settlement Amount
$45.00	$17,701,285.08
$46.00	$19,189,621.83
$47.00	$20,717,647.56
$48.00	$22,265,517.78
$49.00	$23,872,921.47
$50.00	$25,460,480.67
$51.00	$27,186,951.30
$52.00	$28,873,732.95
$53.00	$30,600,203.58
$54.00	$32,346,518.70
$55.00	$34,112,678.31
$56.00	$35,898,682.41
$57.00	$37,704,531.00
$58.00	$39,589,757.55
$59.00	$41,375,761.65
$60.00	$43,221,299.22
$61.00	$45,086,681.28
$62.00	$46,971,907.83
$63.00	$48,857,134.38
$64.00	$50,742,360.93
$65.00	$52,647,431.97

Calculation Agent shall adjust the table above upon the occurrence of any event or condition that would have allowed Calculation Agent to adjust the terms of the Warrants Transaction under the Warrants Confirmation (including, for the avoidance of doubt, an extension or postponement of the Hedge Unwind Period).

WARRANT TERMINATION AGREEMENT
dated as of November 7, 2023
Between KBR, INC. and CITIBANK, N.A.

THIS WARRANT TERMINATION AGREEMENT (this "**Agreement**") with respect to the Warrants Confirmation (as defined below) is made as of November 7, 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 by that certain Warrant Amendment Agreement dated as of June 1, 2023 between Company and Dealer and as further amended, modified, terminated or unwound from time to time, the "**Warrants Confirmation**"); and

WHEREAS, in connection with a repurchase by Company of $100,000,000 aggregate principal amount of Convertible Notes, Company and Dealer agreed on June 1, 2023, to a partial termination of the Warrants Transaction;

WHEREAS, Company has requested full termination of the Warrants Transaction;

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. Termination. Notwithstanding anything to the contrary in the Warrants Confirmation, but subject to Dealer's receipt of the Cash Settlement Amount (as defined below), Company and Dealer agree that, effective on the Payment Date (as defined below), (i) the Number of Warrants under the Warrants Transaction shall be reduced from 2,976,675 (the "**Unwound Warrants**") to zero (subject to Section 4) and (ii) subject to Section 4, (A) all of the respective rights and obligations of the parties under the Warrants Confirmation and the Unwound Warrants shall be terminated, cancelled and extinguished, (B) except as set forth in Section 4 hereto, no other payment shall be due to or from any party in connection with the Warrants Confirmation and the Unwound Warrants, (C) the Warrants Confirmation shall terminate and cease to be in full force and effect and (D) each party shall be released and forever discharged by the other party hereto from any obligations and liability under, or in connection with, the Warrants Confirmation and the Unwound Warrants.

3. Procedures for Hedge Unwind. On each Hedge Unwind Date (as defined below), Dealer (or an affiliate of Dealer), for the account of Dealer, shall unwind a portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder. A "**Hedge Unwind Date**" means each Exchange Business Day occurring in the Hedge Unwind Period; *provided*, *however*, that if any such date is a Disrupted Day in whole, such date shall not constitute a Hedge Unwind Date, and an additional Hedge Unwind Date shall occur on the Exchange Business Day after the date that would otherwise be the final Hedge Unwind Date; *provided, further*, that the final Hedge Unwind Date shall not be postponed pursuant to this provision by more than nine Scheduled Trading Days. "**Hedge Unwind Period**" means the period of 12 consecutive Exchange Business Days or, if so determined by Dealer in its sole discretion, such lesser number of consecutive Exchange Business Days as required by Dealer to unwind such portion of its hedge of the Warrants underlying the Warrants Transaction being terminated hereunder, in each case beginning on, and including, the Hedge Period Start Date. "**Hedge Period Start Date**" means the Exchange Business Day of the first open of the regular trading session on the Exchange following the Dealer's acknowledgement of receipt of written notice from Bank of America, N.A. or its affiliate that the "Hedge Unwind Period" under, and as defined in, the Warrant Termination Agreement by and between Company and Bank of America, N.A., dated as of November 7, 2023 has concluded. Prior to 8:00 p.m., New York City Time, on the last day of the Hedge Unwind Period, Dealer shall deliver written notice to BNP Paribas at robert.a.mcdonald@us.bnpparibas.com, spencer.cherniak@us.bnpparibas.com, zachary.golob@us.bnpparibas.com, cody.abdeen@us.bnpparibas.com and dl.nyk.ste@us.bnpparibas.com that the Hedge Unwind Period with respect to Dealer has concluded hereunder on such day.

4. Payments and Deliveries. On no later than the third Scheduled Trading Day following the last day of the Hedge Unwind Period or, if such day is not a Currency Business Day, on the next Currency Business Day immediately following such day (the "**Payment Date**"), Company shall pay to Dealer in immediately available funds cash in an amount equal to the Cash Settlement Amount. The "**Cash Settlement Amount**" shall mean an amount of cash determined by Calculation Agent pursuant to the table set forth in Schedule A attached hereto (using linear interpolation or commercially reasonable extrapolation by Calculation Agent, as applicable, to determine the Cash Settlement Amount for any Average VWAP not specifically appearing in Schedule A). "**Average VWAP**" means the arithmetic average of the VWAP Prices for each Hedge Unwind Date during the Hedge Unwind Period. "**VWAP Price**" for any Scheduled Trading Day means the per

