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Q3 Financial Results

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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.

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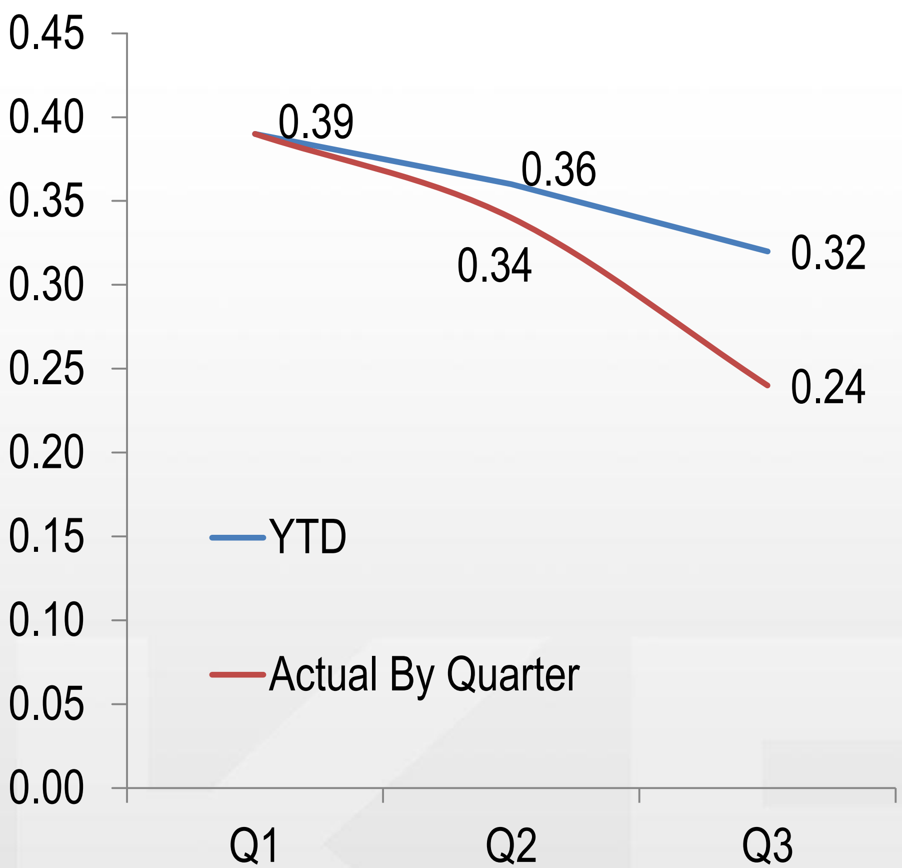
This presentation contains the financial measure “EBITDA,” which is not calculated in accordance with generally accepted accounting principles in the U.S. (“GAAP”). A reconciliation of the non-GAAP financial measure EBITDA to the most directly comparable GAAP financial measure has been provided in the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

KBR Safety: Creating a Zero Harm Culture at KBR

2014 – KBR TRIR*



** Total Recordable Incident Rate*

Driving to Zero Harm

- Clear and consistent Health, Safety, Security and Environment (HSSE) messaging from Senior Management in town halls and videos
- Structured HSSE Campaign Strategy developed for 2015
- HSSE Global Branding Strategy developed, driving single point of focus
- Improvement in Total Recordable Incident Rate (TRIR):
  - 18% improvement year-to-date (YTD) since Q1
  - 38% improvement - Q3 versus Q1

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Q3 2014 Overview

- Sequentially improved Fully Diluted EPS of $0.21
- Operational performance of Gas Monetization remains strong; Hydrocarbons bookings and other execution strong, but had a welding issue on one contract (now resolved); Services performance stabilized and net position on Canadian pipe fabrication / module assembly projects largely unchanged. IGP continues to lag, driven by ongoing power projects and reduced volume of U.S. Gov't work
- Strong operating cash flow of $158M; significant cash inflow from Int'l Gov't project; Cash balance remains strong - $1B at quarter-end
- Continued focus on resolving commercial disputes (Corp. Tax Sharing Dispute - $24M gain; IGP LogCAP III and other disputes - net gain of $8M)
- Strategic review on schedule. Analyst day at the NYSE on December 11, 2014

