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Q2 Financial Results

July 31, 2014

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Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements regarding our plans, objectives, goals, strategies, future events, future financial performance and backlog information and other information that is not historical information. When used in this presentation, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts" or future or conditional verbs such as "will," "should," "could," or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, and projections will be achieved.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from the forward-looking statements contained in this presentation. These risks and uncertainties include, but are not limited to: current or future economic conditions; our ability to obtain and perform under contracts from existing and new customers, including the U.S. Government; exposure to cost overruns, operating cost inflation and potential liability claims and contract disputes; access to trained engineers and other skilled workers; risks relating to operating through joint ventures and partnerships; risks inherent in doing business internationally; potential tax liabilities; maritime risks; changes in the demand for our services and increased competition; protection of intellectual property rights; risks associated with possible future acquisitions; risks related to our information technology systems; impairment of goodwill and/or intangible assets; reduction or reversal of previously recorded revenues; risks relating to audits and investigations, including by governments; compliance with laws and regulations, and changes thereto, including those relating to the environment, trade, exports and bribery; our creditworthiness and ability to comply with the financial covenants in our credit agreement; and other risk factors discussed in our most recently filed Form 10-K/A, any subsequent Form 10-Qs and 8-Ks, and other Securities and Exchange Commission filings.

All forward-looking statements attributable to us, or persons acting on our behalf, apply only as of the date made and are expressly qualified in their entirety by the cautionary statements in this presentation. Except as required by law, we undertake no obligation to revise or update forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

This presentation contains the financial measure "EBITDA," which is not calculated in accordance with generally accepted accounting principles in the U.S. ("GAAP"). A reconciliation of the non-GAAP financial measure EBITDA to the most directly comparable GAAP financial measure has been provided in the Appendix to this presentation.

Q2 2014 Overview

- EPS loss of $0.06 improved sequentially, but clearly remains below expectations
- Operational performance of Gas Monetization and Hydrocarbons remains strong; IGP continues to lag, albeit backlog increase is encouraging. Services negatively impacted by losses in our Canadian pipe fabrication / module assembly business ($41 million)
- Operating cash flow positive and cash balance remains strong ($1.0B at June 30, 2014)
- Repurchased $40M of shares; paid quarterly dividends of $12M (1.4% annualized yield)
- CEO onboarding activities continue as part of Strategic Review
- Company's market position remains strong with a good pipeline of Pre-FEED, FEED and EPC opportunities. North America ammonia and Global LNG markets remain very active

Canadian Pipe Fabrication and Module Assembly

- Seven pipe fabrication/module assembly contracts, unique to our Canada business, that were signed in 2012 – 2013. Four projects largely completed
- Represented significant sales growth but modules were larger and more complex than historic projects. Costs increased / productivity decreased
- Losses of $41M in Q2 due to additional work to be performed without offsetting revenues (i.e., incremental welding work but invoicing tied to module weight)
- No new orders under the one master service agreement

Consolidated Results – Q2 2014 vs Q2 2013

Commentary

- Solid bookings in Hydrocarbons and IGP. Additional North American Hydrocarbons bookings expected later this year
- Gas Monetization continues to perform well. Backlog declining until expected 2015 EPC LNG bookings
- Hydrocarbons performance significantly improved vs Q1 and reflects the shift in business mix to higher revenue with lower margin EPC projects and increased proposal costs
- Services adversely impacted by reduced work volumes and the $41M loss in Canada
- IGP impacted from reduced work volumes in U.S. Gov't, infrastructure and minerals markets. Results include a $14M impact in Q2 for expected costs / lower margins on a power project, offset by a $15M gain (in equity earnings) on reduced costs / insurance recovery

	Quarter Ending	
($ in millions, except EPS)	**Jun 30, 2014**	**Jun 30, 2013**
Bookings	**$ 1,186**	$ 1,586
Backlog of Unfilled Orders	**$ 12,491**	$ 13,804
Revenue	**$ 1,659**	$ 1,950
Gross Profit	**$ 28**	$ 140
Equity in Earnings	**$ 49**	$ 46
Corporate Overhead	**$ 60**	$ 63
Net Income Attributable to KBR	**($ 8)**	$ 90
EPS (diluted)	**($ 0.06)**	**$ 0.61**
EBITDA*	**$ 22**	$ 122

*Consolidated EBITDA Reconciliation provided in the Appendix

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Segment Reporting – Q2 2014 vs Q2 2013

Revenue

- Consolidated decrease primarily due to reduced revenues on Gas-to-Liquids and LNG projects largely completed in 2013
- Hydrocarbons reflects ramp in EPC ammonia, urea and ethylene project wins in the U.S.