Share Rule 10b-18 volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page KBR <equity> AQR_SEC (or any successor thereto) in respect of the period from the scheduled opening time of the Exchange to the Scheduled Closing Time on such Scheduled Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Scheduled Trading Day for such time period, as determined by the Calculation Agent). Notwithstanding the foregoing, if any Scheduled Trading Day in the Hedge Unwind Period is a Disrupted Day, then the Calculation Agent may determine that (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Average VWAP or (ii) such Disrupted Day is a Disrupted Day only in part, in which case (x) the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on the Rule 10b-18 eligible transactions in the Shares on such Disrupted Day taking into account the nature and duration of the relevant Market Disruption Event, and (y) the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Unwind Period shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Average VWAP with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares, and the Calculation Agent shall provide Company notice of any such adjustments promptly following such partially Disrupted Day. If a Disrupted Day occurs during the Hedge Unwind Period and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent shall deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day, and determine the VWAP Price for such day using its good faith and commercially reasonable estimate of the value of the Shares on such day based on the volume, historical trading patterns and price of the Shares, and such other factors as it reasonably deems appropriate. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full. Notwithstanding anything to the contrary in the Warrants Confirmation, Company and Dealer agree that the Warrants Transaction shall be settled in accordance with this Agreement in lieu of the settlement provisions set forth in the Warrants Confirmation.

5. Representations and Warranties of Company . Company represents and warrants to Dealer (and agrees with Dealer in the case of Sections 5(g), (j), (k) and (l)) 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;

(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) neither Company nor any of its Affiliates or agents shall take any action that would cause the Shares to be subject to a “restricted period” (as defined in Regulation M promulgated under the Exchange Act) on any Hedge Unwind Date;

(h) 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;

(i) it is not “insolvent” (as such term is defined under Section 101(32) of the Bankruptcy Code (Title 11 of the United States Code)), and it would be able to purchase a number of Shares corresponding to the unwound portion of the Warrants Transaction in compliance with the laws of the jurisdiction of Company’s incorporation;

(j) Company shall, at the request of Dealer one day prior to the Hedge Period Start Date, notify Dealer of the total number of Shares purchased in Rule 10b-18 purchases of blocks pursuant to the once-a-week block exception contained in Rule 10b-18(b)(4) under the Exchange Act by or for Company or any of its affiliated purchasers during each of the four calendar weeks preceding the Hedge Period Start Date and during the calendar week in which the Hedge Period Start Date occurs ("Rule 10b-18 purchase", "blocks" and "affiliated purchaser" each being used as defined in Rule 10b-18 under the Exchange Act ("**Rule 10b-18**"));

(k) Company shall (i) notify Dealer prior to the opening of trading in the Shares on any Hedge Unwind Date on which Company makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any merger, acquisition, or similar transaction involving a recapitalization relating to Company (other than any such transaction in which the consideration consists solely of cash and there is no valuation period), (ii) promptly notify Dealer following any such announcement that such announcement has been made, and (iii) promptly deliver to Dealer following the making of any such announcement a certificate indicating (A) Company's average daily Rule 10b-18 purchases (as defined in Rule 10b-18) during the three full calendar months preceding the date of the announcement of such transaction and (B) Company's block purchases (as defined in Rule 10b-18) effected pursuant to paragraph (b)(4) of Rule 10b-18 during the three full calendar months preceding the date of the announcement of such transaction, and Company shall promptly notify Dealer of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders; and

(l) Company shall not, and shall cause its affiliates and affiliated purchasers (each as defined in Rule 10b-18) not to, directly or indirectly (including, without limitation, by means of a cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable for Shares during the Hedge Unwind Period, and no substantially similar warrant unwind agreement entered into by Company shall have hedge unwind dates or other averaging dates that are Hedge Unwind Dates under this Agreement.

6. Representations and Warranties of Dealer. Dealer represents and warrants to Company 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; and

(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)).

7. Right to Extend. Dealer may postpone or add, in whole or in part, any Hedge Unwind Date or any other date of valuation or delivery with respect to some or all of the relevant Warrants if Dealer determines, in good faith and in its commercially reasonable judgment (and in the case of clause (ii), based on advice of counsel), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer's expectations on the date of this Agreement), or (ii) to enable Dealer to effect purchases of Shares in connection with its commercially reasonable hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Issuer or an affiliated purchaser of Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer (so long as such policies and procedures are consistently applied to transactions similar to the Transaction); *provided* that no such Expiration Date or other date of valuation, payment or delivery may be postponed or added more than six Exchange Business Days after the original Exercise Date or date of valuation, payment or delivery, as the case may be.

8. 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).

9. 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.

10. 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.

11. 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.

12. 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.

13. Additional Acknowledgements and Agreements. Company acknowledges and agrees that Dealer may, during the Hedge Unwind Period, purchase Shares in connection with this Agreement. Such purchases will be conducted independently of Company. The timing of such purchases by Dealer, the number of Shares purchased by Dealer on any day, the price paid per Share pursuant to such purchases and the manner in which such purchases are made, including without limitation whether such purchases are made on any securities exchange or privately, shall be within the absolute discretion of Dealer. It is the intent of the parties that this Agreement comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act, and the parties agree that this Agreement shall be interpreted to comply with the requirements of Rule 10b5-1(c), and Company shall not take any action that results in this Agreement not so complying with such requirements. Without limiting the generality of the preceding sentence, Company acknowledges and agrees that (A) Company does not have, and shall not attempt to exercise, any influence over how, when or whether Dealer effects any purchases of Shares in connection with this Agreement, (B) during the period beginning on (but excluding) the date hereof and ending on (and including) the last day of the Hedge Unwind Period, neither Company nor its officers or employees shall, directly or indirectly, communicate any information regarding Company or the Shares to any employee of Dealer or its Affiliates responsible for trading the Shares in connection with the transactions contemplated hereby, (C) Company is entering into this Agreement in good faith and not as part of a plan or scheme to evade compliance with federal securities laws including, without limitation, Rule 10b-5 promulgated under the Exchange Act, and Company will act in good faith with respect to this Agreement, and (D) Company will not alter or deviate from this Agreement or enter into or alter a corresponding hedging transaction with respect to the Shares other than the entry, on or about the date hereof, into similar warrant unwind agreements with the counterparties thereto. Company also acknowledges and agrees that any amendment, modification, waiver or termination of this Agreement must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c) under the Exchange Act. Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 under the Exchange Act, and no such amendment, modification or waiver shall be made at any time at which Company or any officer or director of Company is aware of any material nonpublic information regarding Company or the Shares.