Consolidated Results – Q3 2014 vs Q3 2013

Commentary

- Hydrocarbons bookings at ~$1B; ~$900M on reimbursable contracts
- Gas Monetization continues to perform well on two mega LNG projects
- Hydrocarbons performance was good but results adversely impacted by a welding issue on one project (now resolved) that increased costs ($18M)
- Services segment performance stabilized and all business units profitable in Q3
- IGP adversely impacted by increased forecast costs on an EPC Power project. Focus continues on resolving commercial disputes - Q3 net gain of $8M. Legal fees on other ongoing matters of $4M were a headwind during the quarter
- Settled tax sharing dispute with former parent - $24M gain

	Quarter Ending	
($ in millions, except EPS)	**Sep 30, 2014**	**Sep 30, 2013**
Bookings	**$ 1,348**	**$ 2,175**
Backlog of Unfilled Orders	**$ 12,144**	**$ 14,168**
Revenue	**$ 1,657**	**$ 1,755**
Gross Profit	**$ 30**	**$ 114**
Equity in Earnings	**$ 38**	**$ 31**
Corporate Overhead	**$ 58**	**$ 66**
Net Income Attributable to KBR	**$ 30**	**($47)**
EPS (diluted)	**$ 0.21**	**($0.32)**
EBITDA*	**$ 45**	**$ 32**

**Consolidated EBITDA reconciliation provided in the Appendix*

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Segment Reporting – Q3 2014 vs Q3 2013

Revenue

- Consolidated reflects Gas Mon projects largely completed in 2013 and lower volume on an LNG project that reached peak man-hours in 2013
- Hydrocarbons reflects higher volumes on Downstream EPC projects in the U.S. and services projects globally

Gross Profit and Equity in Earnings

- Gas Monetization lower due to $71M in renegotiated fees and cost recoveries on an LNG project in 2013 that did not reoccur in 2014, reduced volume of earnings as that project moves towards completion and higher bid and proposal costs
- Hydrocarbons performance impacted by $18M forecast cost increase on an EPC project
- IGP reflects $33M charge for higher forecast costs to complete a power project and an $8M net gain related to continued actions to resolve commercial disputes. Legal fees of $4M on ongoing disputes were a headwind in Q3
- Services stabilized with all businesses profitable
- Other Gross Profit reflects $13M YOY improvement in utilization of labor costs and reduced overheads
- Other EBITDA reflects Corp. gain on settlement of tax sharing dispute w/ former parent of $24M, improved LCA and reduced overheads

	Quarter Ending	
($ in millions)	**Sep 30, 2014**	**Sep 30, 2013**
Revenue		
Gas Monetization	343	537
Hydrocarbons	559	364
IGP	342	373
Services	405	465
Other	8	16
Consolidated Revenue	**1,657**	**1,755**
Gross Profit (Loss) and Equity in Earnings		
Gas Monetization	64	155
Hydrocarbons	18	40
IGP	(33)	26
Services	6	(72)
Other (incl. Labor Cost Absorption "LCA")	13	(4)
Consolidated Profit & EE	**68**	**145**
EBITDA		
Gas Monetization	52	94
Hydrocarbons	16	42
IGP	(27)	30
Services	7	(70)
Other (inc. LCA & Corp OH)	(3)	(64)
Consolidated EBITDA*	**45**	**32**

**Consolidated EBITDA reconciliation provided in the Appendix.*

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Segment Reporting – Q3 2014 vs Q2 2014

Revenue

- Consolidated revenue reflects higher Oil & Gas and Downstream services projects' volume and LogCAP III settlements, offset by lower aggregate volume in other segments