Gross Profit and Equity in Earnings

- Gas Monetization lower due to additional fees in 2013 that did not reoccur in 2014 and higher bid and proposal costs associated with EPC bids for 2015 awards
- Hydrocarbons performance significantly improved vs Q1 and reflects the shift in business mix to higher revenue with lower margin EPC projects and increased proposal costs, primarily for new ammonia projects
- IGP reflects reduced work volumes on U.S. Gov't (additional disclosure in appendix), infrastructure and minerals markets
- Services adversely impacted by reduced work volumes and the $41M loss on the Canadian projects
- Other EBITDA reflects $18M improved cost/labor utilization, $8M gain on sale of property and FX $10M

	Quarter Ending	
($ in millions)	**Jun 30, 2014**	Jun 30, 2013
Revenue		
Gas Monetization	362	593
Hydrocarbons	533	344
IGP	315	375
Services	439	620
Other	10	18
Consolidated Revenue	**1,659**	**1,950**
Gross Profit (Loss) and Equity in Earnings		
Gas Monetization	66	97
Hydrocarbons	34	44
IGP	4	26
Services	(40)	23
Other (incl. Labor Cost Absorption "LCA")	13	(4)
Consolidated Profit & EE	**77**	**186**
EBITDA		
Gas Monetization	59	90
Hydrocarbons	34	47
IGP	3	36
Services	(38)	26
Other (inc. LCA & Corp OH)	(36)	(77)
Consolidated EBITDA*	**22**	**122**

*Consolidated EBITDA Reconciliation provided in the Appendix

Segment Reporting – Q2 2014 vs Q1 2014

Revenue

- Consolidated increase primarily due to continued ramp up of Hydrocarbons EPC ammonia, urea and ethylene projects in the U.S.

Gross Profit and Equity in Earnings

- Gas Monetization performing to expectations. Decline due to one-offs in Q1: preliminary close out on an LNG project of $33M and fees recorded on add'l approved man hours on a second LNG project
- Hydrocarbons improved performance and strong bookings
- IGP back to profitability with increased backlog
- Services – Canadian fabrication and module assembly projects negatively impacting results; MMM vessels back on 3 year assignments

	Quarter Ending	
($ in millions)	**Jun 30, 2014**	Mar 31, 2014
Revenue		
Gas Monetization	362	400
Hydrocarbons	533	452
IGP	315	337
Services	439	433
Other	10	11
Consolidated Revenue	**1,659**	**1,633**
Gross Profit (Loss) and Equity in Earnings		
Gas Monetization	66	111
Hydrocarbons	34	22
IGP	4	(11)
Services	(40)	(60)
Other (incl. Labor Cost Absorption "LCA")	13	8
Consolidated Profit & EE	**77**	**70**
EBITDA		
Gas Monetization	59	87
Hydrocarbons	34	22
IGP	3	(14)
Services	(38)	(59)
Other (inc. LCA & Corp OH)	(36)	(38)
Consolidated EBITDA*	**22**	**(2)**

*Consolidated EBITDA Reconciliation provided in the Appendix

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Cash / Capital Allocation

KBR Cash Balance

$ in millions	Q2 '14	Q2 '13
Domestic	$272	$201
International	$622	$458
JV	$75	$141
Total	**$969**	**$800**

Return of Cash to Shareholders

$ in millions	Q2 '14	YTD Jun-14	Since Jan-07
Share Repurchases	**$40**	$96	$721
Dividends	**$12**	$24	$216
Total Returned to SHs	**$52**	**$120**	**$937**

- **Increasing focus on cash management. Operating cash flows $37M positive for Q2**
- **Capital allocation remains a priority. Strategic plan will address**
  - Share count as of July 15: 145.2M (purchased 3.5 million shares YTD)
  - Q2 capital expenditures totaled $18M (including ERP of $9M)

Market Outlook: Gas Monetization

- Work continues on two mega LNG projects
- Initial work commenced on Shell Global LNG Agreement
- Continued strong pipeline of pre-front end engineering design, FEED, and EPC opportunities
  - Recently awarded & working on Gulf LNG FERC FEED in U.S.
  - Recently awarded & working an LNG liquefaction pre-FEED for Eastern Canada
  - Recent participation in an LNG site study in Western Canada
  - Recently awarded & working on an LNG Import Terminal pre-FEED in Northern Europe
  - Pursuing LNG pre-FEEDs in Africa and Eastern Europe
- Major FEEDs
  - Continue to progress the Petronas Pacific Northwest LNG FEED
  - Expected award of Indonesia LNG project
- Expect to bid 3 multi-billion USD EPC contracts
  - Pacific Northwest LNG in Canada (operated by Petronas) – estimated submission Fall 2014 with award early 2015
  - Lake Charles LNG in U.S. – estimated submission Fall 2014 with Award mid-2015
  - LNG in Indonesia – estimated submission summer 2015 with award late 2015 or early 2016