14. 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

[*Signature Page to Warrant Termination Agreement*]

Schedule A

The Cash Settlement Amount shall be determined by Calculation Agent pursuant to the table below.

Average VWAP	Cash Settlement Amount
$45.00	$24,946,620.17
$46.00	$27,223,181.21
$47.00	$29,569,991.78
$48.00	$31,981,396.20
$49.00	$34,452,036.45
$50.00	$36,976,554.52
$51.00	$39,550,485.39
$52.00	$42,168,768.72
$53.00	$44,827,534.83
$54.00	$47,522,318.71
$55.00	$50,249,846.01
$56.00	$53,006,544.73
$57.00	$55,789,438.19
$58.00	$58,580,964.00
$59.00	$61,481,436.12
$60.00	$64,414,354.00
$61.00	$67,356,201.90
$62.00	$70,304,896.16
$63.00	$73,259,841.43
$64.00	$76,219,847.05
$65.00	$79,183,722.35

Calculation Agent shall adjust the table above upon the occurrence of any event or condition that would have allowed Calculation Agent to adjust the terms of the Warrants Transaction under the Warrants Confirmation (including, for the avoidance of doubt, an extension or postponement of the Hedge Unwind Period).

THIRD AMENDMENT TO
KBR BENEFIT RESTORATION PLAN
AS RESTATED EFFECTIVE DECEMBER 31, 2010

WHEREAS, KBR, Inc. (the "Company") maintains the KBR Benefit Restoration Plan, as most recently restated effective December 31, 2010, and as subsequently amended (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to prospectively change the investment earnings credited on amounts allocated to the Accounts of Participants; and

WHEREAS, under Article X of the Plan, the Compensation Committee has the power and right from time to time to modify, amend, supplement, suspend or terminate the Plan subject to the terms of Article X;

NOW, THEREFORE, effective as of January 1, 2024, the Plan is hereby amended as follows:

1. **Paragraph A of Article II of the Plan shall be deleted and the following shall be substituted therefor:**

"**(A)** **<u>Account</u>:** An individual account for each Participant on the books of such Participant's Employer to which is credited amounts allocated for the benefit of such Participant pursuant to the provisions of Article IV, Paragraphs (A) and (B), amounts transferred to the Plan from other deferred compensation plans, and deemed interest or earnings credited pursuant to the provisions of Article IV, Paragraph (D)."

2. **Paragraph N of Article II of the Plan shall be deleted and the following shall be substituted therefor:**

"**(N)** **<u>Grandfathered Plan Account</u>:** A memorandum bookkeeping account established on the records of the Employer for a Participant that is credited with specified deferrals of amounts earned and vested prior to January 1, 2005, and the deemed interest or earnings on such amounts determined in accordance with Article XIII, Paragraph B of the Grandfathered Plan. A Participant has a 100% non-forfeitable interest in his or her Grandfathered Plan Account at all times."

3. **Paragraphs (B) and (C) of Article IV of the Plan shall be amended to read as follows:**

"(B) Allocations to Participants under the Plan shall be made by crediting their respective Account on the books of their Employers as of the last day of the Allocation Year. Accounts of Participants shall also be credited with earnings or interest as of the last day of each Allocation Year, as set forth in Paragraph (C) below, on the average monthly credit balance of the Account being calculated by using the balance of each Account on the first day of each month. Prior to Termination of Service, the annual earnings or interest shall accumulate as a part of the Account balance. After Termination of Service, the annual interest for such Allocation Year shall be paid as more particularly set forth hereinafter in Article VII, Paragraph (D).

(C) The Committee shall designate from time to time one or more hypothetical investment options for purposes of crediting earnings or losses to Participant Accounts (“Investment Options”). The Committee shall have the sole discretion to determine the nature of the Investment Options to be designated hereunder and the nature of the Investment Options and may change or eliminate any of the Investment Options from time to time. In the event of such change or elimination, the Committee shall give each Participant timely notice and opportunity to make a new election. No such change or elimination of any Investment Option shall be considered to be an amendment to the Plan pursuant to Article X. Unless otherwise determined by the Committee, the Investment Options shall consist of the same investment options offered under the KBR Elective Deferral Plan for the investment of deferral accounts under such plan. A Participant may request that his or her Account be allocated among the deemed Investment Options. If a Participant fails to make an election, his or her Account shall be deemed to be invested in a single fund selected by the Committee.

A Participant may request to change his or her deemed investment elections for future amounts allocated to his or her Account and amounts already allocated to his or her Account. Any such change shall be made by the Participant using the form or procedure prescribed by the Committee from time to time. The Committee shall establish procedures relating to changes in deemed investment elections, which may include limiting the percentage, amount and frequency of such changes and specifying the effective date for any such change.

Each Participant’s Account shall be credited monthly with the Credited Investment Return attributable to his or her Account. The “Credited Investment Return” is the amount that the Participant’s Account would have earned if amounts credited to the Account had, in fact, been invested in accordance with the Participant’s deemed investment elections.