Gross Profit and Equity in Earnings

- Gas Monetization performing well on existing projects
- Hydrocarbons performance impacted by higher estimated costs to complete an EPC project
- IGP impacted by higher costs to complete a power project in Q3 and a $15M benefit in 2Q14 for the resolution of an insurance claim that did not reoccur, partially offset by a net $8M gain related to the Company's focus on resolving commercial disputes. Legal fees were also a headwind in Q3
- Services – all businesses profitable and improved utilization of MMM JV vessels in Mexico

($ in millions)	Quarter Ending **Sep 30, 2014**	 **Jun 30, 2014**
Revenue		
Gas Monetization	343	362
Hydrocarbons	559	533
IGP	342	315
Services	405	439
Other	8	10
Consolidated Revenue	**1,657**	**1,659**
Gross Profit (Loss) and Equity in Earnings		
Gas Monetization	64	66
Hydrocarbons	18	34
IGP	(33)	4
Services	6	(40)
Other (incl. Labor Cost Absorption "LCA")	13	13
Consolidated Profit & EE	**68**	**77**
EBITDA		
Gas Monetization	52	50
Hydrocarbons	16	35
IGP	(27)	5
Services	7	(37)
Other (inc. LCA & Corp OH)	(3)	(31)
Consolidated EBITDA*	**45**	**22**

**Consolidated EBITDA reconciliation provided in the Appendix. June 30, 2014 EBITDA has been re-stated to more accurately reflect consolidated FX*

Cash / Capital Allocation

KBR Cash Balance

$ in millions	Q3 '14	Q3 '13
Domestic	$258	$221
International	$710	$636
JV	$80	$102
Total	**$1,048**	**$959**

Return of Cash to Shareholders

$ in millions	Q3 '14	YTD Sep-14	Since Jan-07
Share Repurchases	**$6**	$102	$727
Dividends	**$11**	$35	$227
Total Returned to SHs	**$17**	**$137**	**$954**

- **Strong operating cash flow of $158M for Q3**
- **Capital allocation remains a priority**
  - Share count as of October 16, 2014: 145M (purchased 3.73M shares YTD)
  - Q3 capital expenditures totaled $12M (including ERP of $7M). Reviewing timing of completion of ERP roll out in the U.S. and Europe

Market Outlook: Gas Monetization

- Work continues on two mega LNG projects – Gorgon and Ichthys
- Continue to work on Shell Global LNG Agreement
- Strong pipeline of pre-front end engineering design (pre-FEED), FEED, and EPC opportunities
- Major FEEDs in process or completed
  - FEED completed and EPC bid submitted on Petronas operated Pacific Northwest LNG project in Canada
  - KBR/JGC/Rekeiysa JV awarded FEED and EPC bid opportunity for Tangguh Train 3. Kickoff mid-November
- Bidding on 3 multi-billion USD EPC contracts
  - Pacific Northwest bid in Q3. Continue to work with customer. Award expected 2015
  - Lake Charles LNG in U.S. – Award expected 2015
  - Tangguh LNG in Indonesia – Award expected 2016
- Market fundamentals remain sound, but continued uncertainty on FID timing

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Market Outlook: Hydrocarbons

- Strong Q3 bookings of ~$1 billion led by ~$900M in reimbursable projects in Downstream and Oil & Gas
  - Koch Nitrogen EPC award for new grassroots urea plant
  - INEOS and Sasol HDPE EPC award
  - ENI Mozambique FLNG award; EPCIC submission expected summer 2015
  - Continued work on BP Mad Dog Phase II project in the Gulf of Mexico
  - Statoil 3 year Master Services Agreement (MSA) award for global engineering and procurement services
- Now executing four EPC ammonia / urea projects in N. America with KBR Technology and currently bidding two additional projects with expected award dates late 2014 and early 2015
- Chemicals – continue to see significant opportunities for new and revamp ethylene / derivatives projects
- Continued work on several N. America downstream and chemicals FEEDs with EPC rollover opportunities
- Downstream opportunities in the Middle East remain strong
- Robust Technology markets led by global ammonia projects as well as other chemicals
- Additional offshore project pursuits / opportunities for U.K. / Norway sectors of North Sea
- Upstream project economic challenges increased with lower oil prices. Downstream and chemicals markets remain active

