

KBR

Q3 2015 FINANCIAL RESULTS

November 2, 2015



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- Brian Ferraioli – EVP and Chief Financial Officer*
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We Deliver

Forward-Looking Statements

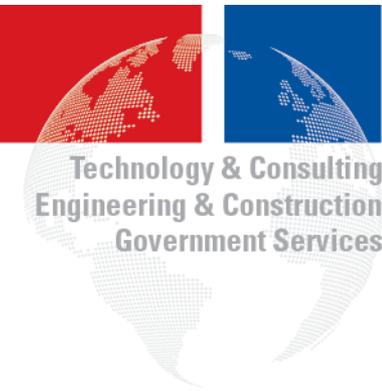


This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements regarding our plans, objectives, goals, strategies, future events, future 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, 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.

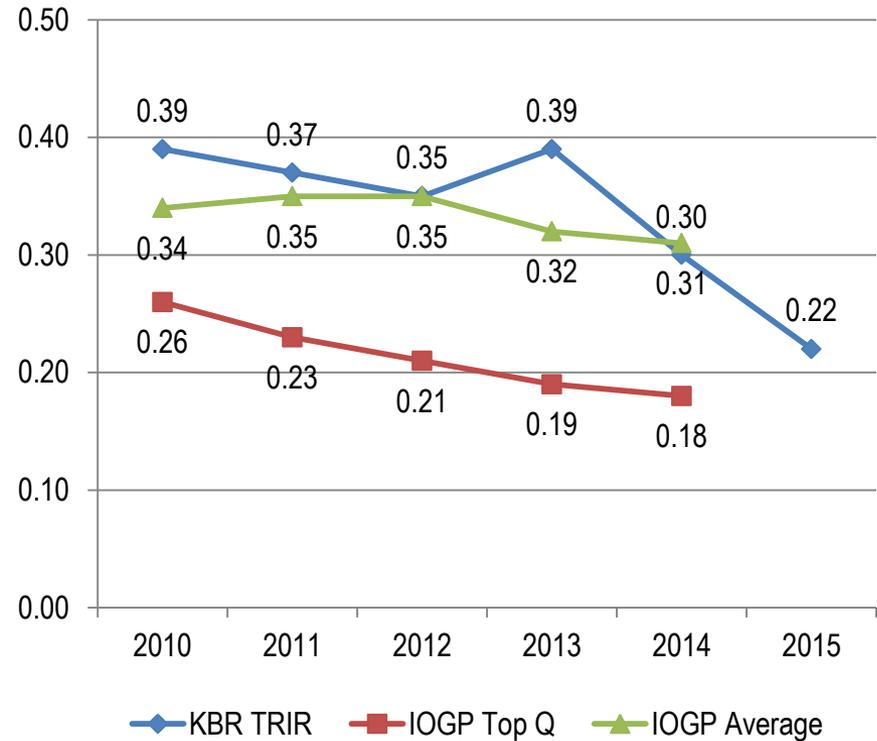


**Zero Harm is a
Personal Relationship
to Safety**

KBR



5-Year TRIR Performance



Summary



Technology & Consulting
Engineering & Construction
Government Services

Significantly improved earnings versus 2014 driven by strong operating performance.

- Won detailed engineering contract for strategically important Maersk Culzean offshore gas project in October 2015 (Q4 booking).
- Two mega LNG projects continue to perform well. Expected to remain significant earnings contributors through 2016.
- Drove positive earnings from non-strategic power projects via strong E&C management.
- Realized asset impairment & restructuring costs of \$15M and a \$6M gain on the disposition of certain assets as we adjust our business portfolio.
- Maintained strong balance sheet & cash balance, providing confidence to our clients and optionality as markets continue to evolve.
- Closed new \$1 billion bank credit facility.
- Closed two strategic partnerships for Industrial Services and pipe fabrication to accelerate earnings growth:
 - Brown & Root Industrial Services – expands customer base and geographic reach for maintenance / small construction.
 - Pipe fabrication & module assembly alliance provides access to premiere Gulf Coast facilities.
- Well placed on strong gas monetization and U.K. Government prospects with decisions expected in near-term.

Strategy on track to achieve targeted margins and cost savings by year-end 2016.

- Segment margins largely at or near target levels; we continue to plan prudently with regard to the competitive environment medium-term.
- More than \$150M savings identified and actioned to-date; net benefit to be realized progressively throughout 2015 and beyond.

