Global Supply Issues

- Commodity Price Inflation
- Finite Supplier/Subcontractor Capacity
- Freight Costs
- Diminished Quality
- Coinciding Projects
- Differentially Growing Demand
- Supplier/Subcontractor Management
- Wage Rates & Staff Turnover
- Local Content Requirements
- Currency & Financial Risk

But wait!!
Non-Ferrous Metals and Scrap Steel Prices

**ALUMINUM**

- CENT$/LB

**FERRO CHROME**

- CENT$/LB

**TITANIUM**

- US $/LB

**COPPER**

- CENT$/LB

**ZINC**

- CENT$/LB

**SCRAP STEEL-#1 Heavy Melting**

- US $/LB

**MOLYBDENUM**

- US $/LB

**NICKEL**

- US $/LB
USD Buying Power vs. Country Currency
Since January 2006

Great Britain
pound

EURO

Canada
dollar

Japan
yen

Mexico
peso

S. Korea
won
Trend of Material Prices

- Steel Structure
- Columns
- AFC (CS)
- S/T H/E (Tube: CS)
- Seamless Pipe

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Baseline

2003 - 2008 - YTD

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Trend of Delivery Schedule

- Reactors
- Structural Steel
- Large Vessels
- Centrifugal Compressor
- Reciprocating Compressor
- Large Alloy Valves

Months (Jan-03, Jun-07, Jun-08)
Process Equipment Manufacturing Capacity Utilization

Caution!
The critical sub contract market

- Subcontractors working at maximum capacity.
- Significant resource competition (across industries).
- Subcontractors selective and inflexible (T&C’s).
- Margin enhancement not lower prices.
- Critical labour shortages – demographics.
- Knock on effect of schedule over-runs.
Summary

♦ Most difficult supply/subcontractor market in 30 years!
♦ Possible relief expected short to medium term
♦ Monitor exchange rates
♦ Commodity pricing
♦ Changes in progress payment terms
♦ Invest in “Post Award Activity” - EIT (Expediting, Inspection, Traffic)
♦ Supplier Relationship, Sub Supplier and Subcontracts Management essential
Thank you very much…

Questions?

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2008 Rice Global Forum