Market Outlook: IGP

- Strong operational performance continues for U.K. MoD Work - long term facilities maintenance. Confirmed preferred bidder for U.K. MoD Fixed Wing Training contract
- Multiple International Government service opportunities: U.K. Army return from Europe; 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
- Strategic review will consider the future for fixed priced EPC Power prospects

Market Outlook: Services

- Continued opportunities in North American Industrial Services and U.S. Construction, with the latter particularly as a differentiator in our EPC offerings
- Mexican offshore Industrial Services business – longer term contracts (i.e., 3 years) in place
- Well positioned for Industrial Services market in Saudi Arabia and Poland
- Canadian market remains attractive long-term for Industrial Services. Current focus continues to be maintaining stability on three remaining module assembly projects
- Current oil price a concern for near-term Canadian prospects

Strategic Review - Update

- Process continues and on track with completion targeted as promised in Q4
- Will discuss results at an analyst day at the NYSE on December 11th. Meeting will also be webcast
- Decisions taken could impact annual Goodwill and other intangible impairment analyses and may result in restructuring charges
- Plan to reintroduce guidance with Y/E financial results in February 2015

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Summary

- 2014 is a transition year; the strategic review will be completed in Q4
- Gas Monetization and Hydrocarbons continued their strong operational performance, Services stabilized, and IGP impacted by charges on a Power project
- Strong Hydrocarbons bookings on reimbursable Downstream and Oil & Gas projects
- A number of legacy commercial issues resolved during the quarter
- Pursuing a number of large opportunities through pre-FEEDs, FEEDs and EPC bids. Backlog of projects, a robust pipeline of prospects and a greater focus on efficiency makes us cautiously optimistic for 2015
- Plan to continue focusing on resolving commercial disputes and capital allocation efficiency

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Appendix

Consolidated EBITDA Reconciliation Q3 2014

($ in millions)	**Sep 30, 2014**	Sep 30, 2013
	Quarter Ending	
Net Income Attributable to KBR	**$ 30**	($47)
Add Back:		
Interest Income (Expense)	**$ 3**	($1)
Provision for Tax	**$ 1**	($60)
Depreciation & Amortization	**($19)**	($18)
Consolidated EBITDA	**$ 45**	$ 32

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

IGP Results excluding: LOGCAP III, IV and RIO contracts

($ in millions)	Quarter Ending **Sep 30, 2014**	 Sep 30, 2013
LOGCAP III Revenue	**$ 38**	$ 16
LOGCAP IV Revenue	**$ 5**	$ 71
RIO Revenue	**$ 0**	$ 1
Other Revenue	**$ 300**	$ 286
IGP Revenue	**$ 342**	$ 373
LOGCAP III Gross Profit and Equity in Earnings	**$ 26**	$ 5
LOGCAP IV Gross Profit and Equity in Earnings	**($1)**	$ 7
RIO Gross Profit and Equity in Earnings	**($0)**	($0)
Other IGP Gross Profit and Equity in Earnings	**($57)**	$ 14
IGP Gross Profit and Equity in Earnings	**($33)**	$ 26
LOGCAP III EBITDA	**$ 26**	$ 5
LOGCAP IV EBITDA	**($1)**	$ 7
RIO EBITDA	**($0)**	($0)
Other IGP EBITDA	**($51)**	$ 18
IGP EBITDA	**($27)**	$ 30

KBR's Four Business Groups

Gas Monetization

- Liquefied Natural Gas
- Gas-to-Liquids

SEGAS LNG

Hydrocarbons

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

Navajo Refinery ROSE Unit

Services

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

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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