Notwithstanding anything herein to the contrary, with respect to amounts credited to a Participant’s Account for Allocation Years prior to January 1, 2024 (except with respect to any discretionary amounts credited on or after January 1, 2024 that relate to 2023), in lieu of making a deemed investment election, such amounts may continue to be credited with interest at least annually at the Moody’s Average Corporate Bond Yield Rate (determined monthly); provided, however, that such amounts shall not exceed the equivalent of 10% per annum and shall not be less than the equivalent of 6% per annum. If a Participant chooses to make a deemed investment election for any amounts in his or her Account related to an Allocation Year prior to January 1, 2024, such amounts shall no longer be subject to a minimum 6% per annum or maximum 10% per annum rate of return and are not eligible for reinvestment in the Moody’s Average Corporate Bond Yield Rate (determined monthly) subject to such minimum and maximum rate of return.”

4. Article VII, Section (D) of the Plan shall be amended to read as follows:

"(D) Interest or earnings on any payment to be paid to a specified employee under Paragraph (B) above that is delayed because of Section 409A shall be paid with the final payment. Where interest or earnings are accrued on an annual basis, the "specified employee" will be entitled to the prorated portion of such annual interest or earnings, as calculated up until the actual date of payout pursuant to this Paragraph."

5. Article X of the Plan shall be amended to read as follows:

ARTICLE X

AMENDMENT OR TERMINATION OF PLAN

"The Compensation Committee shall have the power and right from time to time to modify, amend, supplement, suspend or terminate the Plan as it applies to each Employer, provided that amendments to the Plan (a) that are required to comply with applicable law or (b) that facilitate Plan administration without increasing benefits under the Plan to any Participants may be made by the Chief Executive Officer (the "CEO"), or his designee. Notwithstanding the preceding sentence, no such change in the Plan may deprive a Participant of the amounts allocated to his or her Account or be retroactive in effect to the prejudice of any Participant. The interest rate applicable for periods subsequent to Termination of Service for amounts credited to Participants' Accounts for Allocation Years prior to January 1, 2024, and for which the Participant has not otherwise made a deemed investment election under Article IV, Section (C), shall not be reduced below 6% per annum. Any such modification, amendment, supplement, suspension or termination shall be in writing and signed by a member of the Compensation Committee or its designee (or the CEO, or his designee, as applicable)."

6. Paragraph (B) of Article XIII of Appendix A of the Plan shall be deleted and the following shall be substituted therefor:

"(B) Earnings or interest shall be credited at least annually on amounts allocated to Participants' Accounts. The Committee shall designate from time to time one or more hypothetical investment options for purposes of crediting earnings or losses to Participant Accounts ("Investment Options"). The Committee shall have the sole discretion to determine the nature of the Investment Options to be designated hereunder and the nature of the Investment Options and may change or eliminate any of the Investment Options from time to time. In the event of such change or elimination, the Committee shall give each Participant timely notice and opportunity to make a new election. No such change or elimination of any Investment Option shall be considered to be an amendment or material modification to the Grandfathered Plan. Unless otherwise determined by the Committee, the Investment Options shall consist of the same investment options offered under the KBR Elective Deferral Plan for the investment of deferral accounts under such plan. A Participant may request that his or her Account be allocated among the deemed Investment Options. If a Participant fails to make an election, his or her Account shall be credited with interest at least annually at the Moody's Average Corporate Bond Yield Rate (determined monthly); provided, however, that such amounts shall not exceed the equivalent of 10% per annum and shall not be less than the equivalent of 6% per annum.

A Participant may request to change his or her deemed investment elections for amounts allocated to his or her Account. Any such change shall be made by the Participant using the form or procedure prescribed by the Committee from time to time. The Committee shall establish procedures relating to changes in deemed investment elections, which may include limiting the percentage, amount and frequency of such changes and specifying the effective date for any such change.

Each Participant's Account shall be credited monthly with the Credited Investment Return attributable to his or her Account. The "Credited Investment Return" is the amount that the Participant's Account would have earned if amounts credited to the Account had, in fact, been invested in accordance with the Participant's deemed investment elections.

Notwithstanding anything herein to the contrary, in lieu of making a deemed investment election, such amounts may continue to be credited with interest at least annually at the Moody's Average Corporate Bond Yield Rate (determined monthly); provided, however, that such amounts shall not exceed the equivalent of 10% per annum and shall not be less than the equivalent of 6% per annum. If a Participant chooses to make a deemed investment election for any amounts in his or her Account, such amounts shall no longer be subject to a minimum 6% per annum or maximum 10% per annum rate of return and are not eligible for reinvestment in the Moody's Average Corporate Bond Yield Rate (determined monthly) subject to such minimum and maximum rate of return."

7. **Except as expressly amended hereby, the Plan is ratified and confirmed in all respects and shall remain in full force and effect.**

APPROVED by the Compensation Committee of the Board of Directors of the Company and **EXECUTED** this __**6th**_ day of _____**December**______ 2023, effective for all purposes as provided above.

KBR, INC.

By: /s/ Stuart J. B. Bradie

Name: Stuart J. B. Bradie
Title: President and Chief Executive Officer

Exhibit 21.1

LIST OF SUBSIDIARIES

KBR, INC.

Subsidiaries of Registrant as of December 29, 2023

NAME OF COMPANY	COUNTRY OF INCORPORATION
Affinity Capital Works Limited	United Kingdom
Affinity Flying Services Limited	United Kingdom
Affinity Flying Training Services Limited	United Kingdom
Alcyon Technical Services (ATS) JV, LLC	United States
AOC International Limited	United Kingdom
Asesoria Gerencial de Recursos Humanos, S. de R.L. de C. V.	Mexico
Aspire Defence Capital Works JV	United Kingdom
Aspire Defence Finance PLC	United Kingdom
Aspire Defence Holdings Limited	United Kingdom
Aspire Defence Limited	United Kingdom
Aspire Defence Services JV	United Kingdom
Aspire Defence Services Limited	United Kingdom
Åström Logistics AB	Sweden
BE&K de Mexico, S.A. de C.V.	Mexico
BE&K, Inc.	United States
BE&KGIFFELS	United States
BetterKonnected Joint Venture	Australia
Blandford Offshore Services Limited	United Kingdom
Bonny 7 Project Management Company Limited	United Kingdom
Bristol Management Centre Limited	United Kingdom
Brown & Root Highlands Fabricators Limited	United Kingdom
Brown & Root Industrial Services Canada Corporation	Canada
Brown & Root Industrial Services De Mexico	Mexico
Brown & Root Industrial Services Holdings, LLC	United States
Brown & Root Industrial Services Puerto Rico C.R.L.	Puerto Rico
Brown & Root Industrial Services, LLC	United States
Catalyst Systems & Training Solutions Pty Ltd	Australia
Covalent Vision LLC	United States
Dependable Global Solutions, LLC	United States
Eitec LTD	United Kingdom
Fasttrax Holdings Limited	United Kingdom

