

KBR, INC.

Form 10-Q

November 01, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the quarterly period ended September 30, 2007

OR

Transition Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-33146

KBR, Inc.

(a Delaware Corporation)

20-4536774

601 Jefferson Street

Suite 3400

Houston, Texas 77002

(Address of Principal Executive Offices)

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Telephone Number – Area Code (713) 753-3011

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 at least the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 26, 2007, 169,421,587 shares of KBR, Inc. common stock, \$0.001 par value per share, were outstanding.

KBR, Inc.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****KBR, Inc.****Condensed Consolidated Statements of Operations****(In millions, except for per share data)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue:				
Services	\$ 2,142	\$ 2,253	\$ 6,285	\$ 6,561
Equity in earnings (losses) of unconsolidated affiliates, net	35	(31)	71	(47)
Total revenue	2,177	2,222	6,356	6,514
Operating costs and expenses:				
Cost of services	2,043	2,124	6,053	6,385
General and administrative	32	32	91	73
Other operating income	-	-	-	(6)
Total operating costs and expenses	2,075	2,156	6,144	6,452
Operating income	102	66	212	62
Interest expense-related party	-	(7)	-	(35)
Interest income, net	17	7	44	12
Foreign currency losses, net	(11)	(4)	(16)	(14)
Other non-operating gains, net	-	-	1	-
Income from continuing operations before income taxes and minority interest	108	62	241	25
Provision for income taxes	(35)	(55)	(93)	(48)
Minority interest in net (earnings) losses of subsidiaries	(13)	(15)	(14)	32
Income (loss) from continuing operations	60	(8)	134	9
Income from discontinued operations, net of tax benefit (provision) of \$3, \$(5), \$(130) and \$(65)	3	15	97	116
Net income	\$ 63	\$ 7	\$ 231	\$ 125
Basic income (loss) per share (1):				
Continuing operations	\$ 0.36	\$ (0.06)	\$ 0.80	\$ 0.07
Discontinued operations, net	0.02	0.11	0.58	0.85
Net income per share	\$ 0.38	\$ 0.05	\$ 1.38	\$ 0.92
Diluted income (loss) per share (1):				
Continuing operations	\$ 0.35	\$ (0.06)	\$ 0.79	\$ 0.07
Discontinued operations, net	0.02	0.11	0.57	0.85
Net income per share	\$ 0.37	\$ 0.05	\$ 1.37	\$ 0.92
Basic weighted average common shares outstanding	168	136	168	136
Diluted weighted average common shares outstanding	170	136	169	136

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(1) Due to the effect of rounding, the sum of the individual per share amounts may not equal the total shown.

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and equivalents	\$ 1,795	\$ 1,410
Receivables:		
Notes and accounts receivable (less allowance for bad debts of \$28 and \$57)	988	761
Unbilled receivables on uncompleted contracts	812	1,110
Total receivables	1,800	1,871
Deferred income taxes	142	120
Due from Halliburton	16	-
Other current assets	262	240
Current assets of discontinued operations, net	5	257
Total current assets	4,020	3,898
Property, plant, and equipment, net of accumulated depreciation of \$227 and \$205	219	211
Goodwill	251	251
Equity in and advances to related companies	307	296
Noncurrent deferred income taxes	141	156
Unbilled receivables on uncompleted contracts	195	194
Other assets	44	51
Noncurrent assets of discontinued operations, net	-	357
Total assets	\$ 5,177	\$ 5,414
Liabilities, Minority Interest and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,099	\$ 1,177
Due to Halliburton, net	-	152
Advanced billings on uncompleted contracts	865	767
Reserve for estimated losses on uncompleted contracts	136	