Market Outlook: Hydrocarbons

- Solid Q2 bookings led by:
  - Maersk Culzean Offshore FEED
  - Additional scope of services on existing downstream projects in Saudi Arabia
- Good start for Q3 bookings with recent award for Al-Nasr
- Executing three EPC ammonia / urea EPC projects in N. America with KBR Technology and currently bidding two additional projects with expected award dates in 2H 2014
- Chemicals – expect major EPC award in 2H 2014 and working on front end studies and proposals for new and revamp ethylene / derivatives projects
- Working several N. America refinery FEEDs with EPC rollover opportunities
- Continued strong Technology markets led by global ammonia projects
- FLNG activity growing; engaged in several early stage developments and targeting EPC phase
- Engaged in multiple ultra-deepwater Gulf of Mexico pre-FEEDs using KBR Semi-Submersible Technology with opportunity to continue into FEEDs
- Additional offshore project pursuits / opportunities for U.K. / Norway sectors of North Sea

Market Outlook: IGP

- Strong operational performance continues for U.K. MoD Work - construction and long-term facilities maintenance; recently awarded Australian Defence Force Landing Helicopter Dock ships contract
- Continue to work on three EPC Power projects in N. America – a waste-to-energy project, an air emissions project and the recently booked Marshalltown, Iowa, 650MW gas fired combined cycle power plant (approx. $500M)
- Multiple International Government service opportunities: U.K. Army return from Europe; training, expeditionary support services and equipment facilitation in support of U.K. MoD and Foreign Affairs; U.K. Police and other local gov't support services; Australian Defence Force support services opportunities
- A number of U.S. overseas base operation support opportunities in process

Market Outlook: Services

- Continued opportunities in North American Industrial Services and U.S. Construction as economy improves
- Mexican offshore Industrial Services business – longer term contracts (i.e., 3 years) in place
- Well positioned for Industrial Services market in Saudi Arabia
- Canadian market remains attractive long-term but current focus is stabilizing module assembly projects

Summary

- 2014 remains a transition year and we have kicked off the Strategic Review
- Gas Monetization and Hydrocarbons continued strong performance, IGP improving and Services impacted by Canada
- Pursuing a number of large opportunities through pre-FEEDs, FEEDs and EPC bids. Strong ongoing project portfolio and pipeline in North America
- Continued and ongoing focus on cash management and capital allocation efficiency

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Appendix

Consolidated EBITDA Reconciliation Q2 2014

($ in millions)	Quarter Ending **Jun 30, 2014**	Quarter Ending Jun 30, 2013
Net Income (Loss) Attributable to KBR	**($8)**	$ 90
Add Back:		
Interest Income (Expense)	**($2)**	($1)
Provision for Tax	**($10)**	($15)
Depreciation & Amortization	**($18)**	($16)
Consolidated EBITDA	**$ 22**	$ 122

Note: EBITDA is defined as earnings before interest, income tax, depreciation and amortization

IGP Results excluding: LOGCAP III and RIO completed contracts

($ in millions)	Quarter Ending Jun 30, 2014	Jun 30, 2013
LOGCAP III / RIO Contracts Revenue	**$ 0**	$ 21
Other Revenue	**$ 315**	$ 354
IGP Revenue	**$ 315**	$ 375
LOGCAP III / RIO Gross Profit and Equity in Earnings	**($6)**	($0)
Other IGP Gross Profit and Equity in Earnings	**$ 10**	$ 26
IGP Gross Profit and Equity in Earnings	**$ 4**	$ 26
LOGCAP III / RIO EBITDA	**($6)**	($0)
Other IGP EBITDA	**$ 9**	$ 36
IGP EBITDA	**$ 3**	$ 36

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KBR's Four Business Groups

Gas Monetization

- Liquefied Natural Gas
- Gas-to-Liquids

SEGAS LNG

Services

- Module Construction and Fabrication
- Pipe Fabrication
- Construction
- Turn-Around Services
- Startup Services
- Industrial Services

Hydrocarbons

- Upstream
- Refining
- Syngas & Fertilizers
- Chemicals
- Petrochemicals
- Proprietary Technology
- Biofuels
- Carbon Capture & Storage
- Coal Gasification

Navajo Refinery ROSE Unit

Infrastructure, Government & Power

- Power
- Renewable Energy
- U.S. Government
- International Government
- Transportation, Aviation
- Industrial
- Water, Wastewater
- Minerals

Aspire Defense Allenby-Connaught

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