NAME OF COMPANY	COUNTRY OF INCORPORATION
Fasttrax Limited	United Kingdom
Frazer-Nash Australia PTY LTD	Australia
Frazer-Nash Consultancy Limited	United Kingdom
Frazer-Nash Consultancy LLC	United States
FTX Logistics Limited	United Kingdom
Granherne Limited	United Kingdom
Harmonic Limited	United Kingdom
HomeSafe Alliance LLC	United States
Howard Humphreys & Partners Limited	United Kingdom
Howard Humphreys (Kenya) Limited	Kenya
Insulation Material Distributors, LLC	United States
JGC-KBR Venture (In Salah Project)	Cayman Islands
KBR-Aurecon Joint Venture	Australia
KBR (Aspire Construction Ventures) Holdings Ltd	United Kingdom
KBR (Aspire Construction Ventures) Holdings No 2 Ltd	United Kingdom
KBR (Aspire Construction Ventures) Ltd	United Kingdom
KBR (Aspire Construction) Holdings Limited	United Kingdom
KBR (Aspire Construction) Holdings No.2 Limited	United Kingdom
KBR (Aspire Construction) Limited	United Kingdom
KBR (Aspire Services Ventures) Holdings Ltd	United Kingdom
KBR (Aspire Services Ventures) Holdings No.2 Ltd	United Kingdom
KBR (Aspire Services Ventures) Ltd	United Kingdom
KBR (Aspire Services) Holdings Limited	United Kingdom
KBR (Aspire Services) Holdings No.2 Limited	United Kingdom
KBR (Aspire Services) Limited	United Kingdom
KBR (I) Limited	United Kingdom
KBR (U.K.) Investments Limited	United Kingdom
KBR Abr al Bihar General Services, Trade and General Contracting, LLC	Iraq
KBR Al-Yusr Limited Company	Saudi Arabia
KBR and Arup Joint Venture	Australia
KBR Arabia Limited	Saudi Arabia
KBR Australia Pty Ltd	Australia
KBR Canada Ltd	Canada
KBR Charitable Foundation, Inc.	United States
KBR Construction Company, LLC	United States
KBR Diego Garcia, LLC	United States
KBR E&C Australia Pty Ltd	Australia Western Australia
KBR Ecoplanning Oy	Finland

NAME OF COMPANY	COUNTRY OF INCORPORATION
KBR Employment Services Limited	United Kingdom
KBR Engineering Company, LLC	United States
KBR Engineering of North Carolina, Inc.	United States
KBR General Partner Limited	United Kingdom
KBR Gerenciamento de Projectos e Servicos de Estudos Industriais Conceituais Basicos E De.	Brazil
KBR GMBH	Germany
KBR Holdings Pty Ltd	Australia
KBR Holdings, LLC	United States
KBR Industrial Canada Co.	Canada
KBR Investments Limited	United Kingdom
KBR Jacobs JV (Kingsford Smith Drive Upgrade Project)	Australia
KBR Jersey Limited	Jersey
KBR Monterrey S.A. de C.V.	Mexico
KBR Overseas, Inc.	United States
KBR PNG Limited	Papua New Guinea
KBR Poland Spolka z.o.o.	Poland
KBR Property Holdings LP	United Kingdom
KBR Services, LLC	United States
KBR Services, S.A.R.L.	Djibouti
KBR Technical Services, Inc.	United States
KBR WABI LTD.	Canada
KBR Wyle Services, LLC	United States
KBR, Inc.	United States
KBR-Aurecon JV-SA Water	Australia
KBR-Aurecon JV-Water Sec	Australia
KBR-Aurecon Yarra Valley Water	Australia
KBR-Conscia JV	Australia
KBR-NIPI Limited Liability Partnership	Kazakhstan
KBS Maritime Limited	United Kingdom
Kellogg (Malaysia) Sdn. Bhd.	Malaysia
Kellogg Brown & Root (Greenford) Limited	United Kingdom
Kellogg Brown & Root (Norway) AS	Norway
Kellogg Brown & Root (Services) Limited	United Kingdom
Kellogg Brown & Root (U.K.) Limited	United Kingdom
Kellogg Brown & Root Asia Pacific Pte Ltd	Singapore
Kellogg Brown & Root Consultancy (Malaysia) Sdn Bhd	Malaysia
Kellogg Brown & Root Engineering & Construction India Private Limited	India