Consolidated Results: Q3 2015 vs Q3 2014

Technology & Consulting
Engineering & Construction
Government Services

Quarter Ending

Commentary

- Backlog impacted by 50% sale of Americas Industrial Services (\$340M) and FX on strong dollar (\$391M).
- Revenues reflect winding down of Canadian pipe fabrication and N.A. construction projects, reduced activity on an LNG project, and sale of the Building Group in Q2 (~\$60M quarterly run-rate).
- Gross profit and equity in earnings reflects improved business performance and reduced operational costs.
- G&A reflects cost reduction initiatives.
- Restructuring charges and impairment of long-lived assets related to strategy implementation and cost reduction initiatives partially offset by gain on disposition of certain assets.
- Net Income reflects improved operational performance and cost reduction initiatives.

(\$ in millions, except EPS)

Sep 30, 2015

Sep 30, 2014

New awards	\$272	\$ 1,099
Backlog of Unfilled Orders	\$ 13,300	\$ 12,144
Revenues	\$ 1,199	\$ 1,657
Gross profit	\$ 87	\$ 30
Equity in earnings	\$ 35	\$ 38
General & administrative expenses	(\$38)	(\$58)
Asset impairment and restructuring charges	(\$15)	\$ 0
Gain on disposition of assets	\$ 6	\$ 0
Benefit (provision) for income taxes	(\$19)	\$ 1
Net income attributable to KBR	\$ 55	\$ 30
EPS (diluted)	\$ 0.38	\$ 0.21
EBITDA*	\$ 86	\$ 45

*Consolidated EBITDA reconciliation provided in the Appendix.

Segment Reporting: Q3 2015 vs Q3 2014

Technology & Consulting
Engineering & Construction
Government Services

Quarter Ending

Revenue

- T&C reflects less proprietary equipment and reduced upstream oil related project consulting activity; E&C reflects winding down of Canadian pipe fabrication and N.A. construction projects and reduced activity on an LNG project. Non-Strategic down on sale of Building Group in Q2 (~\$60M quarterly run-rate) and wind down of power projects.

Gross Profit and Equity in Earnings

- E&C reflects solid underlying business performance / lower overheads.
- GS reflects solid operational performance, increased activity on the company's LogCAP IV and other U.S. Military operating base contracts and reduced overheads. 3Q14 included an award fee on LogCAP III of \$21M that did not recur.
- Non-Strategic Business reflects stronger than anticipated operational performance on the company's power projects versus significant charges in 3Q14, favorable settlements with a major subcontractor and lower overheads.
- EBITDA largely reflects improvements noted above; Other EBITDA primarily reflects gain on settlement with former parent of \$24M in the prior year that did not recur in 2015, partially offset by lower G&A.

(\$ in millions)	Sep 30, 2015	Sep 30, 2014
Revenues		
Technology & Consulting	79	94
Engineering & Construction	828	1,196
Government Services	176	178
Non-Strategic Business	116	189
Consolidated Revenues	1,199	1,657

Gross profit (Loss) and equity in earnings

Technology & Consulting	17	18
Engineering & Construction	74	72
Government Services	17	36
Non-Strategic Business	14	(58)
Consolidated Gross profit & equity in earnings	122	68

EBITDA

Technology & Consulting	16	20
Engineering & Construction	61	50
Government Services	16	36
Non-Strategic Business	11	(56)
Other	(18)	(5)
Consolidated EBITDA*	86	45

*Consolidated EBITDA reconciliation provided in the Appendix.

Cash / Capital Allocation



KBR Cash Balance

(\$ in millions)	Q3 2015	Q2 2015
Domestic	\$304	\$289
International	\$395	\$381
JV	\$69	\$61
Total	\$768	\$731

Return of Cash to Shareholders

(\$ in millions)	Q3 2015	YTD 2015	Since Jan Jan-07
Share Repurchases	\$5	\$22	\$753
Dividends	\$12	\$35	\$274
Total	\$17	\$57	\$1,027

Key Impacts to Cash in Q3 2015 (\$M)

Cash from close of BCP transactions (net)	33
Previously announced loss projects cash exp.	(18)
Settlement payment to former parent *	(12)
Dividends	(12)
U.K. Pension	(11)
FX impact on cash	(16)
Subtotal	(36)

* Final net cash payment

- Maintained strong balance sheet and cash position, providing confidence to our clients and optionality as our markets continue to evolve.