NAME OF COMPANY	COUNTRY OF INCORPORATION
Kellogg Brown & Root Engineering Consultancy LLC	Oman
Kellogg Brown & Root Engineering Corporation	United States
Kellogg Brown & Root Eurasia Limited	Russian Federation
Kellogg Brown & Root GmbH	Germany
Kellogg Brown & Root Group Limited	United Kingdom
Kellogg Brown & Root Healthcare Trustee Limited	United Kingdom
Kellogg Brown & Root Holding B.V.	Netherlands
Kellogg Brown & Root Holdings (U.K.) Limited	United Kingdom
Kellogg Brown & Root Holdings Limited	United Kingdom
Kellogg Brown & Root International (MWK) Limited	United Kingdom
Kellogg Brown & Root International Group Limited	United Kingdom
Kellogg Brown & Root International, Inc.	United States
Kellogg Brown & Root International, Inc.	Panama
Kellogg Brown & Root Investment Holdings Limited	United Kingdom
Kellogg Brown & Root Limited	United Kingdom
Kellogg Brown & Root Limited-Azmi Abdullatif Abdulhadi and Abdullah Mahana Al-Moiabed Professional Company	Saudi Arabia
Kellogg Brown & Root LLC	United States
Kellogg Brown & Root Nigeria Limited	Nigeria
Kellogg Brown & Root Overseas Limited	United Kingdom
Kellogg Brown & Root Overseas Projects Limited	United Kingdom
Kellogg Brown & Root Projects Limited	United Kingdom
Kellogg Brown & Root Pty Ltd	Australia
Kellogg Brown & Root Pty Ltd - North West Program Alliance	Australia
Kellogg Brown & Root Pty Ltd - WaterSecure	Australia
Kellogg Brown & Root Saudi Ltd. Co.	Saudi Arabia
Kellogg Brown & Root Services B.V.	Netherlands
Kellogg Brown & Root Services International, Inc.	United States
Kellogg Brown & Root Services LLC	Oman
Kellogg Brown & Root Sustainable Technology Solutions Limited	United Kingdom
Kellogg Brown & Root Technology (Beijing) Co. Ltd	China
Kellogg Brown & Root Trustees Limited	United Kingdom
Kellogg France, S.A.	France
KHA Defence Solutions Pty Ltd.	Australia
Kord Technologies, LLC	United States
KRW Energy Systems Inc.	United States
Labor Support Services Limited	Cayman Islands
Laurel Financial Services B.V.	Netherlands

NAME OF COMPANY	COUNTRY OF INCORPORATION
Mantenimiento Marino de Mexico, S. de R.L. de C.V.	Mexico
MMM-SS Holdings, LLC	United States
Overseas Supply Services Limited	United Kingdom
Plinke GmbH	Germany
PT KBR Engineers Indonesia	Indonesia
PT KBR Indonesia	Indonesia
PT Roberts Schaefer Soros Indonesia	Indonesia
R and S Engineering (India) Private Limited	India
Semi Sub Services B.V.	Netherlands
Sigma Bravo Pty Ltd	Australia
Solutions Insurance Company	United States
Southern Gas Constructors Limited	Nigeria
Systra- KBR Joint Venture	Australia
Technical Staffing Resources Limited	United Kingdom
Technical Staffing Resources, LLC	United States
VIMA Bristol Limited	United Kingdom
VIMA Consultancy Limited	United Kingdom
VIMA Group Consultancy Limited	United Kingdom
VIMA Group Holdings Limited	United Kingdom
VIMA Group Services Limited	United Kingdom
Vinnell Brown & Root LLC	United States
Worthington-Simpson Limited	United Kingdom
Wyle Inc.	United States

* KBR, Inc. maintains over 100 subsidiaries. Set forth above are the names of certain controlled subsidiaries, at least 50% owned, directly or indirectly, of KBR, Inc. as of December 29, 2023. The names of certain subsidiaries have been omitted from this Exhibit 21.1 in accordance with applicable rules. The omitted subsidiaries, considered in the aggregate as a single subsidiary, did not constitute a “significant subsidiary” (as defined in Rule 1-02(w) of Regulation S-X) at December 29, 2023.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-138850, 333-142101, 333-155551, 333-190777, 333-228047, 333-258280) on Form S-8 of our reports dated February 20, 2024, with respect to the consolidated financial statements of KBR, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Houston, TX
February 20, 2024

EXHIBIT 31.1

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 annual report on Form 10-K 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: February 20, 2024

/s/ Stuart J. B. Bradie

Stuart J. B. Bradie

Chief Executive Officer

EXHIBIT 31.2

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 annual report on Form 10-K 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: February 20, 2024

/s/ Mark W. Sopp

Mark W. Sopp

Chief Financial Officer

EXHIBIT 32.1

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-K of the Company for the period ended December 29, 2023, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section l3(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: February 20, 2024

EXHIBIT 32.2

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-K of the Company for the period ended December 29, 2023, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section l3(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: February 20, 2024

KBR, INC.
EXECUTIVE COMPENSATION CLAWBACK PROCEDURE

1.0 PURPOSE

The purpose of this Procedure is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to members of the Company Group in accordance with the Clawback Rules. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A pursuant to which such Executive Officer will acknowledge that he or she is bound by the terms of this Procedure; provided, however, that this Procedure shall apply to, and be enforceable against, any Executive Officer and his or her successors (as specified in Section 4.9 of this Procedure) regardless of whether or not such Executive Officer properly signs and returns to the Company such Acknowledgement Form and regardless of whether or not such Executive Officer is aware of his or her status as such. This Procedure is designed to comply with the Clawback Rules.

2.0 SCOPE

This Procedure applies to Company's operations worldwide.

3.0 REVISION HISTORY

Rev- 0: 02-Oct-2023 New – Approved for use.

4.0 PROCEDURE

4.1 ADMINISTRATION

This Procedure shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

4.2 REPAYMENT OF ERRONEOUSLY AWARDED COMPENSATION

4.2.1 In the event the Company is required to prepare an Accounting Restatement, the Committee shall reasonably promptly (in accordance with the applicable Clawback Rules) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall reasonably promptly thereafter provide each Executive Officer with notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Board and/or the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the NYSE (or another U.S. national securities exchange or national securities association on which the Company's securities are listed)). The Committee is authorized to engage, on behalf of the Company, any third-party advisors it deems advisable in order to perform any calculations contemplated by this Procedure.

4.2.2 In the event that any repayment of Erroneously Awarded Compensation is owed to the Company, the Board and/or the Committee shall have broad discretion to determine the appropriate Method of Recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. For the avoidance of doubt, except to the extent permitted to be waived pursuant to the Clawback Rules, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder. For example, notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated in this Section 4.2.2 if the Committee determines in good faith that recovery would be Impracticable. In implementing the actions contemplated in this Section 4.2.2, the Board and/or the Committee will act in accordance with the listing standards and requirements of the NYSE (or the rules of another U.S. national securities exchange or national securities association on which the Company's securities are listed) and with the applicable Clawback Rules.

4.2.3 To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4.2.2 above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer, including by any Method of Recovery the Committee deems appropriate.

4.3 REPORTING AND DISCLOSURE

The Company shall file all disclosures with respect to this Procedure in accordance with the requirements of U.S. federal securities laws, including any disclosure required by applicable SEC rules.

4.4 INDEMNIFICATION PROHIBITION

No member of the Company Group shall be permitted to indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Procedure; or (ii) any claims relating to the Company Group's enforcement of its rights under this Procedure and/or pursuant to the Clawback Rules. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Procedure or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation, and this Procedure shall supersede any such agreement (whether entered into before, on or after the Effective Date). Any such purported indemnification (whether oral or in writing) shall be null and void.

4.5 INTERPRETATION

The Committee is authorized to interpret and construe this Procedure and to make all determinations necessary, appropriate, or advisable for the administration of this Procedure. It is intended that this Procedure be interpreted in a manner that is consistent with the requirements of the Clawback Rules. The terms of this Procedure shall also be construed and enforced in such a manner as to comply with applicable law, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other law or regulation that the Committee determines is applicable. In the event any provision of this Procedure is determined to be unenforceable or invalid under applicable law, such provision shall be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required by applicable law.

4.6 EFFECTIVE DATE

This Procedure shall be effective as of the Effective Date.

4.7 AMENDMENT; TERMINATION

The Committee may modify or amend this Procedure, in whole or in part, from time to time in its discretion and shall amend any or all of the provisions of this Procedure as it deems necessary, including as and when it determines that it is legally required by any federal securities law, SEC rule, NYSE rule or the rule of any other U.S. national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Procedure at any time. Notwithstanding anything in this Section 4.7 to the contrary, no amendment or termination of this Procedure shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate the Clawback Rules, or any federal securities law, SEC rule, NYSE rule or the rule of any other U.S. national securities exchange or national securities association on which the Company's securities are listed. Furthermore, unless otherwise determined by the Committee or as otherwise amended, this Procedure shall automatically be deemed amended in a manner necessary to comply with any change in the Clawback Rules.

4.8 OTHER RECOUPMENT RIGHTS; NO ADDITIONAL PAYMENTS

The Committee intends that this Procedure will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Procedure. Executive Officers shall be deemed to have accepted continuing employment on terms that include compliance with the Procedure, to the extent of its otherwise applicable provisions, and to be contractually bound by its enforcement provisions. Executive Officers who cease employment or service with the Company Group shall continue to be bound by the terms of the Procedure with respect to Incentive-based Compensation subject to this Procedure. Any right of recoupment under this Procedure is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar Procedure in any employment agreement, cash-based bonus plan, equity award agreement or similar agreement and any other legal remedies available to the Company Group. Nothing in this Procedure precludes the Company from implementing any additional clawback or recoupment policies with respect to Executive Officers. Application of this Procedure does not preclude the Company Group from taking any other action to enforce any Executive Officer's obligations to the Company or the Company Group, including termination of employment or institution of civil or criminal proceedings or any other remedies that may be available to the Company or Company Group with respect to any Executive Officer.

4.9 SUCCESSORS

This Procedure shall be binding and enforceable against all Executive Officers and their beneficiaries, estates, heirs, executors, administrators or other legal representatives to the extent required by the Clawback Rules or as otherwise determined by the Committee.

5.0 DEFINITIONS

For purposes of this Procedure, the following capitalized terms shall have the meanings set forth below.

Accounting Restatement shall mean an accounting restatement (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws (as used in the Clawback Rules), including any required accounting restatement to correct an error in previously issued financial restatements that is material to the previously issued financial statements (a “Big R” restatement); or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

Board shall mean the Board of Directors of the Company.

Clawback Eligible Incentive Compensation shall mean, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer: (i) on or after the Effective Date; (ii) after beginning service as an Executive Officer; (iii) while the Company has a class of securities listed on the NYSE (or any other U.S. national securities exchange or a national securities association); and (iv) during the applicable Clawback Period.

Clawback Period shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company’s fiscal year) of less than nine months within or immediately following those three completed fiscal years.

Clawback Rules shall mean Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC (including Rule 10D-1 under the Exchange Act), the NYSE or the rules of any other U.S. national securities exchange or national securities association on which the Company’s securities are listed.

Committee shall mean the Compensation Committee of the Board, or any other committee designated by the Board to administer the Procedure, and in the absence of such a committee, a majority of the independent directors serving on the Board.

Company shall mean KBR, Inc.

Company Group shall mean the Company, together with each of its direct and indirect subsidiaries.

Effective Date shall mean October 2, 2023.