Market Outlook: Technology & Consulting



- Technology market opportunities led by ammonia, refining and olefins, particularly revamps – Middle East, North Africa, Eastern Europe & Asia.
- Opportunities in Eastern Europe for VCC (Veba Combi-Cracker) technology and converting heavy Hydrocarbons into lighter fuels, esp. diesel.
- Increased consulting opportunities in upstream oil and gas, and downstream (LNG, refining, petrochemicals, fertilizers) albeit market remains tight.
- Continue to look for additional opportunities to expand T&C technology portfolio into new products and services.



Q3 strategic developments:

- Growing industrial services / maintenance business with N.A. Brown & Root joint venture.
- Strategic alliance for pipe fabrication & module assembly – key for EPC prospects in North America.

Continue to capture previously identified large offshore projects:

- Johan Sverdrup oil and gas field project has commenced – Norway, North Sea.
- Won detailed engineering and design award for Maersk Culzean offshore gas development in October – U.K., North Sea (Q4 booking).

Continued strong base of large projects in backlog through 2015 & 2016:

- Executing two mega-LNG projects – Gorgon and Ichthys, with expected earnings from LNG projects to remain significant components of earnings through 2016; favorable resolution of pending change orders continues to provide opportunity for 2016 LNG income to be comparable to 2015.
- Significant backlog of ammonia / urea, refining and oil & gas projects.

Market Outlook: E&C (Continued)



Good pipeline of near-term and long-term prospects:

- Increased focus on Middle East opportunities (refining and petrochemicals).
- Onshore upstream opportunities in Middle East & Caspian remain positive due to low cost to develop. JV with National Oil Company of Azerbaijan (SOCAR) announced in 1Q15 also positions us well for offshore brownfield.
- Offshore developments continue in GoM, North Sea, Azerbaijan and Thailand.
- Pursuing a ~\$2B fertilizer complex in the Midwest U.S. (confidential client).
- Major LNG developments continue to evolve providing add'l support for backlog growth in 2016 and beyond:
 - KBR/SK JV services work underway for Magnolia LNG sole-source 4 train (8mtpa) LNG facility; EPC pricing by year end.
 - KBR/JGC/Rekayasa JV continue FEED and EPC bid opportunity for Tangguh Train 3. Award expected 2016.
 - Continue to work on Shell Global LNG Agreement, with assignments underway.
 - Four add'l FERC FEEDs in North America (clients confidential).
 - Pre-FEED work and tendering ongoing for two major FLNG projects.
- Continued pursuit of LNG developments in North America where economics are promising given low forecasted cost of development versus most other regions of the world.

Market Outlook: Government Services



- Confirmed preferred bidder for U.K. MoD Fixed Wing Training (MFTS) contract – another long-term annuity type project. Award expected Q4.
- U.K. Army re-basing – discussions continue on a sole source basis with decisions expected by year-end.
- Strong operational performance continues for U.K. PFI contracts – primarily MoD long-term facilities maintenance.
- A number of U.S. overseas base operations support opportunities under tender; e.g., Kuwait.
- Services in Iraq under LogCap IV contract grew in the period with further growth possible.
- Continued progress in successfully closing U.S. Gov't audits of legacy LogCap III and RIO billings.

Summary



- Solid earnings and operational performance.
- E&C management has made good progress de-risking the business through strong performance on Non-Strategic power projects and closing out Canadian pipe fab / mod assembly projects.
- We continue to capture previously identified key sales prospects.
- New credit facility in place.
- Strong balance sheet provides optionality in challenging markets.
- Good near-term prospects – backlog growth opportunities.
- Our strategy is progressing on plan.



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Appendix

Consolidated EBITDA Reconciliation Q3 2015



Technology & Consulting
Engineering & Construction
Government Services

(\$ in millions)	Quarter Ending	
	Sep 30, 2015	Sep 30, 2014
Net Income Attributable to KBR	\$55	\$30
Add Back:		
Interest Income (Expense)	(\$2)	\$3
Provision for Income Taxes	(\$19)	\$1
Depreciation & Amortization	(\$10)	(\$19)
Consolidated EBITDA	\$86	\$45

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