Erroneously Awarded Compensation shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

Executive Officer shall mean any individual who is (or was at any time during the applicable Clawback Period) an “executive officer” pursuant to Section 16 of the Exchange Act and any other senior executive, employee or other personnel of the Company Group who may from time to time be deemed subject to the Procedure by the Committee. For the avoidance of doubt, the Committee shall have full discretion to determine which individuals in the Company Group shall be considered an “Executive Officer” for purposes of this Procedure.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Financial Reporting Measures shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Procedure be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

Incentive-based Compensation shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

Impracticable shall mean, in accordance with the good faith determination of the Committee that either (i) the direct expenses paid to a third party to assist in enforcing the Procedure against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to the NYSE (or another U.S. national securities exchange or national securities association on which the Company's securities are listed); (ii) recovery would violate the Company's home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the NYSE (or another U.S. national securities exchange or national securities association on which the Company's securities are listed), that recovery would result in such a violation and a copy of the opinion is provided to the NYSE (or another U.S. national securities exchange or national securities association on which the Company's securities are listed); or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

Method of Recovery shall include, but is not limited to: (i) requiring reimbursement of Erroneously Awarded Compensation; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards; (iii) offsetting the Erroneously Awarded Compensation from any compensation otherwise owed by the Company to the Executive Officer; (iv) cancelling outstanding vested or unvested equity awards; and (v) taking any other remedial and recovery action permitted by law, as determined by the Committee.

NYSE shall mean the New York Stock Exchange.

Procedure shall mean this Procedure for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time.

Received shall, with respect to any Incentive-based Compensation, mean deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period.

Restatement Date shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (ii) the date the court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

SEC shall mean the U.S. Securities and Exchange Commission.

6.0 ATTACHMENTS

I. ATT-GL-KBR-LL-1025A ACKNOWLEDGEMENT FORM

Exhibit A

KBR, INC.
PROCEDURE FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION
ACKNOWLEDGEMENT FORM

By signing below, the undersigned executive officer (the "**Executive Officer**") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the KBR, Inc. Procedure for the Recovery of Erroneously Awarded Compensation (the "**Procedure**"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "**Acknowledgement Form**") shall have the meanings ascribed to such terms in the Procedure.

By signing this Acknowledgement Form, the Executive Officer acknowledges and agrees that (i) the Executive Officer is and will continue to be subject to the Procedure and that the Procedure will apply both during and after the Executive Officer's employment with the Company Group and (ii) to the extent necessary to comply with the Procedure, the Procedure hereby amends any employment agreement, equity award agreement or similar agreement that the Executive Officer is a party to with the Company Group (collectively, the "**Award Agreements**") to include the scope of and processes regarding recovery of erroneously awarded compensation set forth in this Procedure, regardless of whether such Award Agreement expressly acknowledges this Procedure and whether such Award Agreement already includes any other clawback provisions. For the avoidance of doubt: (A) such Award Agreements shall include, but are not limited to, those Award Agreements listed in Annex A; (B) this Procedure shall supplement and not replace, supersede or void any existing clawback provisions in any Award Agreements; and (C) all Clawback Eligible Incentive Compensation is subject to this Procedure, including but not limited to Clawback Eligible Incentive Compensation that is elected to be deferred, applied to another plan or Procedure of the Company Group, transferred or otherwise allocated upon or after receipt by the Executive Offer.

Further, by signing below, the Executive Officer agrees to abide by the terms of the Procedure, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group to the extent required by, and in a manner permitted by, the Procedure. For the avoidance of doubt, by signing below, the Executive Officer acknowledges and agrees that any amounts payable to the Executive Officer, including any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure or based on the Company and/or any of its affiliates' performance shall be subject to the Procedure as may be in effect and modified from time to time in the sole discretion of the Company or as required by law or the requirements of an exchange on which the Company's shares are listed for trading, and that such modification will be deemed to amend this acknowledgment. In accordance with the Procedure, the Executive Officer also acknowledges that the Company may recover compensation paid to the Executive Officer through any Method of Recovery the Committee deems appropriate, and the Executive Officer agrees to comply with any request or demand for repayment by the Company in order to comply with the Procedure. The Executive Officer further acknowledges and agrees that the Company may, to the greatest extent permitted by law, reduce any amount that may become payable to the Executive Officer by any amount to be recovered by the Company pursuant to the Procedure if such amount has not been returned by the Executive Officer to the Company prior to the date that any subsequent amount becomes payable to the Executive Officer.

IN WITNESS WHEREOF, the undersigned hereto has executed this Acknowledgement Form as of the date below.

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Signature

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Print Name

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Date

Annex A

1. All Severance and Change-in-Control Agreements entered into between the Company and any officer of the Company, including any amendments and/or restatements thereof

2. All Award Agreements entered into pursuant to the KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated effective March 7, 2012, and as further amended and restated effective May 12, 2016

3. All Award Agreements entered into pursuant to the Amended and Restated KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated effective May 19, 2021, and as may be further amended and/or restated from time to time

4. All Award Agreements entered into pursuant to the KBR Elective Deferral Plan, as restated effective September 1, 2019, as amended by the First Amendment to KBR Elective Deferral Plan, effective October 17, 2022, and as may be further amended and/or restated from time to time

5. All Award Agreements entered into pursuant to the KBR Benefit Restoration Plan, as restated effective December 31, 2010, as amended by the First Amendment to KBR Benefit Restoration Plan, effective March 1, 2014, as further amended by the Second Amendment to KBR Benefit Restoration Plan, effective February 25, 2021, and as may be further amended and/or restated from time to time

6. All Award Agreements entered into pursuant to the KBR Senior Executive Performance Pay Plan, as restated effective January 1, 2020, as amended by the First Amendment to KBR Senior Executive Performance Pay Plan, effective January 1, 2023, as further amended by the Second Amendment to KBR Senior Executive Performance Pay Plan, effective January 1, 2023, and as may be further amended and/or restated from time to time

7. All Award Agreements entered into pursuant to the KBR Management Performance Pay Plan, as restated effective January 1, 2020, as amended by the First Amendment to KBR Management Performance Pay Plan, effective January 1, 2023, and as may be further amended and/or restated from time to time